

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

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## **2014 ANNUAL RESULTS**

### **CHAIRMAN'S STATEMENT**

#### **Keeping our commitments**

I am pleased to have the opportunity to present the first full-year annual results for HKEI, listed on the Stock Exchange of Hong Kong by way of Share Stapled Units (SSU) on 29 January 2014. HKEI, representing collectively HK Electric Investments and HK Electric Investments Limited, holds a 100% interest in the operating company HK Electric, one of the world's longest-running power companies.

In this inaugural year as in the past, we are delighted to have kept our pledge to provide customers with excellent services, as well as safe, reliable and clean energy at affordable tariffs. For HKEI's valued SSU holders, we delivered on our promise to pay out 100% of distributable income and for the community at large, we shared our support for increasing local gas-fired generation during a major public consultation on the future fuel mix for electricity generation.

#### **Financial results and distributions**

For the year ended 31 December 2014, HKEI's EBITDA was HK\$7,698 million and profits attributable to SSU holders was HK\$3,201 million.

From the listing date to 31 December 2014, the distributable income was HK\$3,218 million, which met the expected distribution as stated in HKEI's listing prospectus, and will be distributed to SSU holders in its entirety.

The Board of the Trustee-Manager has declared a final distribution by the Trust of HK19.89 cents per SSU, payable on 10 March 2015 to SSU holders whose names appear on the Share Stipled Units Register on 27 February 2015. This, together with the interim distribution of HK16.53 cents per SSU, amounts to a total distribution of HK36.42 cents per SSU for the period.

### **Helping to shape Hong Kong's energy policy**

A public consultation on the future fuel mix for Hong Kong's electricity generation took place between March and June 2014. In the consultation two alternative fuel mix options were proposed by the Government to improve local air quality and reduce carbon emissions for 2023 and beyond. There was enthusiastic participation by the public with over 80,000 responses made to the Environment Bureau.

Following in-depth analysis, study and extensive communication with our stakeholders, including SSU holders, customers, employees and the public, we submitted that Hong Kong's electricity should be generated locally, with the proportion of natural gas in the fuel mix increased to 60 per cent. This time-proven option will ensure a reliable supply of electricity and improving pollutants and carbon emission, while minimising tariff increases. We are delighted to understand from the Government that our preference for local generation is shared by the overwhelming majority of those who responded as it emerged as the mainstream opinion expressed during the consultation exercise.

### **Delivering excellence in all aspects**

During the year HK Electric maintained its standards of excellence in supply reliability, while outperforming emissions targets, and achieving improvements in occupational safety and customer service standards for the Hong Kong community.

In 2014, electricity sales increased by 1.7% from 10,773 million kWh in 2013 to 10,955 million kWh, with increases in both commercial and domestic sales as a result of warmer weather during the second and third quarters of the year.

We strive to ensure our tariff is affordable and globally competitive. Net tariffs were frozen at their 2013 levels across the board, delivering on our promise made in December 2013 to keep tariffs unchanged for five years to 2018 barring unforeseen circumstances. Fuel prices were soft throughout the year sparing us the price volatility seen in recent years, and we were able to source both natural gas and coal, especially low-sulphur coal, at advantageous rates to the benefit of our customers.

HK Electric also commits to serve customers with world-class power provision. Through our proactive approach to network maintenance and modernisation, in 2014 we continued to attain a world-class supply reliability rating in excess of 99.999%, a record we have continuously held since 1997. Our quality of service was further demonstrated with our customers experiencing on average less than one minute of unplanned power interruption per customer per year for the 6th consecutive year. During the year under review our customer service performance met or surpassed all our 18 pledged service standards and the number of customer commendations we received has reached a record high.

We established a Smart Power Fund during the year with an initial injection of close to HK\$5 million to assist owners of old residential buildings to carry out energy efficiency improvement works. The Fund is open for application until end 2018. So far it has approved six applications from owners' corporations.

Our employees have always been at the forefront of our initiatives to engage with the wider community and 2014 was no exception. Hundreds of employees participated in a range of initiatives supporting in particular the two causes we care most about: environmental awareness and caring for senior citizens.

### **Investing in Hong Kong's electricity future**

During the year we moved forward with our HK\$13 billion investment programme approved by the Government under the 2014-2018 Development Plan as we continue to provide a safe, reliable and affordable supply of electricity to our customers. We have commenced preparatory work for the construction of the new L10 gas-fired combined cycle generating unit, full implementation of which is pending written confirmation from the Government. This new generating unit will enable us to sustain our use of natural gas for electricity generation given the scheduled retirement of one gas-fired combined cycle unit in 2020.

In 2014, we out-performed statutory emissions targets and worked with the Government to establish even more stringent emissions caps for 2019.

The most important resource for future success is the leaders and engineers who will drive the future of the Group. During the year we invested in the recruitment, training and development of the next generation of HK Electric's engineering talent through the establishment of the HK Electric Institute. The Institute offers systematic and advanced power engineering training programmes for our employees.

## **Outlook**

The energy sector in Hong Kong is evolving steadily to achieve ongoing improvements in emissions performance while maintaining reliability and affordability.

The Government is expected to conduct another round of public consultations later this year on the future of Hong Kong's electricity market. As with last year's consultation on the fuel mix, we will be participating actively and engaging extensively with our stakeholders as we chart the way forward.

We expect that the Government will publish new policies covering energy efficiency, climate change and the post-2018 electricity market by the end of 2015. Our track record of reliability, environmental performance and quality of services render us well positioned to meet the demands placed by regulatory changes. Our prudent financial management and strategic capital investment programme will enable us to address Hong Kong's energy needs while increasing SSU holder value in the long term.

We have the pleasure of four new Directors joining the Boards on 6 January 2015, including three from State Grid. State Grid has a 20% stake in HKEI and is the world's largest utility. On behalf of my fellow Board members I welcome our new Directors and am glad to see the Boards being strengthened by their presence.

This year marks the 125th year of HK Electric's operations since it powered the first electric street lamps in Hong Kong in 1890. With this proud heritage comes the confidence and a renewed commitment to remain as the region's premier provider of electricity at affordable rates. Our stellar track record is due to the efforts of our dedicated team of employees and loyal SSU holders, to whom I extend my heartfelt gratitude.

