

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

與港燈電力投資 and HK Electric Investments  
(股份代號 Stock Code: 02638)

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## **2013 RESULTS**

### **CHAIRMAN'S STATEMENT**

It gives me great pleasure to present the first statement of HK Electric Investments and HK Electric Investments Limited (collectively known as “HKEI”).

On 29 January 2014, HKEI acquired from Power Assets Holdings Limited the interest in the Hong Kong electricity business, operated by The Hongkong Electric Company, Limited (HK Electric), and commenced trading on the Stock Exchange of Hong Kong by way of listing its issued Share Stapled Units.

With this, HK Electric enters a new era with a heritage of long-term success and deep roots in the Hong Kong community. Powering economic and social development in Hong Kong for over 120 years, HK Electric is justly proud of being one of the longest established power companies in the world, as well as one of the most reliable. It is privileged to form an important part of the robust infrastructure for which Hong Kong is famous.

Going forward HKEI will continue to build and develop the business on prudent, strategic principles with the aim of delivering long-term stable growth in unit holder returns. With a single-minded focus on Hong Kong, coupled with a strong financial position will make the group more agile and better able to respond to Hong Kong’s changing market dynamics under the Scheme of Control Agreement (SCA) of the Hong Kong Special Administrative Region (HKSAR).

### *Key developments during 2013*

Two key strategic activities affecting the development of the group over the next five years were completed in 2013.

The first of these was the mid-term review of the current SCA. The review was comprehensive and involved both the company and our stakeholders in an exercise to identify ways in which the effectiveness of the SCA could be enhanced, with an emphasis on energy efficiency and conservation. The SCA forms an effective framework and we are pleased to note that the review reaffirmed the fundamental tenets of the current scheme.

An immediate initiative following the review was the establishment of our Energy Efficiency Fund. HK Electric will inject the annual financial incentive payments it receives for achieving stipulated targets to the fund, which will be used for projects to improve electrical infrastructure in old residential buildings to enhance energy efficiency.

The company's environmental focus will continue through increasing power generation from cleaner fuels, while maintaining supply reliability and affordability.

Another important advance during the year was the approval of HK Electric's 2014-2018 Development Plan by the HKSAR Government. The plan will form the basis of the company's development over the next five years. HK Electric consulted with various stakeholders and took into consideration the government's energy policy and environmental objectives when developing the plan.

Following the plan's approval, HK Electric froze net tariffs for 2014 and forecast that, barring unforeseen circumstances, net tariffs could be maintained at the present level for the next four years in an effort to ensure that electricity remains affordable for its 569,000 customers.

HK Electric will also invest HK\$13 billion in generation, transmission and distribution, customer services and corporate development over the next five years – comparable to the capital expenditure during the previous development plan. These investments will focus on improving reliability, service levels and environmental standards. Of this amount, HK\$3 billion, has been earmarked for the potential construction of a new gas-fired unit pending written confirmation from the government. The new unit is scheduled for completion by 2020 to sustain the company's gas-fired generation capacity and reliability of electricity supply given the scheduled retirement of two coal-fired units in 2017 and 2018, and one gas-fired combined cycle unit in 2020.

Over the past few decades, the operations of the two power companies in Hong Kong have been governed by the SCAs, which is structured to be both long term and transparent. This has enabled HK Electric to invest significant amounts in an appropriate way to benefit customers and the environment well into the future.

The stable framework has also allowed HK Electric to provide Hong Kong's residents and businesses with electricity at affordable prices. The company has embraced government policy objectives on energy efficiency and conservation both to protect the environment and to meet international obligations.

The current SCA was entered into on 7 January 2008 and runs to 31 December 2018, with an option for the HKSAR Government to extend it for a further term of five years ending on 31 December 2023. We welcome stakeholders' input concerning the future direction of the SCA and will participate fully in discussions with the government and all other stakeholders. Our views will be guided by prudent, pragmatic values and our desire to provide world-class infrastructure to Hong Kong and long-term growth in shareholder value.

