

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 INTERIM RESULTS** **CHAIRMAN'S STATEMENT**

### **Powering today for a cleaner future**

Against a backdrop of transformation affecting the power sector both in Hong Kong and globally, HK Electric has always remained committed to delivering highly reliable electricity at affordable prices. Our century-old commitment to Hong Kong people is as strong as ever as I present the 2016 interim results for HKEI, which holds a 100% interest in the operating company HK Electric.

During the six months under review, HK Electric engaged with the HKSAR Government to review and discuss ways to improve the future regulatory framework that will guide the sector upon the expiry of the current Scheme of Control Agreement (SCA). It is our view, also reflected by the majority of the respondents to the Government's public consultation exercise held last year, that the current framework has performed well. It has achieved the Government's energy policy objectives of safety, reliability, affordability and environmental protection by encouraging prudent and necessary long-term investments. We expect that a satisfactory outcome in the best interests of Hong Kong going forward will be achieved.

### **Half year results**

For the six months ended 30 June 2016, HKEI's EBITDA amounted to HK\$3,817 million (2015: HK\$3,789 million) and unaudited profit attributable to holders of Share Stapled Units (SSU) was HK\$1,101 million (2015: HK\$1,205 million).

### **Interim distribution**

The Board of the Trustee-Manager has declared an interim distribution of HK19.92 cents (2015: HK19.92 cents) per SSU, payable on 19 August 2016 to SSU holders whose names appear on the Share Stapled Units Register on 10 August 2016.

## **Moving towards increased use of natural gas**

During the six months under review, HK Electric progressed some key initiatives in support of the Government's policy to increase the proportion of natural gas in the fuel mix to about 50% by 2020. This change in the fuel mix will also help us play a part in the battle against climate change following a global consensus reached in the Paris Climate Change Conference (COP21) held in December 2015.

Construction of the new L10 combined cycle gas-fired unit commenced in January. Piling work has made good progress and is 45% complete. Tendering for the superstructure work and building plan submissions are underway. L10 is scheduled for commissioning in 2020.

In order to obtain secure and competitive long term gas supply, HK Electric and CLP Power Hong Kong Limited are jointly conducting an Environmental Impact Assessment as part of the overall feasibility study on constructing an offshore LNG terminal using floating storage and regasification unit technology in Hong Kong waters for receiving liquefied natural gas from overseas. If the project receives Government approval, the terminal will provide direct access to and enhanced bargaining power in the international market for gas supplies. It will support our long-term goal to increase the use of natural gas to generate electricity locally, allowing us to enhance the security and reliability of natural gas supply.

## **Consistently dependable performance**

With milder weather in 2016 compared to 2015, unit sales for the first six months of 2016 were 0.8% lower compared with the same period last year.

HK Electric has consistently achieved excellence on two important metrics for the energy industry: supply reliability and customer service. This is the twentieth consecutive year that we have maintained a supply reliability rating of over 99.999%, with customers facing under one minute of unplanned power interruption on average per year since 2009. We once again met or surpassed all eighteen of our pledged customer service standards during the period.

During the first six months, natural gas comprised over 30% of our fuel mix, with the remainder consisting mainly of low-sulphur coal. Emissions of sulphur dioxide (SO<sub>2</sub>), nitrogen oxides (NO<sub>x</sub>) and respirable suspended particulates (RSP) remained well below statutory levels.

## **Building a greener Hong Kong**

We progressed a number of community initiatives to help transform Hong Kong into a low-carbon city. With an annual injection of close to HK\$5 million, our Smart Power Fund provides subsidies to owners of ageing residential buildings to implement energy efficiency works or upgrades. Since the inception of the Fund in 2014, a total of 23 projects have been approved. On the education front, our Green Energy Dreams Come True programme provided funding support and technical advice to 12 schools to develop their innovative green energy projects on campus.

