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港燈電力投資
HK Electric Investments

*(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.)*

and

港燈電力投資有限公司
HK Electric Investments Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 2638)

ANNOUNCEMENT INSIDE INFORMATION NEW SCHEME OF CONTROL AGREEMENT

This announcement is made by HK Electric Investments Manager Limited (the “**Trustee-Manager**”, in its capacity as the trustee-manager of HK Electric Investments (the “**Trust**”)) and HK Electric Investments Limited (the “**Company**”), in accordance with Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The boards of directors of the Trustee-Manager and the Company (the “**Boards**”) are pleased to announce that on 25 April 2017 The Hongkong Electric Company, Limited (“**HK Electric**”), a wholly-owned subsidiary of the Company, and the Company have entered into a new Scheme of Control Agreement (the “**New SCA**”) with the Government of the Hong Kong Special Administrative Region of the People’s Republic of China (the “**Government**”) in respect of HK Electric’s electricity-related business. The New SCA will succeed the existing Scheme of Control Agreement which will expire on 31 December 2018.

The New SCA will come into operation on 1 January 2019 for a term of 15 years until 31 December 2033. Under the New SCA, HK Electric will be entitled to a permitted return of 8% on the total value of its average net fixed assets. The financial affairs of HK Electric will continue to be reviewed by the Government through the Development Plan Review, the Auditing Review and Tariff Review mechanisms.

The Boards consider that the New SCA provides the long term certainty much needed for the local electricity sector to support the Government's energy and environmental policy objectives and its Climate Action Plan 2030+ with an aggressive target to reduce Hong Kong's carbon intensity by 65-70% by 2030 compared to the 2005 level. As stated in the Annual Report 2016, HK Electric is currently building two gas-fired units, L10 and L11. Other coal-fired units at Lamma Power Station will come to the end of their useful lives and will need to be replaced by further gas-fired units over the next decade or so. The early agreement of the New SCA at this time will enable HK Electric to forge ahead with its investment pipeline, which includes the construction of new gas-fired units and other supporting infrastructure necessary to timely achieve the Government's objectives.

The Boards further consider that the New SCA is a mutually beneficial regulatory framework able to effectively balance the interests of various stakeholders in the community. While customers will continue to enjoy service enhancements and price affordability, holders of share stapled units will benefit from the steady asset growth and a stable return offered by the investment opportunities to renew HK Electric's generation portfolio over the term of the New SCA. The gradual replacement of coal-fired units by gas-fired units will result in lower emissions and contribute greatly to the city's carbon reduction efforts.

Holders of share stapled units and potential investors should exercise caution when dealing in the share stapled units issued by the Trust and the Company.

By Order of the Board
HK Electric Investments Manager Limited
and
HK Electric Investments Limited
Alex Ng
Company Secretary

Hong Kong, 25 April 2017

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

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

Non-executive directors : *Mr. LI Tzar Kuoi, Victor (Deputy Chairman) (Mr. Frank John SIXT as his alternate), Mr. Fahad Hamad A H AL-MOHANNADI, Mr. Ronald Joseph ARCULLI, Mr. DU Zhigang, Mr. JIANG Xiaojun and Mr. Deven Arvind KARNIK*

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