Moving forward, HK Electric will continue to focus on the provision of robust, clean energy to both domestic and commercial customers. We will go on making optimal investments where appropriate to ensure a highly affordable and environmentally friendly power supply, while maintaining a reliability rating of over 99.999% – achieved every year since 1997. In the last five years the reliability level has improved to less than one minute of power supply interruption per customer per year which is one of the best records in the world.

I would like to thank my team of hard-working and skilled colleagues at every level and in every division of the group. With them, I look forward to the exciting new era of the group. I also thank our unit holders whose support has made it possible for us to embark on this new stage of our journey with confidence and enthusiasm.

***Fok Kin Ning, Canning***

Chairman

Hong Kong, 6 March 2014

## **FINANCIAL REVIEW**

### **Financial performance and distribution**

As a business trust, HK Electric Investments (the “Trust”) was constituted on 1 January 2014. HK Electric Investments Limited (the “Company”) and its subsidiaries (collectively the “Group”) have not carried on any business since their dates of incorporation up to 31 December 2013. The Company did incur certain expenses during the period in connection with the acquisition of the entire issued share capital of HK Electric and the listing of the share stapled units jointly issued by the Trust and the Company.

The Trust and the Company were publicly listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 29 January 2014, the date on which the acquisition of HK Electric was also completed. Following this, HK Electric has become a wholly-owned subsidiary of the Company.

In light of this, the Trust and the Company shall only be entitled to the profit of HK Electric as from the date of completion of the acquisition which is the same date as the listing date. Holders of the share stapled units will not receive distributions for any period before the listing date of the share stapled units and the first distribution will be paid for the period from the listing date to 30 June 2014 as an interim distribution.

### **Treasury policy, liquidity and capital resources**

The Group manages its financial risks in accordance with guidelines laid down in its treasury policy which is designed to manage the Group’s currency, interest rate and counterparty risks. The 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 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 Holdings Limited (“PAH”). 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 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 HK\$16,521 million and a United States dollar tranche of up to approximately US\$1,519 million (approximately HK\$11,779 million) were made available to HK Electric while a Hong Kong dollar tranche of up to approximately HK\$5,079 million and a United States dollar tranche of up to approximately US\$467 million (approximately HK\$3,621 million) were made available to the Company.

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

To mitigate the exposure to the foreign currency risk and interest rate risk of the said dual currency term loan facilities, hedging arrangements using cross currency and interest rate swaps have been executed to convert United States dollar liabilities into Hong Kong dollar liabilities and to convert floating rate obligations to fixed rate obligations.

#### **Charge on assets**

At 31 December 2013, no assets of the Group were pledged to secure its loans and banking facilities.

#### **Employees**

During the period ended 31 December 2013, the Group did not have any employees.

**HK ELECTRIC INVESTMENTS LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD FROM 23 SEPTEMBER 2013 (DATE OF INCORPORATION)**  
**TO 31 DECEMBER 2013**

(Expressed in Hong Kong dollars)

	Note	23 September 2013 (date of incorporation) to 31 December 2013 \$ million
<b>Turnover</b>	3	-
Other operating costs		-
<b>Profit before taxation</b>	4	-
Income tax	5	-
<b>Profit and total comprehensive income for the period attributable to equity shareholders of the Company</b>		-
<b>Earnings per share</b>		
Basic and diluted	6	-

**HK ELECTRIC INVESTMENTS LIMITED**  
**CONSOLIDATED BALANCE SHEET**  
**AT 31 DECEMBER 2013**  
(Expressed in Hong Kong dollars)

	Note	<u>2013</u> <u>\$ million</u>
<b>Current assets</b>		
Deferred expenses	7	<u>69</u>
<b>Current liabilities</b>		
Amount due to a fellow subsidiary		(6)
Other payables and accrued charges	8	<u>(63)</u>
		<u>(69)</u>
<b>Net current liabilities</b>		<u>-</u>
<b>Total assets less current liabilities</b>		<u>-</u>
<b>Net assets</b>		<u><u>-</u></u>
<b>Capital and reserves</b>		
Share capital	9(a)	-
Reserves		<u>-</u>
<b>Total equity</b>		<u><u>-</u></u>

## **Notes to 2013 Results of HK Electric Investments Limited**

(Expressed in Hong Kong dollars unless otherwise indicated)

### **1. General information**

Neither the Company nor its subsidiaries has carried on any business since their respective dates of incorporation. The Group did incur certain expenses in connection with the acquisition of the entire issued share capital of HK Electric (the "Acquisition") and the listing of share stapled units jointly issued by the Trust and the Company on the Main Board of the Stock Exchange (the "Listing") during the period. Such expenses have been recognised as deferred expenses in the balance sheets of the Group and the Company and will be charged to profit or loss or equity upon the completion of the Acquisition and the Listing.