Electric vehicles (EV) are a key element in our strategy to support the community's efforts to improve roadside air quality. During the first six months we strengthened our technical and advisory services to residential buildings interested in installing EV charging facilities, while operating free charging facilities at public carparks. At the same time we continued to replace our retired petrol cars with EVs for operational use, making our EV fleet one of the largest in Hong Kong.

Our Green Hong Kong Green programme which promotes public understanding of ecology and sustainable development was given the "Outstanding Partnership Project" award by the Hong Kong Council of Social Service (HKCSS) at the Caring Company Partnership Expo 2016.

## **Outlook**

As HK Electric continues with its ongoing discussions with the Government on improving the post-2018 regulatory framework, the coming months are crucial in shaping the long-term development of Hong Kong's power sector. We firmly believe that the future framework should be based on feedback received during the Government's public consultation – that the SCA has worked well and allowed power companies to achieve energy policy objectives; that there is no need to introduce competition to the power industry for the sake of bringing in choices; that the duration of the new framework should be maintained at ten years; and that the rate of return should be maintained at the current level to incentivise power companies to make necessary investments. We are confident that the final framework will serve to give industry participants effective regulation and reasonable returns necessary to provide Hong Kong – Asia's World City – with affordable, reliable, safe and clean energy.

We will also move forward with other initiatives to increase our use of cleaner fuels and support the Government's 2030 carbon-reduction targets yet to be formulated in response to the Paris Agreement reached at COP21.

In conclusion, I would like to extend my thanks to our employees for their dedication. Our success depends on them – and I am delighted that this year we were ranked seventh in Randstad's Top 10 Most Attractive Employers and listed as one of the "Happy Companies" in Hong Kong. My thanks also go to our loyal SSU holders for their continuous support.

***Fok Kin Ning, Canning***  
Chairman  
Hong Kong, 26 July 2016

## FINANCIAL REVIEW

### Financial performance

The Trust Group's revenue and unaudited consolidated profit for the period ended 30 June 2016 were HK\$5,326 million (2015: HK\$5,232 million) and HK\$1,101 million (2015: HK\$1,205 million) respectively.

### Distribution

The Trustee-Manager Board has declared an interim distribution of HK19.92 cents (2015: HK19.92 cents) per SSU for the six months ended 30 June 2016. 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 HK19.92 cents (2015: HK19.92 cents) per ordinary share in respect of the same period.

	Six months ended 30 June	
	2016 HK\$ million	2015 HK\$ million
Consolidated profit attributable to SSU holders for the period	1,101	1,205
After:		
(i) eliminating the effects of the Adjustments (see note (a) below)	2,742	2,611
(ii) adding/(deducting)		
– movement in Fuel Clause Recovery Account	979	775
– changes in working capital	(423)	(478)
– adjustment for employee retirement benefit schemes	12	8
– taxes paid	(233)	(238)
	335	67
(iii) capital expenditure payment	(1,340)	(1,099)
(iv) deducting		
– debt repayment	(6,296)	(520)
– net finance costs	(639)	(485)
	(6,935)	(1,005)
(v) deducting		
– reserve for future capital expenditure/debt service	(439)	(19)
Distributable income for the period	(4,536)	1,760
(vi) adding discretionary item		
– early repayment of debt during the period	6,296	-
Distributable income after adjustment of discretionary item	1,760	1,760

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$ million</b>	<b>HK\$ million</b>
Distribution amount for the period	<b>1,760</b>	1,760
Interim distribution amount per SSU	<b>HK19.92 cents</b>	HK19.92 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 2016, as calculated pursuant to the Trust Deed, by the above discretionary item, 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 during the period amounted to HK\$962 million (2015: HK\$656 million), which was primarily funded by cash from operations. Total external borrowings outstanding at 30 June 2016 were HK\$40,960 million (31 December 2015: HK\$47,217 million), comprising unsecured bank loans and debt securities in issue. In addition, the Trust Group at 30 June 2016 had undrawn committed bank facilities of HK\$1,050 million (31 December 2015: HK\$1,000 million) and bank deposits and cash of HK\$307 million (31 December 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 30 June 2016, the net debt of the Trust Group was HK\$40,653 million (31 December 2015: HK\$41,060 million) with a net debt-to-net total capital ratio of 46% (31 December 2015: 46%). The Trust Group's financial profile remained strong during the period. On 23 February 2016, Standard & Poor's pronounced the long term credit ratings are "A-" with a stable outlook for both of the Company and HK Electric unchanged since September 2015 and January 2014, respectively.

