

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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2016 ANNUAL RESULTS **CHAIRMAN'S STATEMENT**

Preparing for a green energy future

It gives me great pleasure to present the financial and operating results for HKEI in 2016.

This year we continued to achieve a balance between shareholder and customer value, with stable distribution to holders of our Share Stapled Units (SSU), while reducing our tariffs across the board. Following the 2016 tariff reduction we have announced further cuts for 2017, delivering savings of over 17% on average for all customers, thanks to lower-than-expected fuel costs. These cuts follow a two-year tariff freeze and have enabled us to go over and above our 2013 pledge to keep tariffs unchanged for five years till end 2018.

Over the years, it is clear that the world's energy needs have evolved: the need is now for reliable and accessible energy that is also environmentally friendly. One of our key strategies to achieve this in the immediate term is through a significant increase in the use of natural gas for generation. In 2015, we had begun the work of increasing gas-firing generation capacity with the construction of a new gas-fired generating unit, L10 at Lamma Power Station (LPS). In September 2016, we secured Government approval for another such unit, L11, and have already commenced with preparation works for its construction.

In the longer term, more efforts would be required to support the Government's Climate Action Plan 2030+ which sets out an aggressive target to reduce Hong Kong's carbon intensity by 65-70% in 2030 compared to the 2005 level. We envisage an investment pipeline which includes the further replacement of coal-fired generating units by gas-fired units and other supporting infrastructure.

Financial results and distributions

For the year ended 31 December 2016, HKEI's EBITDA was HK\$8,034 million (2015: HK\$8,035 million) and profits attributable to SSU holders was HK\$3,599 million (2015: HK\$3,591 million).

The Board of the Trustee-Manager has declared a final distribution by the Trust of HK20.12 cents (2015: HK20.12 cents) per SSU, payable on 19 April 2017 to SSU holders whose names appear on the Share Stapled Units Register on 6 April 2017. This, together with the interim distribution of HK19.92 cents (2015: HK19.92 cents) per SSU, amounts to a total distribution of HK40.04 cents (2015: HK40.04 cents) per SSU for the year.

Infrastructure for increased gas-fired generation to combat climate change

In 2015, following an extensive public consultation exercise, the Hong Kong Government released its fuel mix strategy for the energy sector. It mandated an increase in local gas-fired generation to about 50% of total output in 2020 which we fully support. In 2016, we progressed with several key initiatives to reach this target.

We will consecutively install two new gas-fired combined cycle generating units, L10 and L11, at LPS, our primary generating facility, to replace retiring coal-fired and gas-fired units. Construction of the L10 unit is progressing well with the superstructure construction set to commence on schedule for commissioning of the unit in 2020. Preparations for the newly approved L11 unit are underway with piling work having commenced at end 2016. When L11 is commissioned in 2022, our gas-firing generation capacity will rise to about 55% of total output which will help reduce emissions further. We are excited about these projects and are confident that they will be completed on time and within budget. Other coal-fired units at LPS are coming to the end of their useful lives and need to be replaced by gas-fired units before the end of the next decade.

In October 2016, the Hong Kong Government's Sixth Technical Memorandum was published. The annual emission allowances of sulphur dioxide (SO₂), nitrogen oxides (NO_x) and respirable suspended particulates (RSP) are further tightened by 8%, 2% and 10% respectively for HK Electric from 2021 onwards. Our expanded gas-firing capacity as well as other emission control measures will enable us to meet these tightened allowances.

To maintain supply reliability while increasing gas-firing generation capacity, it is imperative to secure the supply chain. Hong Kong at present lacks storage facilities for natural gas imported by sea, which also affects our negotiating power with international gas suppliers. To address this gap, we are, in partnership with CLP Power Hong Kong Limited, jointly exploring the feasibility of siting an offshore liquefied natural gas terminal using floating storage and regasification unit technology (FSRU). The terminal, if and when built, will serve the electricity sector as a whole. An Environmental Impact Assessment (EIA) began during the year. If the Government approves the EIA report and the project in time, the terminal is scheduled for commissioning in 2020.

Consistent performance across all parameters

While preparing for the future we continued to excel on all operating parameters in 2016.

Supply reliability was maintained at over 99.999% for the twentieth consecutive year and unplanned power interruption per customer was under one minute for the eighth consecutive year. I am gratified to note that we, once again, met or surpassed all eighteen customer service pledges, as we continue to offer customers reduced tariffs in response to softer fuel prices. Electricity sales in 2016 declined slightly by 0.8% as a result of conservation efforts across the community.

In preparation for the expansion of our gas-firing generation capacity, security and reliability enhancement works were carried out on the gas receiving station at LPS. On the transmission and distribution front, proactive network enhancement and improvement projects were implemented, to maintain high standards with respect to system reliability and power quality, and new equipment was commissioned for provision of new supply. Equally, we remained a prudent and mindful consumer of energy in our office buildings and across our fleet of company vehicles.

We believe that Electric Vehicles (EVs) have great potential to reduce roadside emissions. Our own fleet has over a hundred EVs. We were the official energy partner for the first Hong Kong ePrix held in October 2016, helping increase awareness that EVs are powerful enough to make it to the racing circuit. Other initiatives during the year included EV charging advisory services for buildings and the continued provision of free charging facilities in public carparks.

We once again outperformed all statutory emissions caps in 2016 and continued to encourage and educate the public on energy efficiency and environmental awareness through our community involvement programmes such as the Green Hong Kong Green and Smart Power Campaign. We offered energy audit advisory services for non-residential customers and funded energy improvement works at older residential blocks through the Smart Power Fund.

We remain an employer of choice, offering a healthy work-life balance, stimulating opportunities and planned career progression to employees from recruitment to retirement. I am honoured that we were ranked one of the Top 10 Most Attractive Employers in Hong Kong by Randstad.

