港燈電力投資
HK Electric Investments
(根據香港法律按日期為二零一四年一月一日的信託契約組成，
其受託人為港燈電力投資管理人有限公司。)
(As constituted pursuant to a deed of trust on 1 January 2014 under the laws of Hong Kong, the trustee of which is HK Electric Investments Manager Limited.)
與 and
港燈電力投資有限公司
HK Electric Investments Limited
(於開曼群島註冊成立的有限公司 Incorporated in the Cayman Islands with limited liability)
(股份代號 Stock Code : 2638)

港燈電力投資
HK Electric Investments

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2018 INTERIM RESULTS
CHAIRMAN'S STATEMENT

2018 is a transitional year for HK Electric Investments (HKEI) and its wholly-owned subsidiary HK Electric. This year will mark the end of the current Scheme of Control Agreement (SCA), which has been in force since 2009. At the same time we are laying the groundwork for the new SCA which comes into effect in 2019 for a period of 15 years.

The SCA puts HK Electric’s rate of return and its operations under very strict scrutiny. Over the years, we are proud of the efforts and achievements made in providing Hong Kong with a world-class electricity supply which is highly reliable in addition to being affordable. We also support the city’s transformation into a low-carbon economy. Continuing with this success, the new SCA will also provide a balanced framework that benefits consumers and offers long-term stability to power companies while reducing emissions in line with the Government’s Climate Action Plan 2030+.

The highlight of the period under review was the conclusion of the 2019-2023 Development Plan, a key strategic framework that will guide our investments for the next five years, with the Government. Under the Plan, HK Electric will build electricity infrastructure to support Hong Kong’s transformation into a low-carbon and smart city. At the same time, it will make all the investments needed to ensure Hong Kong continues to enjoy a highly reliable power supply to meet the city’s unique requirements.

Half-year results

For the six months ended 30 June 2018, HKEI’s EBITDA amounted to HK$3,809 million (2017: HK$3,776 million) and unaudited profit attributable to holders of Share Stapled Units (SSUs) was HK$982 million (2017: HK$1,003 million).

Interim distribution

Distributable income for the period was HK$1,760 million (2017: HK$1,760 million), which will be 100% distributed to SSU holders.

The Board of the Trustee-Manager has declared an interim distribution of HK19.92 cents (2017: HK19.92 cents) per SSU, payable on 17 August 2018 to SSU holders whose names appear on the Share Stapled Units Register on 8 August 2018.

Lamma Power Station gearing up for a clean energy future

Following the approval of 2019-2023 Development Plan, HK Electric will invest HK$26.6 billion in generation, transmission and distribution, customer services and corporate development over the next five years. More than half of the investment will be used to implement an extensive capital programme to evolve HK Electric's generation portfolio from coal to gas-fired generation.

During the period, construction of the two new gas-fired combined-cycle generating units, L10 and L11, has been progressing well. Contracts have been awarded for equipment supply and various mechanical, electrical and civil works for both units. Detailed engineering design of the L10 power block was substantially completed and construction works are on schedule for commission in 2020. In tandem, the contract for L11 superstructure works was awarded. These units will jointly raise gas-fired output to 55% of the total when the latter is commissioned in 2022. We have commenced planning of another new gas-fired combined cycle generating unit, L12, which will be built for commissioning by 2023, boosting gas-fired electricity generation further to about 70% of total output.

The direct import of liquefied natural gas (LNG) by sea will enhance the security of natural gas supply and strengthen our negotiating power. We are in partnership with CLP Power to jointly develop an offshore LNG terminal using Floating Storage and Regasification Unit (FSRU) technology in Hong Kong waters to enable oceanic import. The Environmental Impact Assessment report for the project was submitted to the Government on 11 May 2018. This was followed by one month of public inspection from mid of June.

Setting the stage to achieve green benefits of the new SCA

Under the new SCA, we are planning a series of initiatives under the twin themes of energy efficiency and conservation (EE&C) and renewable energy. These initiatives will help enhance the energy efficiency of Hong Kong's buildings and also facilitate energy saving among the general public. We hope they will also stimulate members of the Hong Kong community to take the first step in proceeding with their own renewable energy installations.