In the first half of 2016, the Trust Group took advantage of the liquidity in the bond market to extend its debt maturity profile by issuing US\$750 million 10 year Notes in the public bond market and also tapped a total of HK\$1,410 million with 15 year tenor in the Hong Kong dollar private placements market through its Medium Term Notes Programme. During the period, the Trust Group has entered into new 5 year term loan facilities totalling HK\$15,200 million with various financial institutions. The proceeds of these issues together with the new term loans and internal resources were used to prepay approximately HK\$29 billion of its existing term loan facilities maturing in 2017.

The profile of the Trust Group's external borrowings as at 30 June 2016, 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) 51% were bank loans and 49% were capital market instruments;
- (3) 16% were repayable within 1 year, 53% were repayable after 1 year but within 5 years and 31% were repayable after 5 years; and
- (4) 88% were in fixed rate and 12% 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 2016, 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 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 2016 amounted to HK\$72,658 million (31 December 2015: HK\$54,267 million).

### **Charge on assets**

At 30 June 2016, no assets of the Trust Group were pledged to secure its loans and banking facilities (31 December 2015: Nil).

### **Contingent liabilities**

As at 30 June 2016, the Trust Group had no guarantee or indemnity to external parties (31 December 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 six months ended 30 June 2016, excluding directors' emoluments, amounted to HK\$560 million (2015: HK\$540 million). As at 30 June 2016, the Trust Group employed 1,783 (31 December 2015: 1,800) 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 2016**

(Expressed in Hong Kong dollars)

	Note	2016 \$ million	2015 \$ million
<b>Revenue</b>	6	<b>5,326</b>	5,232
Direct costs		<u>(2,577)</u>	<u>(2,481)</u>
		<b>2,749</b>	2,751
Other revenue and other net income		<b>25</b>	37
Other operating costs		<u>(361)</u>	<u>(353)</u>
<b>Operating profit</b>		<b>2,413</b>	2,435
Finance costs		<u>(620)</u>	<u>(504)</u>
<b>Profit before taxation</b>	8	<b>1,793</b>	1,931
Income tax:	9		
Current		<u>(466)</u>	<u>(462)</u>
Deferred		<u>144</u>	<u>126</u>
		<u>(322)</u>	<u>(336)</u>
<b>Profit after taxation</b>		<b>1,471</b>	1,595
Scheme of Control transfers	10	<u>(370)</u>	<u>(390)</u>
<b>Profit for the period attributable to the holders of Share Stapled Units/shares of the Company</b>		<u><b>1,101</b></u>	<u>1,205</u>
<b>Earnings per Share Stapled Unit/ share of the Company</b>			
Basic and diluted	11	<u><b>12.46 cents</b></u>	<u>13.64 cents</u>

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

Details of distributions/dividends payable to holders of Share Stapled Units/shares of the Company attributable to the profit for the period are set out in note 17.



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

**For the six months ended 30 June 2016**

(Expressed in Hong Kong dollars)

	<b>2016</b>	2015
	<b>\$ million</b>	\$ million
<b>Profit for the period attributable to the holders of Share Stapled Units/shares of the Company</b>	<b>1,101</b>	1,205
<b>Other comprehensive income for the period, after tax and reclassification adjustments</b>		
<b>Items that may be reclassified subsequently to profit or loss</b>		
Cash flow hedges:		
Changes in fair value of hedging instruments recognised during the period	<b>(110)</b>	(173)
Reclassification adjustments for amounts transferred to profit or loss	<b>62</b>	-
Amounts transferred to the initial carrying amount of hedged items	<b>2</b>	11
Net deferred tax credited to other comprehensive income	<b>8</b>	27
	<b>(38)</b>	(135)
<b>Total comprehensive income for the period attributable to the holders of Share Stapled Units/shares of the Company</b>	<b>1,063</b>	1,070