Our involvement in the community remained unwavering, as our dedicated team of volunteers offered their time and expertise to the causes close to our hearts; such as supporting the vulnerable elderly, participating in community-wide initiatives and educating the public on conserving the environment. We pressed ahead with our efforts to minimise the amount of waste we produced and recycled unavoidable waste.

Regulatory framework for a stable sector

One of the priorities for the Hong Kong Government during this period is to set the regulatory framework that will drive the sector upon the expiry of the current Scheme of Control Agreement (SCA). Responses to a public consultation on the future development of the electricity market conducted in 2015 indicated that the majority of the community felt the current arrangement should be maintained. We share this view.

The SCA framework has worked well and allowed the fulfillment of the Government's energy policy objectives of safety, reliability, affordability and environmental protection. It has been effective in balancing the interests of consumers and industry players, appropriately incentivising the long-term investments necessary to evolve Hong Kong's electricity infrastructure to meet the needs of the 21st century particularly in addressing climate change and air quality concerns.

On this note, we are encouraged by the reasonably good progress that has been made in our ongoing deliberations with the Government over the future regulatory framework. The discussion is in an advanced stage now with both sides acknowledging the need for an early agreement with which HK Electric will be able to make timely investments to achieve the Government's energy and environmental objectives.

Outlook

With socio-economic uncertainties likely to prevail in Hong Kong and around the world, it is important to conclude the deliberations over the future shape of the regulatory framework for the power industry, as early as possible. A secure regulatory environment and a reasonable rate of return are crucial for industry players to make appropriate investments to maintain a high-quality, affordable and cleaner supply of electricity. This is particularly pertinent in the case of HK Electric with the impending retirement of many of our coal-fired units and the pressing need to reduce Hong Kong's air emission and improve its carbon footprint.

Another key priority will be the smooth construction and completion of the three large infrastructural projects for the two new gas-fired generating units and the FSRU which will contribute greatly to Hong Kong's green energy future.

Our expanded use of natural gas for power generation will increase our fuel costs from 2020, in turn exerting pressure on tariffs. We will plan appropriate measures to minimise the impact of these future increases on our customers.

To honour Hong Kong's commitments in the COP 21 agreement, the community as a whole needs to work to improve energy efficiency in both private and public life. We will work with the Government, and also intensify our community engagement efforts, adopting both best practice from overseas and developing our own measures applicable to the unique conditions of Hong Kong.

As always, I would like to thank our staff for their excellent service and the constant "can do" approach. Their skills, attitude and dedication are central to our continued success.

Fok Kin Ning, Canning

Chairman

Hong Kong, 21 March 2017

FINANCIAL REVIEW

Financial performance

The Trust Group's revenue and consolidated profit for the year ended 31 December 2016 were HK\$11,420 million (2015: HK\$11,210 million) and HK\$3,599 million (2015: HK\$3,591 million) respectively.

Distribution

The Trustee-Manager Board has declared the payment of a final distribution by the Trust of HK20.12 cents (2015: HK20.12 cents) per SSU. In order to enable the Trust to pay that distribution, the Company Board has declared the payment of a second interim dividend in lieu of a final dividend in respect of the Company's ordinary shares held by the Trustee-Manager, of HK20.12 cents (2015: HK20.12 cents) per ordinary share in respect of the same period. This, together with the interim distribution of HK19.92 cents (2015: HK19.92 cents) per SSU, brings the total distribution to HK40.04 cents (2015: HK40.04 cents) per SSU for the year ended 31 December 2016.

	2016 HK\$ million	2015 HK\$ million
Consolidated profit attributable to SSU holders	3,599	3,591
After:		
(i) eliminating the effects of the Adjustments (see note (a) below)	4,520	4,532
(ii) adding/(deducting)		
- movement in Fuel Clause Recovery Account	1,805	1,652
- changes in working capital	206	52
- adjustment for employee retirement benefit schemes	26	18
- taxes paid	(1,154)	(918)
	883	804
(iii) capital expenditure payment	(2,760)	(2,237)
(iv) deducting		
- debt repayment	(7,504)	(779)
- net finance costs	(1,105)	(937)
	(8,609)	(1,716)
(v) deducting		
- reserve for future capital expenditure/debt service	-	(1,436)
Distributable income	(2,367)	3,538
(vi) adding discretionary amount as determined by the Company Board pursuant to clause 14.1(c) of the Trust Deed	5,905	-
Distributable income after adjustment of the discretionary amount	3,538	3,538

	2016	2015
	HK\$ million	HK\$ million
Interim distribution	1,760	1,760
Final distribution	1,778	1,778
Distribution amount	<u>3,538</u>	<u>3,538</u>
Distributions per SSU (see note (c) below)		
– Interim distribution per SSU	HK19.92 cents	HK19.92 cents
– Final distribution per SSU	HK20.12 cents	HK20.12 cents
Total distributions per SSU	<u>HK40.04 cents</u>	<u>HK40.04 cents</u>

In determining the distribution amount, the Company Board has taken into account the Group's financial performance achieved during the year and its stable cashflow from operations, and consider it appropriate to adjust the distributable income for the year ended 31 December 2016, 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.
- (c) Interim distribution per SSU of HK19.92 cents (2015: HK19.92 cents) was calculated based on the interim distribution amount of HK\$1,760 million (2015: HK\$1,760 million) and 8,836,200,000 SSUs in issue as at 30 June 2016 (30 June 2015: 8,836,200,000 SSUs). Final distribution per SSU of HK20.12 cents (2015: HK20.12 cents) was calculated based on the final distribution amount of HK\$1,778 million (2015: HK\$1,778 million) and 8,836,200,000 SSUs in issue as at 31 December 2016 (31 December 2015: 8,836,200,000 SSUs).