Our EE&C strategy aims to provide support for those lacking in financial resources and technical expertise to modernise their electrical facilities, including households alongside commercial and industrial organisations. Five key Smart Power schemes and services in this area, including the provision of funding for buildings to carry out energy efficiency measures, provision of new energy-efficient household electrical appliances to underprivileged families and enhancing community education, will be offered to our customers.

During the second half of the year, we will launch a Feed-in Tariff (FiT) Scheme and introduce Renewable Energy Certificates for public subscription. Since the announcement of the FiT Scheme by Government in April, we have received an enthusiastic response from the community with many organisations keen to install solar panels on their rooftops. While Hong Kong Island might lack the space for larger-sized renewable energy installations, we believe that the smaller installations still have a role to play in bringing cleaner air to Hong Kong.

Operating performance

HK Electric delivered strong operational performance in all areas in the first six months of 2018. A cooler winter and record-breaking May temperatures triggered more consumption from all sectors. Electricity sales in the first half of the year showed an increase of 2.1% as compared to the same period in 2017.

We continued to extend two special rebates to our customers in 2018. At HK112.5 cents per unit of electricity, the net tariff remains 16.6% below 2013 levels, and is even better than the pledge we made in 2013 to keep tariffs unchanged until the end of 2018.

Customer service standards remained high and we are proud to have once again met or surpassed all our pledged service standards in the period.

Our maintain-and-upgrade approach is the foundation for the record-breaking reliability of our transmission and distribution network. Our network investments, including upgrades to both physical and cyber assets like mission-critical IT systems, have ensured that we maintained our world-leading reliability level of over 99.999%.

Working to clean up the air and environment

We made sustained progress in reducing the emissions from our operations and helping the community to do the same.

Notable success has been achieved in meeting or surpassing ever more stringent emissions caps. Our next priority in this regard will be to initiate processes to comply with the increasingly tightened emission allowances for 2019 onwards, which have been agreed with the Environmental Protection Department.

We are pursuing our award-winning project to install a solar power system on Po Toi Island, including a bank of recycled electric vehicle (EV) batteries to store the electricity generated. An Environmental Impact Assessment is in progress and the project is expected to be completed by early 2021.

Our long-running community outreach efforts, including free energy audits for non-residential customers, subsidies under the Smart Power Fund and free charging infrastructure for EVs, continued to support customers and the community in minimising their own carbon footprints.

Care for the community and our employees

As a company rooted in Hong Kong we believe that our value in the community extends beyond power generation. Our volunteer team actively takes part in numerous activities to conserve the environment and care for the underprivileged, especially the elderly.

We aspire to be an employer of choice and I am pleased that HK Electric has ranked the sixth among Hong Kong's top 10 most attractive employers based on Randstad's latest employer brand research findings.

We have the unique opportunity to contribute to the Belt and Road Initiative and are proud to participate in the pathbreaking three-year programme initiated jointly by the State Grid Corporation of China, the Hong Kong Polytechnic University and Xi'an Jiaotong University. During the review period, we hosted a workshop for our senior engineers to share their expertise and experience with professionals from the Belt and Road countries and regions.

Outlook

As we stand at the threshold of a new era in the power industry, we are firmly focused on the success of our infrastructural projects to increase gas-fired electricity generation and successful implementation of the 2019-2023 Development Plan. Smart meters will be installed for all HK Electric customers. With that, customers can have detailed consumption information for managing their use of electricity. This is a key component for transforming Hong Kong into a smart city. These changes will entail a major evolution in our operations, which we are confident in achieving while maintaining our excellent standards of reliability and customer service.

Compared with 2018, the net tariff for 2019 will increase by 6.8% as a result of the substantial reduction of the two special rebates. If the impact of the two special rebates is taken out for both years, the 2019 net tariff will be lower than that of 2018 by 5.9%. It is to be noted that we are entering a period of rising costs. Not only will we be incurring significant capital expenditure to expand gas-fired generation capacity, but fuel costs will also go up in tandem as we consume more natural gas, which is a more expensive fuel. I must caution that these factors will inevitably place greater pressure on tariffs.

In closing, I would like to thank the Board, management, SSU holders and all our employees who all have a great role to play in our sustained success.

Fok Kin Ning, Canning
Chairman
Hong Kong, 24 July 2018

FINANCIAL REVIEW

Financial performance

The Trust Group's revenue and unaudited consolidated profit for the period ended 30 June 2018 were HK$5,457 million (2017: HK$5,326 million) and HK$982 million (2017: HK$1,003 million) respectively.