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 2016**

(Expressed in Hong Kong dollars)

		(Unaudited) 30 June 2016 \$ million	(Audited) 31 December 2015 \$ million
<b>Non-current assets</b>			
Property, plant and equipment		64,084	64,521
Interests in leasehold land held for own use under finance leases		6,376	6,472
	12	<u>70,460</u>	<u>70,993</u>
Goodwill		33,623	33,623
Derivative financial instruments		550	314
Employee retirement benefit scheme assets		577	580
Deferred tax assets		2	6
		<u>105,212</u>	<u>105,516</u>
<b>Current assets</b>			
Inventories		858	882
Trade and other receivables	13	1,665	1,160
Bank deposits and cash		307	6,157
		<u>2,830</u>	<u>8,199</u>
<b>Current liabilities</b>			
Trade and other payables	14	(2,273)	(2,586)
Fuel Clause Recovery Account		(3,262)	(2,283)
Current portion of bank loans and other interest-bearing borrowings	15	(6,400)	(900)
Current tax payable		(593)	(360)
		<u>(12,528)</u>	<u>(6,129)</u>
<b>Net current (liabilities)/assets</b>		<u>(9,698)</u>	<u>2,070</u>
<b>Total assets less current liabilities</b>		<u>95,514</u>	<u>107,586</u>
<b>Non-current liabilities</b>			
Bank loans and other interest-bearing borrowings	15	(34,560)	(46,317)
Derivative financial instruments		(363)	(207)
Customers' deposits		(2,022)	(2,001)
Deferred tax liabilities		(9,091)	(9,247)
Employee retirement benefit scheme liabilities		(596)	(587)
		<u>(46,632)</u>	<u>(58,359)</u>
<b>Scheme of Control Fund and Reserve</b>	16	<u>(585)</u>	<u>(215)</u>
<b>Net assets</b>		<u>48,297</u>	<u>49,012</u>
<b>Capital and reserves</b>			
Share capital		8	8
Reserves		48,289	49,004
<b>Total equity</b>		<u>48,297</u>	<u>49,012</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 2016 comprise the unaudited consolidated interim financial statements of the Trust, the Company and its subsidiaries (together the “Trust Group”). The unaudited consolidated interim financial statements of the Company for the period ended 30 June 2016 comprise the unaudited consolidated interim 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 six months period ended 30 June 2016 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 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 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 few 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 unaudited consolidated interim 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 positions 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.

## 6. 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:

	Six months ended 30 June	
	2016 \$ million	2015 \$ million
Sales of electricity	5,311	5,211
Concessionary discount on sales of electricity	(3)	(3)
Electricity-related income	18	24
	<u>5,326</u>	<u>5,232</u>

## 7. Segment reporting

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

## 8. Profit before taxation

	Six months ended 30 June	
	2016 \$ million	2015 \$ million
Profit before taxation is arrived at after charging/(crediting):		
Finance costs		
Interest on borrowings and other finance costs	684	549
Less: Interest and other finance costs capitalised to assets under constructions	(56)	(36)
Interest transferred to fuel cost	(8)	(9)
	<u>620</u>	<u>504</u>
Depreciation		
Depreciation charges for the period	1,373	1,336
Less: Depreciation capitalised to assets under constructions	(54)	(53)
	<u>1,319</u>	<u>1,283</u>
Amortisation of leasehold land	<u>96</u>	<u>96</u>

## 9. Income tax

	Six months ended 30 June	
	2016	2015
	\$ million	\$ million
<b>Current tax</b>		
Provision for Hong Kong Profits Tax for the period	466	462
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(144)	(126)
	<u>322</u>	<u>336</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the six months ended 30 June 2016.

