

## NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong Dollars)

### 1. Basis of preparation

The interim financial report is unaudited, but has been reviewed by the Audit Committee.

The interim financial report has been prepared in accordance with the requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Statement of Standard Accounting Practice 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

The same accounting policies adopted in the 2000 annual accounts have been applied to the interim financial report.

### 2. Segmental information

The analysis of the principal activities and geographical locations of the operations of the Group during the financial period are as follows:

	Turnover		Operating profit	
	Six months ended 30th June 2001 (\$ million)	2000 (\$ million)	Six months ended 30th June 2001 (\$ million)	2000 (\$ million)
<b>Principal activities</b>				
Sales of electricity and its related income	4,871	4,734	2,948	2,887
Technical service fees	38	35	14	9
	<u>4,909</u>	<u>4,769</u>	<u>2,962</u>	<u>2,896</u>
Interest income			291	278
Finance costs			(393)	(480)
Unallocated group expenses			(13)	(5)
Operating profit			<u>2,847</u>	<u>2,689</u>

### Geographical locations of operations

	Turnover	
	Six months ended 30th June 2001 (\$ million)	2000 (\$ million)
Hong Kong	4,894	4,753
Rest of Asia, Middle East and Australia	15	16
	<u>4,909</u>	<u>4,769</u>

### 3. Operating Profit

	<b>Six months ended 30th June</b>	
	<b>2001</b>	<b>2000</b>
	<i>(\$ million)</i>	<i>(\$ million)</i>
Operating profit is shown after charging/(crediting):		
Finance costs		
Interest on borrowings	568	627
Less : interest capitalised to fixed assets	(171)	(143)
interest transferred to fuel cost	(4)	(4)
	<b>393</b>	<b>480</b>
Depreciation		
Depreciation charges for the period	822	761
Less : depreciation capitalised	(57)	(54)
	<b>765</b>	<b>707</b>
Loss on disposal of fixed assets	24	31
Profit on sales of staff quarters	(7)	(10)
	<u><b>          </b></u>	<u><b>          </b></u>

### 4. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on estimated assessable profits for the period.

### 5. Scheme of Control Transfers

The Scheme of Control transfers are a mid year notional transfer. The actual Scheme of Control transfers will be determined at the year end when the final results are known.

### 6. Proposed Interim Dividend

After the balance sheet date, the interim dividend proposed by the Board of Directors is as follows:

	<b>Six months ended 30th June</b>	
	<b>2001</b>	<b>2000</b>
	<i>(\$ million)</i>	<i>(\$ million)</i>
Proposed interim dividend of 56 cents per share (2000: 54 cents per share)	<b>1,195</b>	<b>1,153</b>
	<u><b>          </b></u>	<u><b>          </b></u>

### 7. Earnings Per Share

The calculation of earnings per share is based on the profit attributable to shareholders of \$2,463 million (2000: \$2,026 million) and on 2,134,261,654 shares (2000: the weighted average number of 2,090,278,914 shares) in issue during the period.

## 8. Fixed Assets

During the period, additions to property, plant and equipment amounted to \$1,411 million (2000: \$1,074 million). Net book value of property, plant and equipment disposed amounted to \$33 million (2000: \$37 million).

## 9. Trade & Other Receivables

	At 30th June 2001 (\$ million)	At 31st December 2000 (\$ million)
Fuel Clause Account	1,085	981
Debtors (see note below)	800	664
	<u>1,885</u>	<u>1,645</u>
Debtors' ageing is analysed as follows:		
Within 1 month	596	419
1 to 3 months overdue	20	16
More than 3 months overdue but less than 12 months overdue	6	9
	<u>622</u>	<u>444</u>
Total trade debtors (see note below)	622	444
Deposits, prepayments and other receivables	178	220
	<u>800</u>	<u>664</u>

Electricity bills issued to domestic, small industrial and commercial & miscellaneous customers of 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, The Hongkong Electric Company, Limited is entitled to add a surcharge of 5% to the respective bills.