Capital expenditure, liquidity and financial resources

Capital expenditure during the year amounted to HK\$2,799 million (2015: HK\$2,516 million), which was primarily funded by cash from operations. Total external borrowings outstanding at 31 December 2016 were HK\$39,679 million (2015: HK\$47,217 million), comprising unsecured bank loans and debt securities in issue. In addition, the Trust Group at 31 December 2016 had undrawn committed bank facilities of HK\$4,000 million (2015: HK\$1,000 million) and bank deposits and cash of HK\$316 million (2015: HK\$6,157 million).

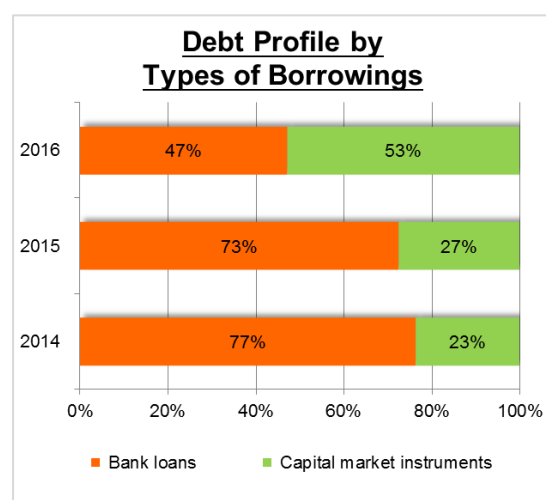
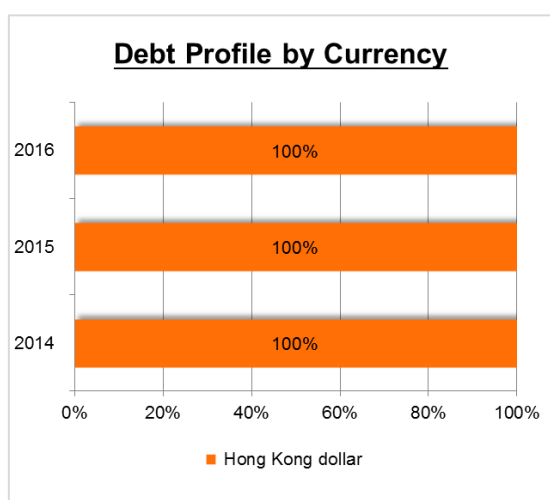
Treasury policy, financing activities, capital and debt structure

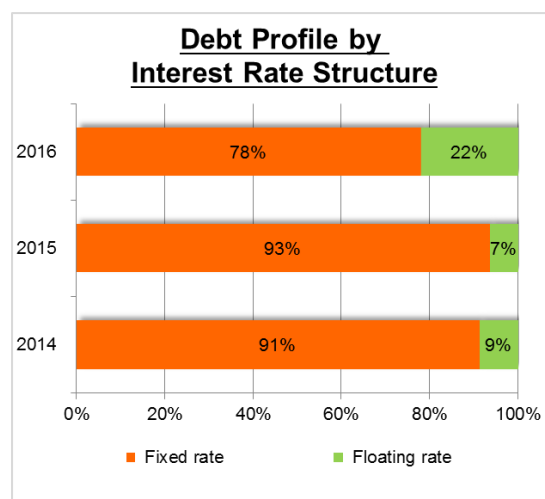
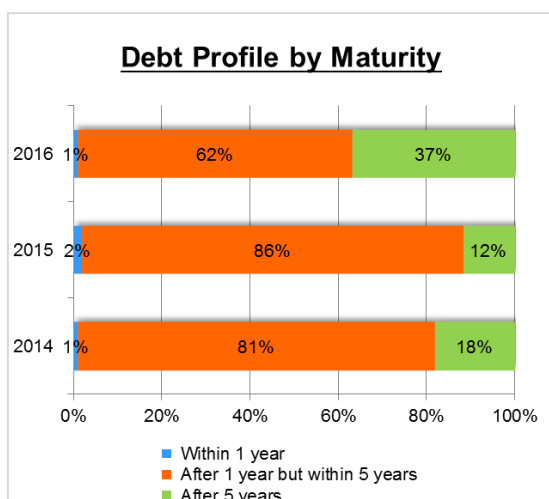
The Trust Group manages its financial risks in accordance with guidelines laid down in its treasury policy which is designed to manage the Trust Group's currency, interest rate and counterparty risks. Surplus funds, which arise mainly from provision for capital expenditure to be incurred and from electricity 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 31 December 2016, the net debt of the Trust Group was HK\$39,363 million (2015: HK\$41,060 million) with a net debt-to-net total capital ratio of 44% (2015: 46%). The Trust Group's financial profile remained strong during the year. On 23 February 2016, Standard & Poor's pronounced the long term credit ratings are "A-" with a stable outlook for the Company and HK Electric unchanged since September 2015 and January 2014, respectively.

In 2016, the Trust Group took advantage of market liquidity to extend its debt maturity profile by issuing US\$750 million 10 year notes in the public bond market as well as a total of HK\$3,025 million notes with tenors ranging from 12 to 30 years in the Hong Kong dollar private placement market through its Medium Term Notes Programme. During the year, the Trust Group entered into new 5 year term loan facilities totalling HK\$21,700 million with various financial institutions. The proceeds of these issues together with the new term loans and internal resources were used to fully prepay the balance of its term loan facilities maturing in February 2017.

The profile of the Trust Group's external borrowings as at 31 December 2016, after taking into account forward foreign exchange contracts, cross currency and interest rate swaps, was as follows:





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 31 December 2016, over 80% 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 and cross currency swaps.