Distribution

The Trustee-Manager Board has declared an interim distribution of HK19.92 cents (2017: HK19.92 cents) per SSU for the six months ended 30 June 2018. 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 (2017: HK19.92 cents) per ordinary share in respect of the same period.

	Six months ended 30 June	
	2018	2017
	HK$ million	HK$ million
Consolidated profit attributable to SSU holders for the period	**982**	1,003
After:		
(i) eliminating the effects of the Adjustments (see note (a) below)	**2,961**	2,818
(ii) (deducting)/adding		
– movement in Fuel Clause Recovery Account	**(713)**	(526)
– changes in working capital	**(224)**	(193)
– adjustment for employee retirement benefit schemes	**5**	7
– taxes paid	**(149)**	(265)
	(1,081)	(977)
(iii) capital expenditure payment	**(1,748)**	(1,240)
(iv) net finance costs	**(425)**	(441)
Distributable income for the period	**689**	1,163
(v) adding discretionary amount as determined by the Company Board pursuant to clause 14.1(c) of the Trust Deed	**1,071**	597
Distributable income for the period after adjustment of discretionary amount	**1,760**	1,760
Distribution amount for the period	**1,760**	1,760
Interim distribution amount per SSU	**HK19.92 cents**	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 2018, as calculated pursuant to the Trust Deed, by the above discretionary amount, pursuant to clause 14.1(c) of the Trust Deed.

Note:

(a) Pursuant to clause 1.1 of the Trust Deed, "Adjustments" includes, but not limited to (i) transfers to/from the Tariff Stabilisation Fund and the Rate Reduction Reserve under the Scheme of Control; (ii) unrealised revaluation gains/losses, including impairment provisions and reversals of impairment provisions; (iii) impairment of goodwill/recognition of negative goodwill; (iv) material non-cash gains/losses; (v) costs of any public offering of Share Stapled Units that are expensed through the consolidated statement of profit or loss but are funded by proceeds from the issuance of such Share Stapled Units; (vi) depreciation and amortisation; (vii) tax charges as shown in the consolidated statement of profit or loss; and (viii) net finance income/costs as shown in the consolidated statement of profit or loss.

(b) The Trustee-Manager Board has confirmed, in accordance with the Trust Deed, that (i) the auditors of the Trust Group have reviewed and verified the Trustee-Manager's calculation of the above distribution entitlement per SSU and (ii) having made all reasonable enquiries, immediately after making the above distribution to the registered unit holders of the Trust, the Trustee-Manager will be able to fulfill, from the Trust Property (as defined in the Trust Deed), the liabilities of the Trust as they fall due.

Capital expenditure, liquidity and financial resources

Capital expenditure during the period amounted to HK$1,651 million (2017: HK$1,061 million), which was primarily funded by cash from operations. Total external borrowings outstanding at 30 June 2018 were HK$41,525 million (31 December 2017: HK$41,371 million), comprising unsecured bank loans and debt securities in issue. In addition, the Trust Group at 30 June 2018 had undrawn committed bank facilities of HK$5,750 million (31 December 2017: HK$5,750 million) and bank deposits and cash of HK$704 million (31 December 2017: HK$1,659 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 2018, the net debt of the Trust Group was HK$40,821 million (31 December 2017: HK$39,712 million) with a net debt-to-net total capital ratio of 45% (31 December 2017: 44%). The Trust Group's financial profile remained strong during the period. On 28 February 2018, Standard & Poor's reaffirmed the "A-" long term credit ratings with a stable outlook for the Company and HK Electric, unchanged since September 2015 and January 2014, respectively.

The profile of the Trust Group's external borrowings as at 30 June 2018, 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) 42% were bank loans and 58% were capital market instruments;

(3) 1% were repayable within 1 year, 56% were repayable after 1 year but within 5 years and 43% were repayable after 5 years; and

(4) 70% were in fixed rate and 30% 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 2018, over 90% of the Trust Group's transaction exposure from the import of fuel and capital equipment was either denominated in United States dollars or hedged into Hong Kong or United States dollars. The Trust Group is also exposed to foreign currency fluctuation arising from the foreign currency borrowings. Such exposures are, where appropriate, mitigated by the use of either forward foreign exchange contracts and cross currency swaps.