## 10. Bank Balances and Other Liquid Funds

	At 30th June 2001 (\$ million)	At 31st December 2000 (\$ million)
Time deposits	503	791
Cash at bank and in hand	6	3
	<u>509</u>	<u>794</u>

## 11. Trade & Other Payables

	At 30th June 2001 (\$ million)	At 31st December 2000 (\$ million)
Creditors (see note below)	1,126	1,428
Current portion of deferred creditors	211	208
	<u>1,337</u>	<u>1,636</u>

Creditors' ageing is analysed as follows:

	At 30th June 2001 (\$ million)	At 31st December 2000 (\$ million)
Due within 1 month	472	598
Due between 1 month and 3 months	149	342
Due between 3 months and 12 months	428	414
	<u>1,049</u>	<u>1,354</u>
Other payables	77	74
	<u>1,126</u>	<u>1,428</u>

## 12. Share Capital

	At 30th June 2001 (\$ million)	At 31st December 2000 (\$ million)
Authorised		
Ordinary shares of \$1 each	3,300,000,000	3,300
Issued and fully paid		
Ordinary shares of \$1 each	2,134,261,654	2,134

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

### 13. Reserves

	<b>Share Premium</b> <i>(\$ million)</i>	<b>Revenue Reserves</b> <i>(\$ million)</i>	<b>Proposed Dividends</b> <i>(\$ million)</i>	<b>Total</b> <i>(\$ million)</i>
At 1st January 2001	4,476	21,835	2,080	28,391
Final dividend for the year 2000 paid	–	–	(2,080)	(2,080)
Retained profit for the period	–	2,463	–	2,463
Proposed interim dividend (see note 6)	–	(1,195)	1,195	–
At 30th June 2001	<u>4,476</u>	<u>23,103</u>	<u>1,195</u>	<u>28,774</u>

### 14. Related Party Transactions

The Group had the following significant related party transactions during the period:

	<b>Six months ended 30th June</b>	
	<b>2001</b>	<b>2000</b>
	<i>(\$ million)</i>	<i>(\$ million)</i>
Purchases of coal	26	17
Consulting fee received/receivable for providing engineering consultancy services	(2)	(2)
Purchase of electric appliances for private and public estates	1	1
Purchase of limestone powder	2	3
Interest income	(273)	(242)
Purchase of assets	5	–

During the period, the related party transactions were conducted in accordance with the terms as disclosed in the latest published annual report except for the new related party transaction below.

The Hongkong Electric Company, Limited (“HEC”), a wholly owned subsidiary of the Company, has on 2nd April 2001 awarded a sub-contract to HUD General Engineering Services Limited (“HUD”). HUD is 50% owned by Hutchison Whampoa Limited which in turn is the holding company of the substantial shareholder of the Company, Cheung Kong Infrastructure Holdings Limited. Pursuant to the sub-contract, HUD agreed to carry out works for the general electrical and mechanical erection of a steam cycle bottoming system at the Lamma Power Station at a consideration of approximately \$42.8 million. No amount was incurred by HEC during the period under the sub-contract.

## 15. Capital Commitments

	At 30th June 2001 (\$ million)	At 31st December 2000 (\$ million)
Capital expenditure authorised and contracted for but not provided in these accounts	<u>3,490</u>	<u>2,660</u>
Capital expenditure authorised but not contracted for	<u>11,720</u>	<u>13,872</u>

The Company has entered into an agreement with Cavendish International Holdings Limited, Hutchison Whampoa Limited and Cheung Kong (Holdings) Limited whereby the Company undertakes to provide 20% of the capital requirements of its associate, Secan Limited to the extent that such requirements are not funded by means of other borrowings from third parties.

## 16. Contingent Liabilities

At 30th June 2001, there were contingent liabilities as follows:

- The Company has given a guarantee to bank in respect of banking facilities available to an associate amounting to \$8 million (at 31st December 2000: \$8 million).
- The Company has given guarantees in respect of bank and other borrowing facilities available to subsidiaries totalling \$7,736 million (at 31st December 2000: \$9,663 million) equivalent.

## 17. Comparative Figures

Certain comparative figures of the unaudited consolidated profit and loss accounts for the period ended 30th June 2000 have been adjusted as a result of the revision in the components of the 2000 tariff structure which was announced on 16th September 2000.

As a result of the adoption of the requirements of the Statement of Standard Accounting Practice No. 9 (revised) “Events after the balance sheet date”, proposed dividend is recognised as a component of equity instead of recognised as a liability at the balance sheet date. Certain comparative figures for the year ended 31st December 2000 have also been reclassified to conform to the current period’s presentation.