The contractual notional amounts of derivative financial instruments outstanding at 31 December 2016 amounted to HK\$65,367 million (2015: HK\$54,267 million).

Charge on assets

At 31 December 2016, no assets of the Trust Group were pledged to secure its loans and banking facilities (2015: Nil).

Contingent liabilities

As at 31 December 2016, the Trust Group had no guarantee or indemnity to external parties (2015: 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 year ended 31 December 2016, excluding directors' emoluments, amounted to HK\$1,113 million (2015: HK\$1,074 million). As at 31 December 2016, the Trust Group employed 1,790 (2015: 1,800) permanent employees. No share option scheme is in operation.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
OF THE TRUST AND OF THE COMPANY**

For the year ended 31 December 2016

(Expressed in Hong Kong dollars)

	Note	2016 \$ million	2015 \$ million
Revenue	5	11,420	11,210
Direct costs		(5,369)	(5,189)
		6,051	6,021
Other revenue and other net income	7	39	78
Other operating costs		(918)	(811)
Operating profit		5,172	5,288
Finance costs		(991)	(1,025)
Profit before taxation	8	4,181	4,263
Income tax:	9		
Current		(1,145)	(1,059)
Deferred		388	309
		(757)	(750)
Profit after taxation		3,424	3,513
Scheme of Control transfers	10(b)	175	78
Profit for the year attributable to the holders of Share Stapled Units/shares of the Company		3,599	3,591
Earnings per Share Stapled Unit/share of the Company			
Basic and diluted	12	40.73 cents	40.64 cents

As explained in note 3, the consolidated financial statements of the Trust and the consolidated 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 year are set out in note 11.

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

For the year ended 31 December 2016

(Expressed in Hong Kong dollars)

	2016	2015
	\$ million	\$ million
Profit for the year attributable to the holders of Share Stapled Units/shares of the Company	3,599	3,591
Other comprehensive income for the year, after tax and reclassification adjustments		
Items that will not be reclassified to profit or loss		
Defined benefit retirement schemes:		
Remeasurement of net defined benefit asset/liability	81	(158)
Net deferred tax (charged)/credited to other comprehensive income	(13)	26
	68	(132)
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments recognised during the year	837	(167)
Reclassification adjustments for amounts transferred to profit or loss	71	4
Amounts transferred to the initial carrying amount of hedged items	7	19
Net deferred tax (charged)/credited to other comprehensive income	(151)	23
	764	(121)
Total comprehensive income for the year attributable to the holders of Share Stapled Units/shares of the Company	4,431	3,338

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

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

At 31 December 2016

(Expressed in Hong Kong dollars)

	Note	2016 \$ million	2015 \$ million
Non-current assets			
Property, plant and equipment		64,432	64,521
Interests in leasehold land held for own use under finance leases		6,281	6,472
	13	70,713	70,993
Goodwill		33,623	33,623
Derivative financial instruments		1,034	314
Employee retirement benefit scheme assets		454	580
Deferred tax assets		-	6
		<u>105,824</u>	<u>105,516</u>
Current assets			
Inventories		985	882
Trade and other receivables	14	1,225	1,160
Bank deposits and cash		316	6,157
		<u>2,526</u>	<u>8,199</u>
Current liabilities			
Trade and other payables	15	(2,735)	(2,586)
Fuel Clause Recovery Account	16	(4,088)	(2,283)
Current portion of bank loans and other interest- bearing borrowings	17	(335)	(900)
Current tax payable		(351)	(360)
		<u>(7,509)</u>	<u>(6,129)</u>
Net current (liabilities)/assets		<u>(4,983)</u>	<u>2,070</u>
Total assets less current liabilities		<u>100,841</u>	<u>107,586</u>
Non-current liabilities			
Bank loans and other interest-bearing borrowings	17	(39,344)	(46,317)
Derivative financial instruments		(73)	(207)
Customers' deposits		(2,057)	(2,001)
Deferred tax liabilities		(9,017)	(9,247)
Employee retirement benefit scheme liabilities		(406)	(587)
		<u>(50,897)</u>	<u>(58,359)</u>
Scheme of Control Fund and Reserve	10(c)	<u>(39)</u>	<u>(215)</u>
Net assets		<u>49,905</u>	<u>49,012</u>
Capital and reserves			
Share capital		8	8
Reserves		49,897	49,004
Total equity		<u>49,905</u>	<u>49,012</u>

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

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

(Expressed in Hong Kong dollars)

1. Review of annual results

The annual results have been reviewed by the Audit Committees.

The figures in respect of the preliminary announcement of the Trust Group's and the Group's results for the year ended 31 December 2016 have been compared by the Trust Group's and the Group's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Trust Group's and the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

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. The Company has established a principal place of business in Hong Kong at Hongkong Electric Centre, 44 Kennedy Road, Hong Kong. The principal activity of the Company is investment holding.

On 1 January 2014, HK Electric Investments (the "Trust") was constituted as a trust 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.

The Share Stapled Units structure comprises (1) a unit in the Trust; (2) a beneficial interest in a specifically identified ordinary share in the Company which is linked to the unit and held by Trustee-Manager as legal owner in its capacity as trustee-manager of the Trust; and (3) a specifically identified preference share in the Company which is "stapled" to the unit. The Share Stapled Units are jointly issued by the Trust and the Company and listed on the Main Board of the Stock Exchange.

3. Basis of presentation

Pursuant to the Trust Deed, the Trust and the Company are each required to prepare their own sets of financial statements on a consolidated basis. The consolidated financial statements of the Trust for the year ended 31 December 2016 comprise the consolidated financial statements of the Trust, the Company and its subsidiaries (together the “Trust Group”). The consolidated financial statements of the Company for the year ended 31 December 2016 comprise the consolidated financial statements of the Company and its subsidiaries (together the “Group”).