***Fok Kin Ning, Canning***

Chairman

Hong Kong, 10 February 2015

## FINANCIAL REVIEW

### Financial performance and distribution

The Trust Group's turnover and consolidated profit for the year ended 31 December 2014 were HK\$10,504 million and HK\$3,201 million respectively. Distributable income as calculated pursuant to the Trust Deed for the period from the Listing Date to 31 December 2014 was HK\$3,218 million whilst distributable income per SSU was HK36.42 cents.

In order to enhance the Trust Group's focus principally on distributions, the Company Board currently intends that the Company will declare a first interim dividend and, in lieu of a final dividend, a second interim dividend on a semi-annual basis, and that, for a financial year in respect of which a second interim dividend has been declared, no final dividend will be declared. The aggregate of both the first and second interim dividends, from which the Trustee-Manager Board will resolve to declare interim and final distributions by the Trust on a semi-annual basis, will be equal to 100% of the distributable income in respect of that financial year. The Boards believe that this arrangement will better align the timing for payment of distribution with the corresponding semi-annual periods, and registered holders of SSU will thereby benefit from the regularity of such distributions.

Accordingly, the Trustee-Manager Board has declared a final distribution by the Trust of HK19.89 cents per SSU. In order to enable the Trust to pay that distribution, the Company Board has declared the payment of a second interim dividend in lieu of a final dividend in respect of the Company's ordinary shares held by the Trustee-Manager, of HK19.89 cents per ordinary share in respect of the same period. This, together with the interim distribution of HK16.53 cents per SSU, brings the total distribution to HK36.42 cents per SSU for the period from the Listing Date to 31 December 2014 representing 100% payout of distributable income per SSU.

	<b>For the period from the Listing Date (29 January 2014) to 31 December 2014</b>	
	<b>HK\$ million</b>	<b>HK\$ million</b>
<b>Consolidated profit attributable to SSU holders</b>		<b>3,201</b>
After:		
(i) eliminating the effects of the Adjustments (see note (a) below)		4,594
(ii) adding/(deducting)		
— movement in Fuel Clause Recovery Account	530	
— changes in working capital	178	
— adjustment for employee retirement benefit schemes	12	
— taxes paid	<u>(847)</u>	
		(127)
(iii) capital expenditure payment		(1,662)

	<b>For the period from the Listing Date (29 January 2014) to 31 December 2014</b>	
	<b>HK\$ million</b>	<b>HK\$ million</b>
(iv) deducting		
— debt repayment	(500)	
— net finance costs	<u>(1,132)</u>	(1,632)
(v) deducting		
— reserve for future capital expenditure/debt service and/or compliance with covenants in credit facility agreement		<u>(1,156)</u>
<b>Distributable income</b>		<b><u>3,218</u></b>
Interim distribution, paid		1,461
Final distribution, to be paid to the SSU holders		<u>1,757</u>
<b>Distribution amount</b>		<b><u>3,218</u></b>

	<b>For the period from the Listing Date (29 January 2014) to 31 December 2014</b>	
Distributions per SSU (see note (c) below)		
— Interim distribution per SSU, paid		HK16.53 cents
— Final distribution per SSU, to be paid to SSU holders		<u>HK19.89 cents</u>
<b>Total distributions per SSU</b>		<b><u>HK36.42 cents</u></b>

Note:

- (a) Pursuant to clause 1.1 of the Trust Deed, “Adjustments” includes, but not limited to (i) transfers to/from the Tariff Stabilisation Fund and the Rate Reduction Reserve under the Scheme of Control; (ii) unrealised revaluation gains/losses, including impairment provisions and reversals of impairment provisions; (iii) impairment of goodwill/recognition of negative goodwill; (iv) material non-cash gains/losses; (v) costs of any public offering of Share Stapled Units that are expensed through the consolidated statement of profit or loss but are funded by proceeds from the issuance of such Share Stapled Units; (vi) depreciation and amortisation; (vii) tax charges as shown in the consolidated statement of profit or loss; and (viii) net finance income/costs as shown in the consolidated statement of profit or loss.
- (b) The Trustee-Manager Board has confirmed, in accordance with the Trust Deed, that (i) the auditors of the Trust Group have reviewed and verified the Trustee-Manager’s calculation of the above distribution entitlement per SSU and (ii) having made all reasonable enquiries, immediately after making the above distribution to the registered unit holders of the Trust, the Trustee-Manager will be able to fulfill, from the Trust Property (as defined in the Trust Deed), the liabilities of the Trust as they fall due.
- (c) Interim distribution per SSU of HK16.53 cents was calculated based on the interim distribution amount of HK\$1,461 million and 8,836,200,000 SSUs in issue as at 30 June 2014. Final distribution per SSU of HK19.89 cents was calculated based on the final distribution amount of HK\$1,757 million and 8,836,200,000 SSUs in issue as at 31 December 2014.

## **Capital expenditure, liquidity and financial resources**

Capital expenditure during the year, excluding the addition of fixed assets from the acquisition of HK Electric on 29 January 2014, amounted to HK\$2,167 million which was primarily funded by cash from operations. Total external borrowings outstanding at 31 December 2014 were HK\$47,869 million (31 December 2013: Nil), comprising unsecured bank loans and debt securities in issue. In addition, the Trust Group at 31 December 2014 had undrawn committed bank facilities of HK\$1,000 million (31 December 2013: Nil) and bank deposits and cash of HK\$4,630 million (31 December 2013: Nil).

## **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. The Trust Group aims to ensure that adequate financial resources are available for refinancing and business growth whilst maintaining a prudent capital structure.