The contractual notional amounts of derivative financial instruments outstanding at 30 June 2018 amounted to HK$41,952 million (31 December 2017: HK$37,258 million).

Charge on assets

As at 30 June 2018, no assets of the Trust Group were pledged to secure its loans and banking facilities (31 December 2017: Nil).

Contingent liabilities

As at 30 June 2018, the Trust Group had no guarantee or indemnity to external parties (31 December 2017: 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 2018, excluding directors' emoluments, amounted to HK$564 million (2017: HK$558 million). As at 30 June 2018, the Trust Group employed 1,757 (31 December 2017: 1,776) 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 2018
(Expressed in Hong Kong dollars)

	Note	**2018** **$ million**	2017 $ million
Revenue	6	**5,457**	5,326
Direct costs		**(2,628)**	(2,609)
		2,829	2,717
Other revenue and other net income		**35**	18
Other operating costs		**(481)**	(380)
Operating profit		**2,383**	2,355
Finance costs		**(473)**	(411)
Profit before taxation	8	**1,910**	1,944
Income tax:	9		
Current		**(195)**	(267)
Deferred		**(157)**	(82)
		(352)	(349)
Profit after taxation		**1,558**	1,595
Scheme of Control transfers	10	**(576)**	(592)
Profit for the period attributable to the holders of Share Stapled Units/shares of the Company		**982**	1,003
Earnings per Share Stapled Unit/ share of the Company			
Basic and diluted	11	**11.11 cents**	11.35 cents

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

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

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE TRUST AND OF THE COMPANY
For the six months ended 30 June 2018
(Expressed in Hong Kong dollars)

	2018	(Note) 2017
	$ million	$ million
Profit for the period attributable to the holders of Share Stapled Units/shares of the Company	**982**	1,003
Other comprehensive income for the period, after tax and reclassification adjustments		
Items that will not be reclassified to profit or loss		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments recognised during the period	**10**	-
Net deferred tax charged to other comprehensive income	**(2)**	-
	8	-
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 period	**371**	(911)
Reclassification adjustments for amounts transferred to profit or loss	**(23)**	1
Amounts transferred to the initial carrying amount of hedged items	**-**	(1)
Net deferred tax (charged)/credited to other comprehensive income	**(52)**	151
	296	(760)
Total comprehensive income for the period attributable to the holders of Share Stapled Units/shares of the Company	**1,286**	243

Note: The Groups have initially applied HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (see note 5(b)).

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 2018
(Expressed in Hong Kong dollars)

	Note	**(Unaudited) 30 June 2018 $ million**	(Audited) 31 December 2017 $ million
Non-current assets			
Property, plant and equipment		**64,516**	64,412
Interests in leasehold land held for own use under finance leases		**6,107**	6,090
	12	**70,623**	70,502
Goodwill		**33,623**	33,623
Derivative financial instruments		**1,052**	809
Employee retirement benefit scheme assets		**648**	648
		105,946	105,582
Current assets			
Inventories		**972**	1,011
Trade and other receivables	13	**1,409**	1,067
Bank deposits and cash		**704**	1,659
		3,085	3,737
Current liabilities			
Trade and other payables	14	**(2,508)**	(2,652)
Fuel Clause Recovery Account		**(2,058)**	(2,771)
Current portion of bank loans and other interest-bearing borrowings	15	**(439)**	-
Current tax payable		**(260)**	(214)
		(5,265)	(5,637)
Net current liabilities		**(2,180)**	(1,900)
Total assets less current liabilities		**103,766**	103,682
Non-current liabilities			
Bank loans and other interest-bearing borrowings	15	**(41,086)**	(41,371)
Derivative financial instruments		**(144)**	(184)
Customers' deposits		**(2,155)**	(2,130)
Deferred tax liabilities		**(9,361)**	(9,149)
Employee retirement benefit scheme liabilities		**(293)**	(288)
Provisions		**(588)**	(503)
		(53,627)	(53,625)
Scheme of Control Fund and Reserve	16	**(911)**	(335)
Net assets		**49,228**	49,722
Capital and reserves			
Share capital		**8**	8
Reserves		**49,220**	49,714
Total equity		**49,228**	49,722

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 2018 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 2018 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 2018 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. <u>Basis of preparation</u>

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 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 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. <u>Changes in accounting policies</u>

(a) Overview

The HKICPA has issued a number of new HKFRSs and 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:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The Groups have not applied any amendment, new standard or interpretation that is not effective for the current accounting period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as HKFRS 9.