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

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	
	2016	2015
	\$ million	\$ million
Tariff Stabilisation Fund	370	390
Rate Reduction Reserve	-	-
Smart Power Fund	-	-
	<u>370</u>	<u>390</u>

## 11. 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 \$1,101 million for the six months ended 30 June 2016 (2015: \$1,205 million) and the weighted average of 8,836,200,000 Shares Stapled Units/ordinary shares of the Company (2015: 8,836,200,000 Shares Stapled Units/ordinary shares of the Company) in issue throughout the period.

## 12. 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
Net book value at 1 January 2016	15,573	44,776	363	3,809	64,521	6,472	70,993
Additions	5	168	27	762	962	-	962
Transfers between categories	17	289	-	(306)	-	-	-
Disposals	-	(26)	-	-	(26)	-	(26)
Depreciation/ amortisation	(254)	(1,078)	(41)	-	(1,373)	(96)	(1,469)
<b>Net book value at 30 June 2016</b>	<b>15,341</b>	<b>44,129</b>	<b>349</b>	<b>4,265</b>	<b>64,084</b>	<b>6,376</b>	<b>70,460</b>
Cost	16,569	48,942	525	4,265	70,301	6,844	77,145
Accumulated depreciation and amortisation	(1,228)	(4,813)	(176)	-	(6,217)	(468)	(6,685)
<b>Net book value at 30 June 2016</b>	<b>15,341</b>	<b>44,129</b>	<b>349</b>	<b>4,265</b>	<b>64,084</b>	<b>6,376</b>	<b>70,460</b>

### 13. 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:

	<b>30 June 2016 \$ million</b>	31 December 2015 \$ million
Current and within 1 month	<b>864</b>	625
1 to 3 months	<b>34</b>	36
More than 3 months but less than 12 months	<b>16</b>	17
Trade debtors	<b>914</b>	678
Other receivables	<b>712</b>	463
	<b>1,626</b>	1,141
Derivative financial instruments	<b>12</b>	2
Deposits and prepayments	<b>27</b>	17
	<b>1,665</b>	1,160

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.

### 14. Trade and other payables

	<b>30 June 2016 \$ million</b>	31 December 2015 \$ million
Due within 1 month or on demand	<b>453</b>	700
Due after 1 month but within 3 months	<b>260</b>	529
Due after 3 months but within 12 months	<b>1,417</b>	1,328
Creditors measured at amortised cost	<b>2,130</b>	2,557
Derivative financial instruments	<b>143</b>	29
	<b>2,273</b>	2,586



## 15. Non-current bank loans and other interest-bearing borrowings

	<b>30 June 2016 \$ million</b>	31 December 2015 \$ million
Bank loans	<b>20,537</b>	34,057
Current portion	<b>(5,500)</b>	-
	<b>15,037</b>	34,057
Hong Kong dollar medium term notes		
Fixed rate notes	<b>5,879</b>	4,486
Zero coupon notes	<b>644</b>	633
	<b>6,523</b>	5,119
Current portion	<b>(900)</b>	(900)
	<b>5,623</b>	4,219
United States dollar medium term notes		
Fixed rate notes	<b>11,898</b>	6,087
Zero coupon notes	<b>2,002</b>	1,954
	<b>13,900</b>	8,041
	<b>34,560</b>	46,317

## 16. Scheme of Control Fund and Reserve

The Tariff Stabilisation Fund, Rate Reduction Reserve and Smart Power 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:

	<b>30 June 2016 \$ million</b>	31 December 2015 \$ million
Tariff Stabilisation Fund	<b>575</b>	204
Rate Reduction Reserve	-	1
Smart Power Fund	<b>10</b>	10
	<b>585</b>	215