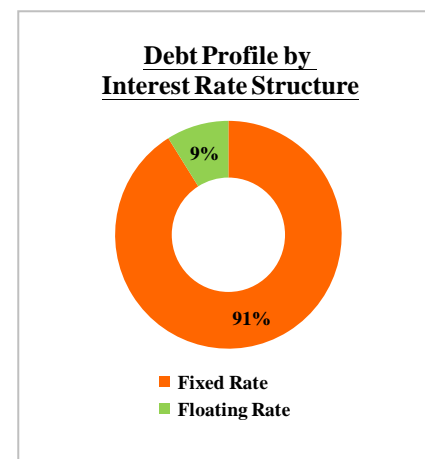
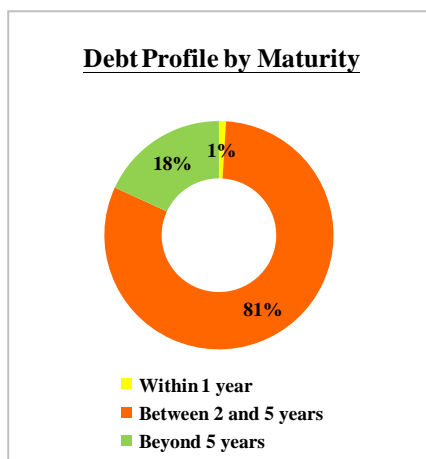
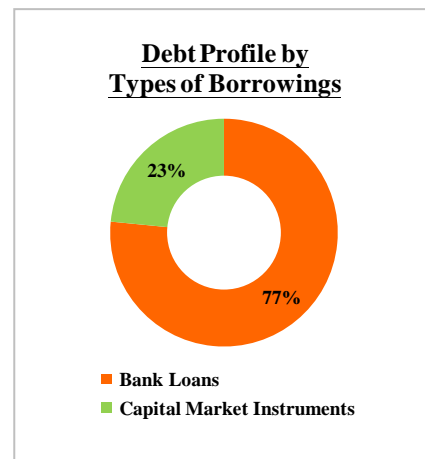
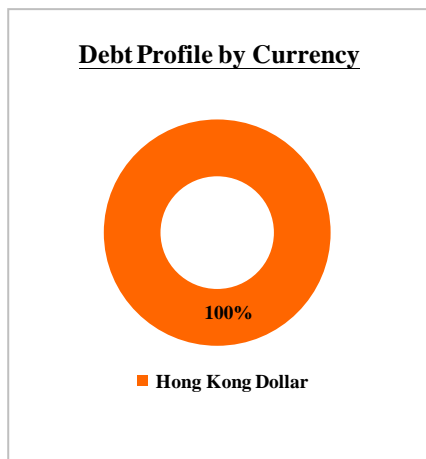
Following the completion of the acquisition of HK Electric from Power Assets and the listing of Share Stapled Units on the Main Board of the Stock Exchange, a total of 8,836,200,000 Share Stapled Units are in issue, of which, 4,426,900,000 were issued pursuant to the global offering and 4,409,299,999 were issued, as part of the acquisition consideration, to Quickview Limited ("Quickview"), a wholly-owned subsidiary of Power Assets. The offer price per Share Stapled Unit was HK\$5.45 and the total equity capital raised (including Share Stapled Units issued to Quickview and before listing expenses) amounted to HK\$48,157 million.

Loan facility agreements dated 10 January 2014 were entered into between HK Electric, the Company and various lenders pursuant to which dual currency term loan facilities (the "Facilities") comprising a Hong Kong dollar tranche of HK\$16,521 million and a United States dollar tranche of US\$1,519 million (approximately HK\$11,782 million) were made available to HK Electric while a Hong Kong dollar tranche of HK\$5,079 million and a United States dollar tranche of US\$467 million (approximately HK\$3,622 million) were made available to the Company.

On 6 February 2014, the Facilities were fully drawn down for the repayments of amounts due from HK Electric to Power Assets and by the Company for the redemption of the promissory note issued by Treasure Business Limited, a wholly-owned subsidiary of the Company, in favour of Power Assets in partial settlement of the acquisition consideration. The maturity dates of these facilities are three years from the date of the first drawdown.

On 29 January 2014, upon the spin-off of HK Electric from Power Assets and the resulting increase in bank borrowings, Standard & Poor's lowered the long term credit ratings of HK Electric from "A+" to "A-" with a stable outlook. As at 31 December 2014, the net debt of the Trust Group was HK\$43,239 million (31 December 2013: Nil) with a net debt-to-net total capital ratio of 47% (31 December 2013: Not applicable).

The profile of the Trust Group’s external borrowings as at 31 December 2014, after taking into account interest rate and cross currency swaps, was as follows:



The Trust Group’s policy is to maintain a portion of its debt at fixed interest rates taking into consideration business and operational needs. Interest rate risk is managed by either securing fixed rate borrowings or by using interest rate derivatives.

Currency and interest rate risks are actively managed in accordance with the Trust Group’s treasury policy. Derivative financial instruments are used primarily for managing interest rate and foreign currency risks and not for speculative purposes. Treasury transactions are only executed with counterparties with acceptable credit ratings to control counterparty risk exposure.



The Trust Group's principal foreign currency transaction exposures arise from the import of fuel and capital equipment. Foreign currency transaction exposure is managed mainly through forward contracts. As at 31 December 2014, 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 raised during the year. Such exposures are, where appropriate, mitigated by the use of cross currency and interest rate swaps.

The contractual notional amounts of derivative financial instruments outstanding at 31 December 2014 amounted to HK\$51,069 million (31 December 2013: Nil).

### **Charge on assets**

At 31 December 2014, no assets of the Trust Group were pledged to secure its loans and banking facilities (31 December 2013: Nil).

### **Contingent liabilities**

As at 31 December 2014, the Trust Group had no guarantee or indemnity to external parties. (31 December 2013: Nil).

The Company had given guarantee to a third party supplier (the "Supplier") in respect of obligations of HK Electric under a gas sales contract (the "Contract"). The Contract is a take-or-pay contract with the entire amount that can only be determined based on the prevailing market rate when the gas volume is nominated. Accordingly, the entire amount, while being a contingent liability of the Company, is only reflected to the extent of gas nominated and the related amount currently due to the Supplier in the consolidated statement of financial position of the Trust and the Company.

### **Employees**

The Trust Group maintains a policy of pay-for-performance and the pay levels are monitored to ensure competitiveness is maintained. The Trust Group's total remuneration costs for the year ended 31 December 2014, excluding directors' emoluments, amounted to HK\$973 million (2013: Nil). As at 31 December 2014, the Trust Group employed 1,813 permanent employees (31 December 2013: Nil). The increase in the remuneration costs and the number of permanent employees are due to the acquisition of HK Electric. No share option scheme is in operation.

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

For the year ended 31 December 2014

(Expressed in Hong Kong dollars)

		2014 \$ million	23 September 2013 (date of incorporation) to 31 December 2013 \$ million
<b>Turnover</b>	5	<b>10,504</b>	-
Direct costs		<b>(4,832)</b>	-
		<b>5,672</b>	-
Other revenue and other net income	7	<b>121</b>	-
Other operating costs		<b>(766)</b>	-
<b>Operating profit</b>		<b>5,027</b>	-
Finance costs		<b>(938)</b>	-
<b>Profit before taxation</b>	8	<b>4,089</b>	-
Income tax:	9	<b>(709)</b>	-
Current		<b>(880)</b>	-
Deferred		<b>171</b>	-
<b>Profit after taxation</b>		<b>3,380</b>	-
Scheme of Control transfers	10	<b>(179)</b>	-
<b>Profit for the year/period attributable to the holders of Share Stapled Units/shares of the Company</b>		<b>3,201</b>	-
<b>Earnings per Share Stapled Unit/share of the Company</b>			
Basic and diluted	12	<b>39.23 cents</b>	-

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

Details of distributions/dividend payable to holders of Share Stapled Units/shares of the Company attributable to the profit for the year are set out in note 11.