The adoption of HKFRS 9 and HKFRS 15 does not have a material impact on the Groups' results and financial positions for the current or prior periods. Details of the changes in accounting policies are discussed in note 5(b) for HKFRS 9 and note 5(c) for HKFRS 15.

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Groups have applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification and measurement of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The measurement categories for all financial assets and financial liabilities of the Groups remain the same under HKFRS 9. The carrying amounts for all financial assets and financial liabilities as at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Groups did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the incurred loss accounting model in HKAS 39.

The Groups apply the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables) and contract assets as defined in HKFRS 15.

Financial assets measured at fair value, including derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Groups in accordance with the contract and the cash flows that the Groups expect to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– trade and other receivables and fixed-rate financial assets: effective interest rate determined at initial recognition or an approximation thereof;
– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Groups are exposed to credit risk.

In measuring ECLs, the Groups take into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Groups' historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Groups recognise a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Groups compare the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Groups consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;
– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
– an actual or expected significant deterioration in the operating results of the debtor; and
– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Groups.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Groups recognise an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount.

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Groups assess whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;
– a breach of contract, such as a default or delinquency in interest or principal payments;
– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or
– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Groups determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Impact of the ECL model

The adoption of the ECL model under HKFRS 9 does not have material impact on the carrying amounts of the Groups' financial assets as at 1 January 2018.

(iii) Hedge accounting

The Groups have elected to adopt the new general hedge accounting model in HKFRS 9. Depending on the complexity of the hedge, this new accounting model allows a more qualitative approach to assessing hedge effectiveness compared to HKAS 39 to be applied, and the assessment is always forward-looking. The adoption of HKFRS 9 has not had a significant impact on the consolidated financial statements of the Trust and of the Company in this regard.

Cost of hedging

Under HKFRS 9, forward element of forward foreign exchange contracts and foreign currency basis spread of financial instruments may be separated and excluded from the designation of the hedging instruments. If the Groups exclude the forward element of a forward foreign exchange contract or the foreign currency basis spread of a financial instrument (the "excluded elements") from the designation of a hedging instrument, then the excluded elements may be separately accounted for as a cost of hedging. The fair value changes of the excluded elements are recognised in a separate component of equity to the extent that it relates to the hedged items. For time-period related hedged items, the excluded elements at the date of designation are amortised on a systematic and rational basis to profit or loss over the period during which the hedge adjustment for the designated hedging instrument could affect profit or loss. For transaction-related hedged items, the cumulative changes of the excluded elements are included in the initial carrying amounts of any non-financial assets or non-financial liabilities when the hedged transactions occur or are recognised in profit or loss if the hedged transactions affect profit or loss.

The Groups have elected to adopt the cost of hedging approach retrospectively but the adoption has no material impact on the Groups' opening balance of equity as at 1 January 2018 and 2017.

(iv) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. The information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.
- The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Groups).
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.
- Changes to hedge accounting policies have been applied prospectively except for the cost of hedging approach for forward element of forward foreign exchange contracts and foreign currency basis spread of financial instruments, which has been applied retrospectively to hedging relationships that existed on or were designated after 1 January 2017.
- All hedging relationships designated under HKAS 39 at 31 December 2017 met the criteria for hedge accounting under HKFRS 9 at 1 January 2018 and are therefore regarded as continuing hedging relationships.

(c) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue,* which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

(i) Timing of revenue recognition

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed.

The adoption of HKFRS 15 does not have a significant impact on when the Groups recognise revenue from sales of electricity and electricity-related services.

(ii) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Groups have an unconditional right to consideration. If the Groups recognise the related revenue before receiving the consideration or being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Groups recognise the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The adoption of HKFRS 15 will only affect the presentation and disclosure of contract balances including contract asset and contract liability in the consolidated financial statements.

(d) HK(IFRIC) 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity pays or receives advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial positions and the financial results of the Groups.