The Trust controls the Company and the sole activity of the Trust during the year ended 31 December 2016 was investing in the Company. Therefore, the consolidated results and financial position that would be presented in the consolidated financial statements of the Trust are identical to the consolidated 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 consolidated financial statements of the Trust and of the Company together. The consolidated financial statements of the Trust and the consolidated financial statements of the Company are presented together to the extent they are identical and are hereinafter referred as the “consolidated financial statements of the Trust and of the Company”.

The consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated cash flow statement, significant accounting policies and the related explanatory information are common to the Trust and the Company. Information specific to the Company are disclosed separately in the relevant explanatory information in notes to the consolidated financial statements.

The Trust Group and the Group are referred as the “Groups”.

4. 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 developments are relevant to the Trust’s and the Company’s consolidated financial statements:

- Amendments to HKAS 1, *Disclosure initiative*
- Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*
- *Annual Improvements to HKFRSs 2012-2014 Cycle*

The adoption of these amendments to HKFRSs has no material impact on the Groups’ results and financial position for the current or prior periods. The Groups have not applied any new standard or amendment that is not effective for the current accounting period.

5. Revenue

The principal activity of the Groups is the generation and supply of electricity to Hong Kong Island and Lamma Island. Revenue is analysed as follows:

	2016 \$ million	2015 \$ million
Sales of electricity	11,373	11,165
Concessionary discount on sales of electricity	(6)	(6)
Electricity-related income	53	51
	11,420	11,210

6. 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.

7. Other revenue and other net income

	2016 \$ million	2015 \$ million
Interest income from financial assets not at fair value through profit or loss	12	46
Sundry income	27	32
	39	78

8. Profit before taxation

	2016	2015
	\$ million	\$ million
Profit before taxation is arrived at after charging:		
Depreciation	2,683	2,600
Amortisation of leasehold land	191	193
Costs of inventories	3,138	3,728
Write down of inventories	11	6
Staff costs	652	635
Net loss on disposal and written off of property, plant and equipment	74	77
Auditor's remuneration - audit and audit related work	5	4

9. Income tax in the consolidated statement of profit or loss

	2016	2015
	\$ million	\$ million
Current tax		
Provision for Hong Kong Profits Tax for the year	1,145	1,059
Deferred tax		
Origination and reversal of temporary differences	(388)	(309)
	757	750

The provision for Hong Kong Profits Tax for 2016 is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year.

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.

10. Scheme of Control transfers

- (a) The financial operations of HK Electric are governed by the Scheme of Control Agreement (“SoCA”) agreed with the Government which provides for HK Electric to earn a Permitted Return. Any excess or deficiency of the gross tariff revenue over the sum of total operating costs, Scheme of Control Net Return and Scheme of Control taxation charges is transferred to/(from) a Tariff Stabilisation Fund from/(to) the statement of profit or loss of HK Electric. When transfer from the Tariff Stabilisation Fund to the statement of profit or loss is required, the amount transferred shall not exceed the balance of the Tariff Stabilisation Fund. In addition, a charge calculated by applying the average one-month Hong Kong Interbank Offered Rate on the average balance of the Tariff Stabilisation Fund is transferred from the statement of profit or loss of HK Electric to a Rate Reduction Reserve.

Pursuant to 2013 mid-term review of Scheme of Control, a Smart Power Fund was established in June 2014 to support the carrying out of improvement works to upgrade the energy efficiency performance of building services installations for communal use in non-commercial buildings. Specifically, HK Electric consented to contribute to the Smart Power Fund each year during the period from 1 January 2014 to 31 December 2018 an amount being deducted from its financial incentive under the energy efficiency incentive mechanism in the SoCA for outperforming the energy audit and energy saving targets (if any) each year during the period from 1 January 2013 to 31 December 2017.

- (b) Scheme of Control transfers (to)/from the consolidated statement of profit or loss represents:

	2016	2015
	\$ million	\$ million
Tariff Stabilisation Fund	(181)	(84)
Rate Reduction Reserve	1	1
Smart Power Fund		
- Provisional sum to be injected in the following year	5	5
	(175)	(78)

A provisional sum of \$4,990,000, representing deduction of HK Electric’s 2016 financial incentive (2015: \$4,952,000), was transferred from the consolidated statement of profit or loss and included in the trade and other payables for injection into the Smart Power Fund in the following year.

(c) Movements in the Tariff Stabilisation Fund, Rate Reduction Reserve and Smart Power Fund are as follows:

\$ million	Tariff Stabilisation Fund (see note below)	Rate Reduction Reserve (see note below)	Smart Power Fund	Total
At 1 January 2015	288	-	5	293
Transfer (to)/from the consolidated statement of profit or loss	(84)	1	-	(83)
Injection for the year	-	-	5	5
At 31 December 2015 and 1 January 2016	204	1	10	215
Transfer from Rate Reduction Reserve to Tariff Stabilisation Fund (see note below)	1	(1)	-	-
Transfer (to)/from the consolidated statement of profit or loss	(181)	1	-	(180)
Injection for the year (see note (b) above)	-	-	5	5
Disbursement for the year	-	-	(1)	(1)
At 31 December 2016	24	1	14	39

Pursuant to mid-term review of Scheme of Control, the year-end balance of the Rate Reduction Reserve of a year has to be transferred to the Tariff Stabilisation Fund in the following year starting from end 2013.