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

For the year ended 31 December 2014

(Expressed in Hong Kong dollars)

	<b>2014</b> <b>\$ million</b>	23 September 2013 (date of incorporation) to 31 December 2013 \$ million
<b>Profit for the year/period attributable to the holders of Share Stapled Units/shares of the Company</b>	<b>3,201</b>	-
<b>Other comprehensive income for the year/period, after tax and reclassification adjustments</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Defined benefit retirement schemes:		
Remeasurement of net defined benefit asset/liability	<b>49</b>	-
Deferred tax charged to other comprehensive income	<b>(8)</b>	-
	<b>41</b>	-
<b>Items that may be reclassified subsequently to profit or loss</b>		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments recognised during the year/period	<b>(77)</b>	-
Amounts transferred to the initial carrying amount of hedged items	<b>(7)</b>	-
Net deferred tax credited to other comprehensive income	<b>14</b>	-
	<b>(70)</b>	-
<b>Total comprehensive income for the year/period attributable to the holders of Share Stapled Units/shares of the Company</b>	<b>3,172</b>	-

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

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

At 31 December 2014

(Expressed in Hong Kong dollars)

	Note	2014 \$ million	2013 \$ million
<b>Non-current assets</b>			
Fixed assets			
- Property, plant and equipment		61,743	-
- Assets under construction		3,059	-
- Interests in leasehold land held for own use under finance leases		6,665	-
	13	<u>71,467</u>	-
Goodwill		33,623	-
Derivative financial instruments		352	-
Employee retirement benefit scheme assets		668	-
Deferred tax assets		3	-
		<u>106,113</u>	-
<b>Current assets</b>			
Inventories		933	-
Deferred expenses		-	69
Trade and other receivables	15	1,135	-
Bank deposits and cash		4,630	-
		<u>6,698</u>	<u>69</u>
<b>Current liabilities</b>			
Amount due to a fellow subsidiary		-	(6)
Trade and other payables	16	(2,488)	(63)
Fuel Clause Recovery Account	17	(631)	-
Current portion of bank loans and other interest-bearing borrowings	18	(520)	-
Current tax payable		(219)	-
		<u>(3,858)</u>	<u>(69)</u>
<b>Net current assets</b>		<u>2,840</u>	-
<b>Total assets less current liabilities</b>		<u>108,953</u>	-
<b>Non-current liabilities</b>			
Bank loans and other interest-bearing borrowings	18	(47,349)	-
Derivative financial instruments		(82)	-
Customers' deposits		(1,937)	-
Deferred tax liabilities		(9,602)	-
Employee retirement benefit scheme liabilities		(499)	-
		<u>(59,469)</u>	-
<b>Scheme of Control Fund and Reserve</b>	10	<u>(293)</u>	-
<b>Net assets</b>		<u>49,191</u>	-
<b>Capital and reserves</b>			
Share capital		8	-
Reserves		49,183	-
<b>Total equity</b>		<u>49,191</u>	-

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

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

(Expressed in Hong Kong dollars)

### **1. Review of annual results**

The annual results have been reviewed by the Audit Committee.

The figures in respect of the preliminary announcement of the Trust Group's and the Group's results for the year ended 31 December 2014 have been compared by the Trust Group's and the Group's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Trust Group's and the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

### **2. General information**

HK Electric Investments Limited (the "Company") was incorporated in the Cayman Islands on 23 September 2013 as an exempted company with limited liability under the Companies Law 2011 (as consolidated and revised) of the Cayman Islands. The Company has established a principal place of business in Hong Kong at Hongkong Electric Centre, 44 Kennedy Road, Hong Kong. The principal activity of the Company is investment holding.

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

In connection with the spin-off and separate listing of Hong Kong electricity business of Power Assets Holdings Limited ("Power Assets"), which is operated by The Hongkong Electric Company, Limited ("HK Electric"), by way of a listing of the Share Stapled Units jointly issued by the Trust and the Company on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), a reorganisation was implemented pursuant to which Treasure Business Limited, an indirect wholly-owned subsidiary of the Company, acquired the entire issued share capital of HK Electric (the "Acquisition").

The Acquisition was completed on 29 January 2014 following which HK Electric has become an indirect wholly-owned subsidiary of the Company. The Share Stapled Units were listed on the Stock Exchange on the same day (the "Listing Date").

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

### 3. Basis of presentation

Pursuant to the Trust Deed, the Trust and the Company are each required to prepare their own sets of financial statements on a consolidated basis. The consolidated financial statements of the Trust for the year ended 31 December 2014 comprise the consolidated financial statements of the Trust, the Company and its subsidiaries (together the “Trust Group”). The consolidated financial statements of the Company for the year ended 31 December 2014 comprise the consolidated financial statements of the Company and its subsidiaries (together the “Group”) and the Company’s statement of financial position.

The Trust controls the Company and the sole activity of the Trust during the year ended 31 December 2014 was investing in the Company. Therefore, the consolidated results and financial position that would be presented in the consolidated financial statements of the Trust are identical to the consolidated 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 consolidated financial statements of the Trust and of the Company together. The consolidated financial statements of the Trust and the consolidated financial statements of the Company are presented together to the extent they are identical and are hereinafter referred as the “consolidated financial statements of the Trust and of the Company”.