## 17. Interim distribution/dividend

The distributable income for the period was as follows:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$ million</b>	<b>\$ million</b>
Consolidated profit attributable to the holders of Share Stapled Units for the period	<b>1,101</b>	1,205
After:		
(i) eliminating the effects of the Adjustments (see note (a) below )	<b>2,742</b>	2,611
(ii) adding/(deducting)		
- movement in Fuel Clause Recovery Account	<b>979</b>	775
- changes in working capital	<b>(423)</b>	(478)
- adjustment for employee retirement benefit schemes	<b>12</b>	8
- taxes paid	<b>(233)</b>	(238)
	<b>335</b>	67
(iii) capital expenditure payment	<b>(1,340)</b>	(1,099)
(iv) deducting		
- debt repayment	<b>(6,296)</b>	(520)
- net finance costs	<b>(639)</b>	(485)
	<b>(6,935)</b>	(1,005)
(v) deducting		
- reserve for future capital expenditure/ debt service	<b>(439)</b>	(19)
Distributable income for the period	<b>(4,536)</b>	1,760
(vi) adding discretionary item		
- early repayment of debt during the period	<b>6,296</b>	-
Distributable income after adjustment of discretionary item	<b>1,760</b>	1,760
Distribution amount for the period (see note (d) below)	<b>1,760</b>	1,760
Number of Share Stapled Units/ordinary shares of the Company	<b>8,836,200,000</b>	8,836,200,000
Interim distribution per Share Stapled Unit/first interim dividend per ordinary share of the Company (see note (e) below)	<b>19.92 cents</b>	19.92 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 2016, as calculated pursuant to the Trust Deed, by the above discretionary item, 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 19.92 cents (2015: 19.92 cents) is calculated based on the interim distribution of \$1,760 million for the six months ended 30 June 2016 (2015: \$1,760 million) and the number of Shares Stapled Units/ordinary shares of the Company of 8,836,200,000 in issue as at 30 June 2016 (2015: 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 2016**

(Expressed in Hong Kong dollars)

	Note	2016 \$	2015 \$
<b>Revenue</b>		-	-
Administrative expenses		-	-
<b>Profit before taxation</b>	6	-	-
Income tax	7	-	-
<b>Profit and total comprehensive income for the period</b>		-	-

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

**At 30 June 2016**

(Expressed in Hong Kong dollars)

	<b>(Unaudited)</b> <b>30 June</b> <b>2016</b> \$	(Audited) 31 December 2015 \$
<b>Current assets</b>		
Amount due from immediate holding company	<u>1</u>	<u>1</u>
<b>Net assets</b>	<u><u>1</u></u>	<u><u>1</u></u>
<b>Capital and reserves</b>		
Share capital	1	1
Reserves	<u>-</u>	<u>-</u>
<b>Total equity</b>	<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 17 to the unaudited consolidated interim financial statements of the Trust and of HK Electric Investments Limited on page 18, 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 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 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 2015 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 2015 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 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 few 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 or amendment 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 \$244,000 for the six months ended 30 June 2016 (2015: \$285,000) 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 2016 of HK19.92 cents per Share Stapled Unit. The distribution will be payable on Friday, 19 August 2016 to Holders of Share Stapled Units whose names appear in the Share Stapled Units Register at the close of business on Wednesday, 10 August 2016, 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, 10 August 2016.

### **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 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.

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

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

## **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, Mr. SHAN Shewu and Mr. YUEN Sui See
- 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 interim results announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

<b>Term(s)</b>	<b>Definition</b>
“Boards” or “Boards of Directors”	Trustee-Manager Board and Company Board
“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
“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
“HKFRSs”	A collective term includes all applicable individual Hong Kong Financial Reporting Standards, HKASs and Interpretations issued by the HKICPA

<b>Term(s)</b>	<b>Definition</b>
“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
“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)”	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"> <li>(a) a unit in the Trust;</li> <li>(b) the beneficial interest in a specifically identified ordinary share of the Company linked to the unit and held by the Trustee-Manager as legal owner (in its capacity as trustee-manager of the Trust); and</li> <li>(c) a specifically identified preference share of the Company stapled to the unit.</li> </ul>
“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

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