11. Distributions/dividends

(a) The distributable income for the year was as follows:

	2016 \$ million	2015 \$ million
Consolidated profit attributable to the holders of Share Stapled Units	3,599	3,591
After:		
(i) eliminating the effects of the Adjustments (see note 1 below)	4,520	4,532
(ii) adding/(deducting)		
- movement in Fuel Clause Recovery Account	1,805	1,652
- changes in working capital	206	52
- adjustment for employee retirement benefit schemes	26	18
- taxes paid	(1,154)	(918)
	883	804
(iii) capital expenditure payment	(2,760)	(2,237)
(iv) deducting		
- debt repayment	(7,504)	(779)
- net finance costs	(1,105)	(937)
	(8,609)	(1,716)
(v) deducting		
- reserve for future capital expenditure/debt service	-	(1,436)
Distributable income	(2,367)	3,538
(vi) adding discretionary amount as determined by the Company Board pursuant to clause 14.1(c) of the Trust Deed (see note 4 below)	5,905	-
Distributable income after adjustment of discretionary amount	3,538	3,538

Note 1 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.

Note 2 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.

Note 3 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.

Note 4 In determining the distribution amount, the Company Board has taken into account the Group's financial performance achieved during the year and its stable cashflow from operations, and consider it appropriate to adjust the distributable income for the year ended 31 December 2016, as calculated pursuant to the Trust Deed, by the above discretionary amount, pursuant to clause 14.1(c) of the Trust Deed.

(b) Distributions/dividends payable to holders of Share Stapled Units/shares of the Company attributable to the year

	2016 \$ million	2015 \$ million
	<u> </u>	<u> </u>
Interim distribution/first interim dividend declared and paid of 19.92 cents (2015: 19.92 cents) per Share Stapled Unit/share	1,760	1,760
Final distribution/second interim dividend proposed after the end of the reporting period of 20.12 cents (2015: 20.12 cents) per Share Stapled Unit/share	1,778	1,778
	<u>3,538</u>	<u>3,538</u>

For the year ended 31 December 2016, the Company Board declared the payment of a second interim dividend of 20.12 cents per ordinary share (2015: 20.12 cents per ordinary share), amounting to \$1,778 million (2015: \$1,778 million), in lieu of a final dividend after the end of the reporting period and therefore no final dividend was proposed by the Company Board.

For the year ended 31 December 2016, the Trustee-Manager Board declared a final distribution of 20.12 cents per Share Stapled Unit (2015: 20.12 cents per Share Stapled Unit), amounting to \$1,778 million (2015: \$1,778 million), after the end of the reporting period.

The final distribution/second interim dividend declared after the end of the reporting period is based on the number of Shares Stapled Units/ordinary shares of the Company of 8,836,200,000 as at 31 December 2016 (2015: 8,836,200,000). The final distribution/second interim dividend declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(c) **Distributions/dividends payable to holders of Share Stapled Units/shares of the Company attributable to the previous financial year, approved and paid during the year**

	2016	2015
	\$ million	\$ million
Final distribution/second interim dividend in respect of the previous financial year, approved and paid during the year, of 20.12 cents (2015: 19.89 cents) per Share Stapled Unit/share	1,778	1,757

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/ordinary shares of the Company of \$3,599 million (2015: \$3,591 million) and the weighted average of 8,836,200,000 Share Stapled Units/ordinary shares of the Company (2015: 8,836,200,000 Share Stapled Units/ordinary shares of the Company) in issue during the year.

13. Property, plant and equipment and interests in leasehold land

\$ million	Site formation and buildings	Plant, machinery and equipment	Fixtures, fittings and motor vehicles	Assets under construction	Sub-total	Interests in leasehold land held for own use under finance leases	Total
Cost							
At 1 January 2015	16,509	47,366	393	3,059	67,327	6,844	74,171
Additions	6	578	88	1,844	2,516	-	2,516
Transfer	37	1,016	41	(1,094)	-	-	-
Disposals	(5)	(308)	(15)	-	(328)	-	(328)
At 31 December 2015 and 1 January 2016	16,547	48,652	507	3,809	69,515	6,844	76,359
Additions	18	403	82	2,296	2,799	-	2,799
Transfer	68	1,324	27	(1,419)	-	-	-
Disposals	(2)	(353)	(38)	-	(393)	-	(393)
At 31 December 2016	16,631	50,026	578	4,686	71,921	6,844	78,765
Accumulated depreciation and amortisation							
At 1 January 2015	466	1,979	80	-	2,525	179	2,704
Written back on disposals	(2)	(217)	(15)	-	(234)	-	(234)
Charge for the year	510	2,114	79	-	2,703	193	2,896
At 31 December 2015 and 1 January 2016	974	3,876	144	-	4,994	372	5,366
Written back on disposals	(1)	(257)	(38)	-	(296)	-	(296)
Charge for the year	511	2,193	87	-	2,791	191	2,982
At 31 December 2016	1,484	5,812	193	-	7,489	563	8,052
Net book value							
At 31 December 2016	15,147	44,214	385	4,686	64,432	6,281	70,713
At 31 December 2015	15,573	44,776	363	3,809	64,521	6,472	70,993

The above are mainly electricity-related property, plant and equipment in respect of which financing costs capitalised during the year amounted to \$118 million (2015: \$78 million).

Depreciation charges for the year included \$108 million (2015: \$103 million), relating to assets utilised in development activities, which have been capitalised.

14. Trade and other receivables

	2016 \$ million	2015 \$ million
Trade debtors (see note (a) below)	647	678
Other receivables (see note below)	499	463
	1,146	1,141
Derivative financial instruments	16	2
Deposits and prepayments	63	17
	1,225	1,160

All of the trade and other receivables are expected to be recovered within one year.

Other receivables of the Groups include unbilled electricity charges of \$416 million (2015: \$408 million) to be received from electricity customers.

(a) **Trade receivables ageing analysis**

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

	2016 \$ million	2015 \$ million
Current and within 1 month	588	625
1 to 3 months	37	36
More than 3 months but less than 12 months	22	17
	647	678

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.