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

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

### 4. Changes in accounting policies

The HKICPA has issued a few amendments to HKFRSs and one new interpretation that are first effective for the current accounting period of the Groups and the Company. Of these, the following developments are relevant to the Trust’s and the Company’s consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	<i>Investment Entities</i>
Amendments to HKAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i>
Amendments to HKAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets</i>
Amendments to HKAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC) – Interpretation 21	<i>Levies</i>

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

## 5. Turnover

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

	<b>2014</b>	23 September 2013 (date of incorporation) to 31 December 2013
	<b>\$ million</b>	\$ million
Sales of electricity	<b>10,489</b>	-
Concessionary discount on sales of electricity	<b>(6)</b>	-
Electricity-related income	<b>21</b>	-
	<b>10,504</b>	-

## 6. Segment reporting

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

## 7. Other revenue and other net income

	<b>2014</b>	23 September 2013 (date of incorporation) to 31 December 2013
	<b>\$ million</b>	\$ million
Interest income from financial assets not at fair value through profit or loss	<b>47</b>	-
Sundry income	<b>74</b>	-
	<b>121</b>	-

## 8. Profit before taxation

	<b>2014</b>	23 September 2013 (date of incorporation) to 31 December 2013
	<b>\$ million</b>	\$ million
Profit before taxation is arrived at after charging:		
Depreciation	2,539	-
Amortisation of leasehold land	179	-
Costs of inventories	4,595	-
Write down of inventories	5	-
Net loss on disposal of fixed assets and fixed assets written off	90	-
Staff costs	523	-
Listing expenses	19	-
Auditors' remuneration		
- audit and audit related services	3	-
- professional services in respect of global offering and HK Electric acquisition	6	-
	<u>          </u>	<u>          </u>

During the period from 23 September 2013 (date of incorporation) to 31 December 2013, the Group did not incur any operating costs, except auditor's remuneration of \$200,000 and all other preliminary expenses of \$15,700 which were borne by Power Assets, the former ultimate controlling party of the Company, which has waived its right of recovery thereof.

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

	<b>2014</b>	23 September 2013 (date of incorporation) to 31 December 2013
	<b>\$ million</b>	\$ million
<b>Current tax</b>		
Provision for Hong Kong Profits Tax for the year/for the period	881	-
Over-provision in respect of prior year	(1)	-
	<u>880</u>	<u>-</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(171)	-
	<u>709</u>	<u>-</u>

The provision for Hong Kong Profits Tax for 2014 is calculated at 16.5% of the estimated assessable profits for the year.



Over-provision in respect of prior year came from HK Electric.

No provision for Hong Kong Profits Tax was made for the period from 23 September 2013 (date of incorporation) to 31 December 2013 as the Group did not have any assessable profits during the period.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Groups are exempt from any income tax in these jurisdictions.

## 10. Scheme of Control transfers

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

Pursuant to mid-term review of Scheme of Control which was conducted in 2013, a Smart Power Fund has to be established no later than June 2014 to support the carrying out of improvement works to upgrade the energy efficiency performance of building services installations for communal use in non-commercial buildings. Specifically, HK Electric consented to contribute to the Smart Power Fund each year during the period from 1 January 2014 to 31 December 2018 an amount being deducted from its financial incentive under the energy efficiency incentive mechanism in the SoCA for outperforming the energy audit and energy saving targets (if any) each year during the period from 1 January 2013 to 31 December 2017.

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

	<b>2014</b>	23 September 2013 (date of incorporation) to 31 December 2013
	<b>\$ million</b>	\$ million
Tariff Stabilisation Fund	<b>169</b>	-
Rate Reduction Reserve	-	-
Smart Power Fund		
- Injection during the year	<b>5</b>	-
- Provisional sum to be injected in the following year	<b>5</b>	-
	<b>179</b>	-

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

\$ million	<b>Tariff Stabilisation Fund (see note (i) below)</b>	<b>Rate Reduction Reserve</b>	<b>Smart Power Fund (see note (ii) below)</b>	<b>Total</b>
At 31 December 2013/ 1 January 2014	-	-	-	-
Addition upon business combination (see note 14)	<b>119</b>	-	-	<b>119</b>
Transfer from the consolidated statement of profit or loss	<b>169</b>	-	-	<b>169</b>
Injection for the year	-	-	<b>5</b>	<b>5</b>
At 31 December 2014	<b>288</b>	-	<b>5</b>	<b>293</b>

- (i) Pursuant to mid-term review of Scheme of Control, the year-end balance of the Rate Reduction Reserve of a year has to be transferred to the Tariff Stabilisation Fund in the following year starting from end 2013.
- (ii) Transfer from the consolidated statement of profit or loss of \$4,940,000, which represented deduction of HK Electric's 2013 financial incentive, was injected into the Smart Power Fund in 2014.

A provisional sum of \$4,934,000, representing deduction of HK Electric's 2014 financial incentive, was transferred from the consolidated statement of profit or loss for injection into the Smart Power Fund in the following year and included in the trade and other payables.

## 11. Distributions/dividends

- (a) **The distributable income for the period from the Listing Date to 31 December 2014 was as follows:**

	<u>\$ million</u>	<u>\$ million</u>
Consolidated profit attributable to the holders of Share Stapled Units		3,201
After:		
(i) eliminating the effects of the Adjustments (see note 1 below)		4,594
(ii) adding/(deducting)		
- movement in Fuel Clause Recovery Account	530	
- changes in working capital	178	
- adjustment for employee retirement benefit schemes	12	
- taxes paid	<u>(847)</u>	
		(127)
(iii) capital expenditure payment		(1,662)
(iv) deducting		
- debt repayment	(500)	
- net finance costs	<u>(1,132)</u>	
		(1,632)
(v) deducting		
- reserve for future capital expenditure/debt service and/or compliance with covenants in credit facility agreement		<u>(1,156)</u>
Distributable income		<u>3,218</u>

Note:

- (1) Pursuant to clause 1.1 of the Trust Deed, "Adjustments" includes, but not limited to (i) transfers to/from the Tariff Stabilisation Fund and the Rate Reduction Reserve under the Scheme of Control; (ii) unrealised revaluation gains/losses, including impairment provisions and reversals of impairment provisions; (iii) impairment of goodwill/recognition of negative goodwill; (iv) material non-cash gains/losses; (v) costs of any public offering of Share Stapled Units that are expensed through the consolidated statement of profit or loss but are funded by proceeds from the issuance of such Share Stapled Units; (vi) depreciation and amortisation; (vii) tax charges as shown in the consolidated statement of profit or loss; and (viii) net finance income/costs as shown in the consolidated statement of profit or loss.
- (2) The Trust Deed requires the Trustee-Manager (on behalf of the Trust) to distribute 100% of the dividends, distributions and other amounts received by the Trustee-Manager in respect of the ordinary shares from the Company, after deduction of all amounts permitted to be deducted or paid under the Trust Deed.
- (3) The distributions received by the Trustee-Manager from the Company will be derived from the Group Distributable Income which is referred as audited consolidated profit attributable to the holders of Share Stapled Units for the relevant financial year or distribution period, after making adjustments in respect of items as set out in the Trust Deed.