6. Revenue

The principal activity of the Groups is the generation and supply of electricity to Hong Kong Island and Lamma Island. Disaggregation of revenue by type of output and services is analysed as follows:

	Six months ended 30 June	
	2018	2017
	$ million	$ million
Sales of electricity	**5,440**	5,313
Less: Concessionary discount on sales of electricity	**(2)**	(2)
	5,438	5,311
Electricity-related income	**19**	15
	5,457	5,326

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	
	2018	2017
	$ million	$ million
Profit before taxation is arrived at after charging/(crediting):		
Finance costs		
Interest on borrowings and other finance costs	**566**	486
Less: Interest expense and other finance costs capitalised to assets under construction	**(84)**	(65)
Interest expense transferred to fuel costs	**(9)**	(10)
	473	411
Depreciation		
Depreciation charges for the period	**1,385**	1,384
Less: Depreciation capitalised to assets under construction	**(45)**	(59)
	1,340	1,325
Amortisation of leasehold land	**97**	96

9. **Income tax**

	Six months ended 30 June	
	2018	2017
	$ million	$ million
Current tax		
Provision for Hong Kong Profits Tax for the period	**195**	267
Deferred tax		
Origination and reversal of temporary differences	**157**	82
	352	349

The provision for Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the six months ended 30 June 2018.

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	
	2018	2017
	$ million	$ million
Tariff Stabilisation Fund	**574**	592
Rate Reduction Reserve	**2**	-
Smart Power Fund	**-**	-
	576	592

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 $982 million for the six months ended 30 June 2018 (2017: $1,003 million) and the weighted average of 8,836,200,000 Shares Stapled Units/ordinary shares of the Company (2017: 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 2018	**14,653**	**43,944**	**479**	**5,336**	**64,412**	**6,090**	**70,502**
Additions	**1**	**65**	**4**	**1,467**	**1,537**	**114**	**1,651**
Transfers between categories	**-**	**433**	**10**	**(443)**	**-**	**-**	**-**
Disposals	**-**	**(48)**	**-**	**-**	**(48)**	**-**	**(48)**
Depreciation/ amortisation	**(254)**	**(1,084)**	**(47)**	**-**	**(1,385)**	**(97)**	**(1,482)**
Net book value at 30 June 2018	**14,400**	**43,310**	**446**	**6,360**	**64,516**	**6,107**	**70,623**
Cost	**16,650**	**52,083**	**766**	**6,360**	**75,859**	**6,958**	**82,817**
Accumulated depreciation and amortisation	**(2,250)**	**(8,773)**	**(320)**	**-**	**(11,343)**	**(851)**	**(12,194)**
Net book value at 30 June 2018	**14,400**	**43,310**	**446**	**6,360**	**64,516**	**6,107**	**70,623**

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:

	30 June 2018 $ million	31 December 2017 $ million
Current and within 1 month	**719**	499
1 to 3 months	**32**	36
More than 3 months but less than 12 months	**14**	20
Trade debtors	**765**	555
Other receivables	**582**	449
	1,347	1,004
Derivative financial instruments	**2**	7
Deposits and prepayments	**60**	56
	1,409	1,067

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

	30 June 2018 $ million	31 December 2017 $ million
Due within 1 month or on demand	**1,199**	1,321
Due after 1 month but within 3 months	**274**	202
Due after 3 months but within 12 months	**1,019**	1,126
Creditors measured at amortised cost	**2,492**	2,649
Derivative financial instruments	**16**	3
	2,508	2,652

15. Bank loans and other interest-bearing borrowings

	30 June 2018 $ million	31 December 2017 $ million
Bank loans	**17,482**	17,359
Current portion	**(109)**	-
	17,373	17,359
Hong Kong dollar medium term notes		
Fixed rate notes	**6,294**	6,291
Zero coupon notes	**690**	679
	6,984	6,970
Current portion	**(330)**	-
	6,654	6,970
United States dollar medium term notes		
Fixed rate notes	**11,640**	11,741
Zero coupon notes	**5,419**	5,301
	17,059	17,042
Non-current portion	**41,086**	41,371

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:

	30 June 2018 $ million	31 December 2017 $ million
Tariff Stabilisation Fund	**891**	316
Rate Reduction Reserve	**2**	1
Smart Power Fund	**18**	18
	911	335

17. Interim distribution/dividend

The distributable income for the period was as follows:

	Six months ended 30 June 2018 $ million	2017 $ million
Consolidated profit attributable to the holders of Share Stapled Units for the period	**982**	1,003
After:		
(i) eliminating the effects of the Adjustments (see note (a) below)	**2,961**	2,818
(ii) (deducting)/adding		
- movement in Fuel Clause Recovery Account	**(713)**	(526)
- changes in working capital	**(224)**	(193)
- adjustment for employee retirement benefit schemes	**5**	7
- taxes paid	**(149)**	(265)
	(1,081)	(977)
(iii) capital expenditure payment	**(1,748)**	(1,240)
(iv) net finance costs	**(425)**	(441)
Distributable income for the period	**689**	1,163
(v) adding discretionary amount as determined by the Company Board pursuant to clause 14.1(c) of the Trust Deed (see note (d) below)	**1,071**	597
Distributable income for the period after adjustment of discretionary amount	**1,760**	1,760
Distribution amount for the period	**1,760**	1,760
Number of Share Stapled Units/ordinary shares of the Company	**8,836,200,000**	8,836,200,000
Interim distribution per Share Stapled Unit/first interim dividend per ordinary share of the Company (see note (e) below)	**19.92 cents**	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 2018, as calculated pursuant to the Trust Deed, by the above discretionary amount, pursuant to clause 14.1(c) of the Trust Deed.

(e) Interim distribution per Share Stapled Unit/first interim dividend per ordinary share of the Company of 19.92 cents (2017: 19.92 cents) is calculated based on the interim distribution of $1,760 million for the six months ended 30 June 2018 (2017: $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 2018 (2017: 8,836,200,000).

18. Comparative figures

The Groups have initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 5.

UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF HK ELECTRIC INVESTMENTS MANAGER LIMITED
For the six months ended 30 June 2018
(Expressed in Hong Kong dollars)

	Note	**2018** **$**	2017 $
Revenue		**-**	-
Administrative expenses		**-**	-
Profit before taxation	6	**-**	-
Income tax	7	**-**	-
Profit and total comprehensive income for the period		**-**	-

UNAUDITED STATEMENT OF FINANCIAL POSITION
OF HK ELECTRIC INVESTMENTS MANAGER LIMITED
At 30 June 2018
(Expressed in Hong Kong dollars)

	(Unaudited) 30 June 2018 $	(Audited) 31 December 2017 $
Current assets		
Amount due from immediate holding company	**1**	1
Net assets	**1**	1
Capital and reserves		
Share capital	**1**	1
Reserves	**-**	-
Total equity	**1**	1

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 pages 24 and 25, 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 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 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 2017 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 2017 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 2017. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

5. Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Company. The adoption of these new HKFRSs and 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 amendment, new standard or interpretation that is not effective for the current accounting period.

6. Profit before taxation

All expenses of the Company which were incurred for the administering of the Trust of $249,000 for the six months ended 30 June 2018 (2017: $242,000) 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 2018 of HK19.92 cents per Share Stapled Unit. The distribution will be payable on Friday, 17 August 2018 to Holders of Share Stapled Units whose names appear in the Share Stapled Units Register at the close of business on Wednesday, 8 August 2018, 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, 8 August 2018.

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 issued Share Stapled Units during the six months ended 30 June 2018.

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 six months ended 30 June 2018, 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.

At present, neither the Trustee-Manager nor the Company has a nomination committee as provided for in code provision A.5. 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.

Model Code for Securities Transactions by Directors

The Boards have adopted the Model Code as their code of conduct regulating directors' securities transactions. All Directors have confirmed following specific enquiry that they have complied with the required standards set out in the Model Code throughout six months ended 30 June 2018.

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. CHEN Daobiao and Mr. CHENG Cho Ying, Francis
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. JIANG Xiaojun, Mr. Deven Arvind KARNIK and Mr. ZHU Guangchao
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:

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

Term(s)	Definition
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"Power Assets"	Power Assets Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6)
"Share Stapled Unit(s)" or "SSU(s)"	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: (a) a unit in the Trust; (b) the beneficial interest in a specifically identified ordinary share of the Company linked to the unit and held by the Trustee-Manager as legal owner (in its capacity as trustee-manager of the Trust); and (c) a specifically identified preference share of the Company stapled to the unit.
"Share Stapled Units Register"	The register of registered Holders of Share Stapled Units
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Trust"	HK Electric Investments, as constituted pursuant to the Trust Deed under the Laws of Hong Kong
"Trust Deed"	The trust deed dated 1 January 2014 constituting the Trust, entered into between the Trustee-Manager and the Company
"Trust Group"	The Trust and the Group

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