Trade debtors for electricity charges that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade debtors for electricity charges that were past due but not impaired relate to a number of independent customers. HK Electric obtains collateral in the form of security deposits or bank guarantees from customers and the balances are considered to be fully recoverable.

(b) Impairment of trade and other receivables

The Groups' trade debtors are individually assessed for impairment. Any impairment losses are written off against the trade debtors directly. No separate account is maintained for impairment losses. During the year ended 31 December 2016, impairment of trade and other receivables of \$1,589,000 (2015: \$1,364,000) was charged to profit or loss.

15. Trade and other payables

	2016 \$ million	2015 \$ million
	<hr/>	<hr/>
Creditors measured at amortised cost (see note below)	2,717	2,557
Derivative financial instruments	18	29
	<hr/> 2,735 <hr/>	<hr/> 2,586 <hr/>

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

Creditors' ageing is analysed as follows:

	2016 \$ million	2015 \$ million
	<hr/>	<hr/>
Due within 1 month or on demand	813	700
Due after 1 month but within 3 months	445	529
Due after 3 months but within 12 months	1,459	1,328
	<hr/> 2,717 <hr/>	<hr/> 2,557 <hr/>

16. Fuel Clause Recovery Account

The Fuel Clause Charges per unit for electricity sales was 27.9 cents from 1 January 2016 (2015: 32.3 cents). Movements in the Fuel Clause Recovery Account were as follows:

	2016	2015
	\$ million	\$ million
At 1 January	2,283	631
Transferred to profit or loss	(1,206)	(1,861)
Fuel Clause Charges during the year	3,011	3,513
At 31 December	4,088	2,283

This account, inclusive of interest, has been and will continue to be used to stabilise electricity tariffs.

17. Bank loans and other interest-bearing borrowings

	2016	2015
	\$ million	\$ million
Bank loans	18,628	34,057
Current portion	(35)	-
	18,593	34,057
Hong Kong dollar medium term notes		
Fixed rate notes (see note (a) below)	6,588	4,486
Zero coupon notes (see note (b) below)	656	633
	7,244	5,119
Current portion	(300)	(900)
	6,944	4,219
United States dollar medium term notes		
Fixed rate notes (see note (a) below)	11,758	6,087
Zero coupon notes (see note (b) below)	2,049	1,954
	13,807	8,041
Non-current portion	39,344	46,317

(a) The Hong Kong dollar fixed rate notes bear interest at rates ranging from 1.65% to 4.00% per annum (2015: 1.65% to 4.55% per annum).

The United States dollar fixed rate notes bear interest at rates ranging from 2.875% to 4.25% per annum (2015: 4.25% per annum).

- (b) The Hong Kong dollar zero coupon notes which were issued at discount have nominal amount of \$1,056 million (2015: \$1,056 million) and accrual yield of 3.5% per annum (2015: 3.5% per annum).

The United States dollar zero coupon notes have nominal amount of US\$250 million (2015: US\$250 million) and accrual yields ranging from 4.6% to 4.8% per annum (2015: 4.6% to 4.8% per annum). These notes embed with issuer call options allowing issuer to early redeem the notes on 20 October 2020 and annually thereafter until the penultimate year to maturity.

- (c) Some banking facilities of the Groups are subject to the fulfilment of covenants relating to certain of the Groups' statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Groups were to breach the covenants, the drawn down facilities would become payable on demand and any undrawn amount will be cancelled. The Groups regularly monitors its compliance with these covenants. As at 31 December 2016 and 2015, none of the covenants relating to drawn down facilities had been breached.
- (d) None of the non-current interest-bearing borrowings is expected to be settled within one year. All the above borrowings are unsecured.

The non-current interest-bearing borrowings are repayable as follows:

	2016 \$ million	2015 \$ million
After 1 year but within 2 years	-	34,357
After 2 years but within 5 years	24,931	6,417
After 5 years	14,413	5,543
	39,344	46,317

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

For the year ended 31 December 2016

(Expressed in Hong Kong dollars)

	Note	2016 \$	2015 \$
Revenue		-	-
Administrative expenses		-	-
Profit before taxation	5	-	-
Income tax	6	-	-
Profit and total comprehensive income for the year		-	-

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

At 31 December 2016

(Expressed in Hong Kong dollars)

	2016	2015
	\$	\$
	<hr/>	<hr/>
Current assets		
Amount due from immediate holding company	<hr/> 1 <hr/>	<hr/> 1 <hr/>
Net assets	<hr/> 1 <hr/> <hr/>	<hr/> 1 <hr/> <hr/>
Capital and reserves		
Share capital	1	1
Reserves	<hr/> - <hr/>	<hr/> - <hr/>
Total equity	<hr/> 1 <hr/> <hr/>	<hr/> 1 <hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS
OF HK ELECTRIC INVESTMENTS MANAGER LIMITED**

(Expressed in Hong Kong dollars)

1. Review of annual results

The annual results have been reviewed by the Audit Committee.

The figures in respect of the preliminary announcement of the HK Electric Investments Manager Limited's (the "Company") results for the year ended 31 December 2016 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Company's draft financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

2. General information

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, which is incorporated in Hong Kong with its shares listed on the Stock Exchange and traded in the form of American Depositary Receipts on the OTC Markets Group Inc. in the United States. The address of the registered office and the principal place of business of the Company is Hongkong Electric Centre, 44 Kennedy Road, Hong Kong.

The principal activity of the Company is administering HK Electric Investments (the "Trust"), in its capacity as trustee-manager of the Trust. The Trust was constituted as a trust on 1 January 2014 by a Hong Kong law governed Trust Deed entered into between the Company, as the trustee-manager of the Trust, and HK Electric Investments Limited.

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

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 11 to the consolidated financial statements of the Trust and of HK Electric Investments Limited on page 19, no distributions statement is therefore presented in these financial statements.