**(b) Distributions/dividends payable to holders of Share Stapled Units/shares of the Company attributable to the period from the Listing Date to 31 December 2014**

	<b>2014</b>
	<b><u>\$ million</u></b>
Interim distribution/first interim dividend declared and paid of 16.53 cents per Share Stapled Unit/share of the Company	<b>1,461</b>
Final distribution/second interim dividend proposed after the end of the reporting period of 19.89 cents per Share Stapled Unit/share of the Company	<b><u>1,757</u></b>
	<b><u><u>3,218</u></u></b>

For the year ended 31 December 2014, the Company Board declared the payment of a second interim dividend of 19.89 cents per ordinary share (totalling \$1,757 million) (2013: Nil) in lieu of a final dividend after the end of the reporting period and therefore no final dividend was proposed by the Company Board.

For the year ended 31 December 2014, the Trustee-Manager Board declared a final distribution of 19.89 cents per Share Stapled Unit (totalling \$1,757 million) after the end of the reporting period.

The final distribution/second interim dividend declared after the end of the reporting period is based on the number of Shares Stapled Units/ordinary shares of the Company of 8,836,200,000 as at 31 December 2014. The final distribution/second interim dividend declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

**12. Earnings per Share Stapled Unit/share of the Company**

The calculation of basic and diluted earnings per Share Stapled Unit/share of the Company are based on the profit attributable to the holders of Share Stapled Units/ordinary shares of the Company of \$3,201 million for the year ended 31 December 2014 and the weighted average of 8,158,354,521 Share Stapled Units/ordinary shares of the Company in issue during the year.

### 13. Fixed assets

\$ 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 fixed assets
<b>Cost</b>							
At 31 December 2013/ 1 January 2014	-	-	-	-	-	-	-
Additions upon business combination (see note 14)	16,148	45,891	281	3,073	65,393	6,844	72,237
Additions	8	422	45	1,692	2,167	-	2,167
Transfer	356	1,269	81	(1,706)	-	-	-
Disposals	(3)	(216)	(14)	-	(233)	-	(233)
<b>At 31 December 2014</b>	<b>16,509</b>	<b>47,366</b>	<b>393</b>	<b>3,059</b>	<b>67,327</b>	<b>6,844</b>	<b>74,171</b>
<b>Accumulated depreciation and amortisation</b>							
At 31 December 2013/ 1 January 2014	-	-	-	-	-	-	-
Written back on disposals	(1)	(110)	(13)	-	(124)	-	(124)
Charge for the year	467	2,089	93	-	2,649	179	2,828
<b>At 31 December 2014</b>	<b>466</b>	<b>1,979</b>	<b>80</b>	<b>-</b>	<b>2,525</b>	<b>179</b>	<b>2,704</b>
Net book value							
<b>At 31 December 2014</b>	<b>16,043</b>	<b>45,387</b>	<b>313</b>	<b>3,059</b>	<b>64,802</b>	<b>6,665</b>	<b>71,467</b>
At 31 December 2013	-	-	-	-	-	-	-

The above are mainly electricity-related fixed assets in respect of which financing costs capitalised during the year amounted to \$74 million.

The Groups' leasehold land at 31 December 2014 is held in Hong Kong and comprises long term and medium term leasehold land with carrying values of \$328 million and \$6,337 million respectively.

Depreciation charges for the year included \$110 million, relating to assets utilised in development activities, which has been capitalised.

## 14. Business combination

In connection with the spin-off and separate listing of Hong Kong electricity business of Power Assets, which is operated by HK Electric, by way of a listing of the Share Stapled Units jointly issued by the Trust and the Company on the Main Board of the Stock Exchange, a reorganisation was implemented pursuant to which the Group has acquired the entire issued share capital of HK Electric. The acquisition was completed on 29 January 2014 and HK Electric has become an indirect wholly-owned subsidiary of the Company.

Details of the fair values of the identifiable assets and liabilities of HK Electric and goodwill in respect of acquisition at the acquisition date were as follows:

	<u>\$ million</u>
Purchase consideration	
Cash consideration	32,026
Issuance of 4,409,299,999 Share Stapled Units to Quickview Limited (“Quickview”)	24,031
	<u>56,057</u>
Less: fair values of identifiable assets acquired and liabilities assumed recognised	
<b>Assets</b>	
Fixed assets	72,237
Net employee retirement benefit scheme assets	132
Net derivative financial instruments	278
Inventories	848
Trade and other receivables	1,141
Bank deposits and cash	1,148
	<u>75,784</u>
<b>Liabilities</b>	
Loan from Power Assets	(27,445)
Medium term notes	(11,500)
Trade and other payables	(2,313)
Fuel Clause Recovery Account	(101)
Current tax payable	(186)
Customers’ deposits	(1,910)
Deferred tax liabilities	(9,776)
Tariff Stabilisation Fund	(119)
	<u>(53,350)</u>
<b>Total amount of identifiable net assets acquired</b>	<u>22,434</u>
<b>Goodwill on acquisition</b>	<u>33,623</u>

**Analysis of cash flows on acquisition:**

Cash consideration	32,026
Cash and cash equivalents acquired	<u>(1,148)</u>
<b>Net cash outflow</b>	<b><u><u>30,878</u></u></b>

- (a) The goodwill is attributable mainly to future stable cash flows and profits generated from generation and supply of electricity in Hong Kong, and the skills and technical talent of HK Electric's work force.
- (b) Stamp duty of \$112 million on sale and purchase of entire issued share capital of HK Electric was borne by Power Assets. Other acquisition-related costs totalling \$3 million were included in other operating costs of consolidated statement of profit or loss.
- (c) The acquisition contributed \$10,584 million and \$5,152 million to the Groups' revenue (including Turnover and Other Revenue and Other Net Income) and profit before taxation respectively since acquisition.
- (d) If the acquisition had occurred on 1 January 2014 and HK Electric had been consolidated from the same date, the consolidated statement of profit or loss would have included revenue (including Turnover and Other Revenue and Other Net Income) and profit before taxation of approximately \$11,310 million and \$4,250 million respectively.

**15. Trade and other receivables**

	<b>2014</b>	2013
	<b><u>\$ million</u></b>	<u>\$ million</u>
Trade debtors (see note (a) below)	<b>668</b>	-
Other receivables (see note below)	<b>452</b>	-
	<b>1,120</b>	-
Derivative financial instruments		
– held as cash flow/fair value hedging instruments	<b>3</b>	-
Deposits and prepayments	<b>12</b>	-
	<b><u>1,135</u></b>	<u>-</u>

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

Other receivables of the Groups include unbilled electricity charges of \$406 million (2013: Nil) to be received from electricity customers.

**(a) Trade receivables ageing analysis**

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

	<b>2014</b>	2013
	<b>\$ million</b>	\$ million
Current and within 1 month	<b>610</b>	-
1 to 3 months	<b>38</b>	-
More than 3 months but less than 12 months	<b>20</b>	-
	<b>668</b>	-

Electricity bills issued to domestic, small industrial, commercial and miscellaneous customers for electricity supplies are due upon presentation whereas maximum demand customers are allowed a credit period of 16 working days. If settlements by maximum demand customers are received after the credit period, a surcharge of 5% can be added to the electricity bills.

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

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

**(b) Impairment of trade and other receivables**

The Groups' trade debtors are individually assessed for impairment. Any impairment losses are written off against the trade debtors directly. No separate account is maintained for impairment losses. During the year ended 31 December 2014, impairment of trade and other receivables of \$1 million (2013: Nil) was charged to profit or loss.



## 16. Trade and other payables

	<b>2014</b> <b>\$ million</b>	2013 \$ million
Creditors measured at amortised cost (see note below)	<b>2,466</b>	63
Derivative financial instruments		
– held as cash flow/fair value hedging instruments	<b>22</b>	-
	<b>2,488</b>	63

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

Creditors' ageing is analysed as follows:

	<b>2014</b> <b>\$ million</b>	2013 \$ million
Due within 1 month or on demand	<b>798</b>	63
Due after 1 month but within 3 months	<b>475</b>	-
Due after 3 months but within 12 months	<b>1,193</b>	-
	<b>2,466</b>	63

## 17. Fuel Clause Recovery Account

The Fuel Clause Charges per unit for electricity sales was 33.1 cents from 1 January 2014. Movements on the Fuel Clause Recovery Account were as follows:

	<b>2014</b> <b>\$ million</b>	2013 \$ million
At 1 January	-	-
Addition upon business combination (see note 14)	<b>101</b>	-
Transferred to profit or loss	<b>(2,875)</b>	-
Fuel Clause Charges during the year	<b>3,405</b>	-
At 31 December	<b>631</b>	-

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

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

	<b>2014</b>	2013
	<b>\$ million</b>	\$ million
Bank loans (see note (a) below)	<b>36,788</b>	-
Current portion	<b>(20)</b>	-
	<b>36,768</b>	-
Hong Kong dollar medium term notes (see note (b) below)	<b>4,983</b>	-
United States dollar medium term notes (see note (b) below)	<b>6,098</b>	-
	<b>11,081</b>	-
Current portion	<b>(500)</b>	-
	<b>10,581</b>	-
	<b>47,349</b>	-

- (a) Loan facility agreements dated 10 January 2014 were entered into between HK Electric, the Company and each of the participating banks set out therein, pursuant to which dual currency term loan facilities comprising a Hong Kong dollar tranche of up to approximately \$16,521 million and a United States dollar tranche of up to approximately US\$1,519 million (approximately \$11,782 million) were made available to HK Electric while a Hong Kong dollar tranche of up to approximately \$5,079 million and a United States dollar tranche of up to approximately US\$467 million (approximately \$3,622 million) were made available to the Company.

On 6 February 2014, approximately \$27,445 million was drawn down by HK Electric for the repayment of loan and loan capital from Power Assets and approximately \$8,503 million was drawn down by the Company for the redemption of the promissory note issued by Treasure Business Limited, a wholly-owned subsidiary of the Company, in favour of Power Assets in partial settlement of the acquisition consideration. The maturity dates of these facilities are three years from the date of the first drawdown.

- (b) The Hong Kong dollar medium term notes bear interest at rates ranging between 1.65% to 4.55% per annum. The United States dollar medium term notes bear interest at 4.25% per annum.
- (c) Some banking facilities of the Groups are subject to the fulfilment of covenants relating to certain of the Groups' statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Groups were to breach the covenants, the drawn down facilities would become payable on demand and any undrawn amount will be cancelled. The Groups regularly monitors its compliance with these covenants. As at 31 December 2014, none of the covenants relating to drawn down facilities had been breached.
- (d) None of the non-current interest-bearing borrowings is expected to be settled within one year. All the above borrowings are unsecured.

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

	<b>2014</b>	2013
	<b><u>\$ million</u></b>	<u>\$ million</u>
After 1 year but within 2 years	<b>900</b>	-
After 2 years but within 5 years	<b>37,397</b>	-
After 5 years	<b>9,052</b>	-
	<b><u>47,349</u></b>	<u>-</u>

**STATEMENT OF COMPREHENSIVE INCOME  
OF HK ELECTRIC INVESTMENTS MANAGER LIMITED**

For the year ended 31 December 2014

(Expressed in Hong Kong dollars)

		<b>2014</b>	25 September 2013 (date of incorporation) to 31 December 2013
	Note	\$	\$
<b>Revenue</b>		-	-
Administrative expenses		-	-
<b>Profit before taxation</b>	5	-	-
Income tax	6	-	-
<b>Profit and total comprehensive income for the year/period</b>		-	-

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

At 31 December 2014

(Expressed in Hong Kong dollars)

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
	<hr/>	<hr/>
<b>Current assets</b>		
Amount due from immediate holding company	<hr/> <b>1</b> <hr/>	<hr/> <b>1</b> <hr/>
<b>Net assets</b>	<hr/> <b>1</b> <hr/>	<hr/> <b>1</b> <hr/>
<b>Capital and reserves</b>		
Share capital	<b>1</b>	<b>1</b>
Reserves	<hr/> <b>-</b> <hr/>	<hr/> <b>-</b> <hr/>
<b>Total equity</b>	<hr/> <b>1</b> <hr/> <hr/>	<hr/> <b>1</b> <hr/> <hr/>

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

(Expressed in Hong Kong dollars)

**1. Review of annual results**

The annual results have been reviewed by the Audit Committee.