The financial information relating to the years ended 31 December 2016 and 2015 included in this preliminary announcement of annual results does not constitute the Company's statutory annual financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the 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 2015 have been delivered to the Registrar of Companies and the Company's financial statements for the year ended 31 December 2016 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 2015. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance. The financial statements for the year ended 31 December 2016 have yet to be reported on by the Company's auditor.

4. 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 standards does not have any material impact on the Company's financial statements.

The Company has not applied any new standard or amendment that is not effective for the current accounting period.

5. Profit before taxation

Auditor's remuneration of \$55,000 (2015: \$55,000) and all other expenses of the Company which were incurred for the administering of the Trust of \$466,223 (2015: \$503,448) for the year 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 year (2015: Nil).

6. Income tax

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

OTHER INFORMATION

Final distribution and closure of Registers

The Trustee-Manager Board has declared a final distribution by the Trust for 2016 of HK20.12 cents per Share Stapled Unit. The final distribution will be payable on Wednesday, 19 April 2017 to Holders of Share Stapled Units whose names appear in the Share Stapled Units Register at the close of business on Thursday, 6 April 2017, being the record date for determination of entitlement to the final distribution. To qualify for the final 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, no later than 4:30 p.m. on Thursday, 6 April 2017.

For the purpose of ascertaining Holders of Share Stapled Units who are entitled to attend and vote at the Annual General Meeting to be held on Wednesday, 10 May 2017 (or any adjournment thereof), the Registers will be closed from Friday, 5 May 2017 to Wednesday, 10 May 2017, both days inclusive, during which no transfer of Share Stapled Units will be registered. In order to qualify for the right to attend and vote at the meeting (or any adjournment thereof), 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, no later than 4:30 p.m. on Thursday, 4 May 2017.

The address of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

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 year ended 31 December 2016.

Corporate governance practices

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

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

The Trust and the Company have complied with the applicable code provisions in the Corporate Governance Code throughout the year ended 31 December 2016, except as noted hereunder.

The Trustee-Manager does not have a remuneration committee as provided for in code provision B.1, since under the terms of their letters of appointment the Directors of the Trustee-Manager are not entitled to any remuneration.

Neither the Trustee-Manager nor the Company has a nomination committee as provided for in code provision A.5. At present, the Trustee-Manager and the Company do not consider it necessary to have a nomination committee as the full Boards are responsible for reviewing the structure, size and composition of the Boards and the appointment of new Directors from time to time having regard to the Group's board diversity policy. The Boards as a whole are also responsible for reviewing the succession plan for the Directors, in particular the Chairman and the Chief Executive Officer.

The Trust Group is committed to achieving and maintaining standards of openness, probity and accountability. In line with this commitment and in compliance with the Corporate Governance Code, the Trustee-Manager Audit Committee and the Company Audit Committee have reviewed the procedures for reporting possible improprieties in financial reporting, internal control or other matters. In addition, the Trustee-Manager and the Company have established a policy relating to inside information and securities dealing for compliance by all employees of the Group.

Annual General Meeting

The Annual General Meeting will be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Wednesday, 10 May 2017 at 10:00 a.m. Notice of the Annual General Meeting will be published and despatched to Holders of Share Stapled Units in the manner as required by the Listing Rules in due course.

Boards composition

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

Executive Directors : Mr. FOK Kin Ning, Canning (Chairman) (Mrs. CHOW WOO Mo Fong, Susan as his alternate), Mr. WAN Chi Tin (Chief Executive Officer), Mr. CHAN Loi Shun, Mr. CHENG Cho Ying, Francis and Mr. SHAN Shewu

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. DU Zhigang, Mr. JIANG Xiaojun and Mr. Deven Arvind KARNIK

Independent Non-executive Directors : Mr. FONG Chi Wai, Alex, Mr. KWAN Kai Cheong, Mr. LEE Lan Yee, Francis, Mr. George Colin MAGNUS, Mr. Donald Jeffrey ROBERTS and Mr. Ralph Raymond SHEA

GLOSSARY

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

Term(s)	Definition
“Annual General Meeting”	The annual general meeting of unitholders of the Trust and shareholders of the Company, as convened by the Trustee-Manager and the Company held on a combined basis as a single meeting characterised as the annual general meeting of Holders of Share Stapled Units
“Boards” or “Boards of Directors”	Trustee-Manager Board and Company Board
“CKH Holdings”	CK Hutchison Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1)
“CKI”	Cheung Kong Infrastructure Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1038)
“Company”	HK Electric Investments Limited (港燈電力投資有限公司), 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

Term(s)	Definition
“HK Electric”	The Hongkong Electric Company, Limited (香港電燈有限公司), 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
“HKEX”	Hong Kong Exchanges and Clearing Limited
“HKFRSs”	A collective term includes all applicable individual Hong Kong Financial Reporting Standards, HKASs and Interpretations issued by the HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“Holder(s) of Share Stapled Units” or “SSU holder(s)”	Person(s) who holds Share Stapled Units issued by HKEI
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“Power Assets”	Power Assets Holdings Limited (電能實業有限公司), 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)
“Registers”	The Share Stapled Units Register, the Units Register, the Principal and Hong Kong Branch Registers of Members and the Register of Beneficial Interests

Term(s)	Definition
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share Stapled Unit(s)” or “SSU(s)”	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: <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 (港燈電力投資), 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
“Trust Group”	The Trust and the Group
“Trustee-Manager”	HK Electric Investments Manager Limited (港燈電力投資管理人有限公司), 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

Term(s)	Definition
“Trustee-Manager Audit Committee”	Audit committee of the Trustee-Manager
“Trustee-Manager Board”	Board of directors of the Trustee-Manager