The figures in respect of the preliminary announcement of the HK Electric Investments Manager Limited's (the "Company") results for the year ended 31 December 2014 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Company's draft financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

**2. General information**

The Company was incorporated in Hong Kong under the Companies Ordinance on 25 September 2013 and is an indirect wholly-owned subsidiary of Power Assets Holdings Limited, which is incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited and traded in the form of American Depositary Receipts on the OTC Markets Group Inc. in the United States. The address of the registered office and the principal place of business of the Company is Hongkong Electric Centre, 44 Kennedy Road, Hong Kong.

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

The costs and expenses of administering the Trust may be deducted from all property and rights of any kind whatsoever which are held on trust for the registered holders of units of the Trust but, commensurate with its specific and limited role, the Company will not receive any fee for administering the Trust.

**3. Basis of presentation**

In accordance with the Trust Deed, a distributions statement shall be included in the financial statements of the Company. As the details of the distribution has already been presented in note 11(a) to the consolidated financial statements of the Trust and HK Electric Investments Limited on page 19, no distributions statement is therefore presented in these financial statements.

#### **4. Changes in accounting policies**

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Company. The adoption of these amendments to standards and the new Interpretation do not have material impact on the Company's financial statements.

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

#### **5. Profit before taxation**

Auditor's remuneration of \$52,000 and all other expenses of the Company which were incurred for the administering of the Trust of \$404,328 for the year have been borne by HK Electric Investments Limited, which has waived its right of recovery thereof.

Auditor's remuneration of \$50,000 and all other preliminary expenses of \$4,800 of the Company incurred in the prior period have been borne by the ultimate holding company, which has waived its right of recovery thereof.

Except for the above, the Company did not incur any administrative expenses during the year and the prior period.

#### **6. Income tax**

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

## **OTHER INFORMATION**

### **Final distribution and closure of Registers**

The Trustee-Manager Board has declared a final distribution by the Trust for 2014 of HK19.89 cents per Share Stapled Unit. The final distribution will be payable on 10 March 2015 to Holders of Share Stapled Units whose names appear in the Share Stapled Units Register at the close of business on Friday, 27 February 2015, being the record date for determination of entitlement to the final distribution. To qualify for the final distribution, all transfers accompanied by the relevant Share Stapled Unit certificates should be lodged with the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Friday, 27 February 2015.

For the purpose of ascertaining Holders of Share Stapled Units who are entitled to attend and vote at the Annual General Meeting to be held on Thursday, 14 May 2015 (or any adjournment thereof), the Registers will be closed from Monday, 11 May 2015 to Thursday, 14 May 2015, both days inclusive, during which no transfer of Share Stapled Units will be registered. In order to qualify for the right to attend and vote at the meeting (or any adjournment thereof), all transfers accompanied by the relevant Share Stapled Unit certificates should be lodged with the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Friday, 8 May 2015.

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

### **Purchase, sale or redemption of Share Stapled Units**

Pursuant to the Trust Deed, the Holders of Share Stapled Units have no right to demand for repurchase or redemption of their Share Stapled Units. Unless and until expressly permitted to do so by the relevant codes and guidelines issued by the Securities and Futures Commission from time to time, the Trustee-Manager shall not repurchase or redeem any Share Stapled Units on behalf of the Trust.

None of the Trust, the Trustee-Manager, the Company nor any of their subsidiaries purchased, sold or redeemed any of issued Share Stapled Units during the period from the Listing Date to 31 December 2014.



## **Corporate governance practices**

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

The Trust and the Company were both listed on the Main Board of the Stock Exchange with effect from the Listing Date, 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 adopted the applicable code provisions in the Corporate Governance Code with effect from the Listing Date, and have complied with such code provisions throughout the period under review, 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 Company has established the policy on handling of inside information and securities dealing for compliance by the Company's employees.

## **Annual General Meeting**

The Annual General Meeting will be held at the Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Thursday, 14 May 2015 at 10:00 a.m. Notice of the Annual General Meeting will be published and despatched to Holders of Share Stapled Units in the manner as required by the Listing Rules in due course.

## **Boards composition**

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

- Executive Directors : Mr. FOK Kin Ning, Canning (Chairman) (Mrs. CHOW WOO Mo Fong, Susan as his alternate), Mr. WAN Chi Tin (Chief Executive Officer), Mr. CHAN Loi Shun, Mr. CHENG Cho Ying, Francis, Mr. SHAN Shewu and Mr. YUEN Sui See
- Non-executive Directors : Mr. LI Tzar Kuoi, Victor (Deputy Chairman), Mr. Ronald Joseph ARCULLI, Mr. DU Zhigang and Mr. JIANG Xiaojun
- Independent Non-executive Directors : Mr. FONG Chi Wai, Alex, Mr. KWAN Kai Cheong, Mr. LEE Lan Yee, Francis, Mr. George Colin MAGNUS and Mr. Donald Jeffrey ROBERTS

## **GLOSSARY**

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

<b>Term(s)</b>	<b>Definition</b>
“Annual General Meeting”	The annual general meeting of unitholders of the Trust and shareholders of the Company, as convened by the Trustee-Manager and the Company held on a combined basis as a single meeting characterised as the annual general meeting of Holders of Share Stapled Units
“Boards” or “Boards of Directors”	Trustee-Manager Board and Company Board
“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
“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
“HKICPA”	Hong Kong Institute of Certified Public Accountants

<b>Term(s)</b>	<b>Definition</b>
“Holder(s) of Share Stapled Units”	Person(s) who hold Share Stapled Units issued by HKEI
“Listing Date”	29 January 2014, being the date of listing of Share Stapled Units jointly issued by the Trust and the Company on the Main Board of the Stock Exchange
“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, which shares are listed on the Main Board of the Stock Exchange (stock code: 6)
“Registers”	The Share Stapled Units Register, the Units Register, the Principal and Hong Kong Branch Registers of Members and the Register of Beneficial Interests
“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 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

<b>Term(s)</b>	<b>Definition</b>
“Trust”	HK Electric Investments (港燈電力投資), as constituted pursuant to the Trust Deed under the laws of Hong Kong
“Trust Deed”	The trust deed dated 1 January 2014 constituting the Trust, entered into between the Trustee-Manager and the Company
“Trust Group”	The Trust and the Group
“Trustee-Manager”	HK Electric Investments Manager Limited (港燈電力投資管理人有限公司), a company incorporated in Hong Kong with limited liability on 25 September 2013 and an indirect wholly-owned subsidiary of Power Assets, in its capacity as trustee-manager of the Trust
“Trustee-Manager Audit Committee”	Audit committee of the Trustee-Manager
“Trustee-Manager Board”	Board of directors of the Trustee-Manager