The Acquisition will be accounted for using the purchase method of accounting in the consolidated financial statements of the Trust and the Group. For details of the Acquisition, please see note 10(a)(iv).

### **2. Review of 2013 Results**

The results for the period from 23 September 2013 (date of incorporation of the Company) to 31 December 2013 have been reviewed by the Audit Committee.

The figures in respect of the preliminary announcement of the Group's results for the period from 23 September 2013 (date of incorporation of the Company) to 31 December 2013 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft financial statements for the period 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.

### **3. Turnover**

Turnover represents dividends received and receivable during the period.

### **4. Profit before taxation**

Auditor's remuneration of \$200,000 and all other preliminary expenses of \$15,700 of the Group have been borne by the ultimate controlling party, which has waived its right of recovery thereof.

Except for the above, the Group did not incur any other operating costs and had no employees during the period.



## 5. Income tax

No provision for Hong Kong Profits Tax has been made in the financial statements 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 Group is exempt from any income tax in these jurisdictions.

## 6. Earnings per share

The calculation of earnings per share is based on the profit attributable to equity shareholders of the Company of \$Nil and 2 ordinary shares in issue throughout the period.

## 7. Deferred expenses

Expenses were incurred during the period in connection with the Acquisition and the Listing.

The expenses will be charged to the profit or loss or equity upon the completion of the Acquisition and the Listing.

## 8. Other payables and accrued charges

All of the other payables and accrued charges are expected to be settled within one year.

## 9. Share capital and dividends

### (a) Share capital

Details of the changes in the Company's share capital during the period are set out below:

	2013	
	Number of shares	Nominal value \$
	<u>                    </u>	<u>                    </u>
<b>Authorised:</b>		
Ordinary shares		
At 23 September 2013 (date of incorporation)	<u>760,000,000</u>	<u>380,000</u>
At 31 December 2013	<u>760,000,000</u>	<u>380,000</u>
<b>Issued and fully paid:</b>		
Ordinary shares of \$0.0005 each		
At 23 September 2013 (date of incorporation)	<u>1</u>	<u>-</u>
On 4 December 2013	<u>1</u>	<u>-</u>
At 31 December 2013	<u>2</u>	<u>-</u>

- (i) On 23 September 2013, one ordinary share of \$0.0005 was allotted and issued for cash at par to the initial subscriber, Sharon Pierson, who on the same day transferred that one share to Quickview, a wholly owned subsidiary of PAH.
- (ii) On 4 December 2013, Quickview subscribed for and was allotted and issued one additional ordinary share of \$0.0005 in the capital of the Company at par.

**(b) Dividends**

The Directors of the Company do not recommend the payment of a final dividend for the period from 23 September 2013 (date of incorporation) to 31 December 2013.

**10. Post balance sheet events**

The following significant events took place subsequent to the balance sheet date:

**(a) Group reorganisation**

In preparation for the Listing, a group reorganisation (the “Reorganisation”) as summarised below was implemented to establish the Trust and the Group (together the “Trust Group”):

- (i) On 1 January 2014, the Trust was constituted as a trust by a Hong Kong law governed Trust Deed entered into between HK Electric Investments Manager Limited (“Trustee-Manager”), as the trustee-manager of the Trust, and the Company. Trustee-Manager is an indirect wholly-owned subsidiary of PAH.
- (ii) On 1 January 2014, resolutions of the Company were passed to change the share capital structure of the Company by increasing the authorised share capital of the Company from \$380,000 to \$20,000,000, of which 20,000,000,000 shares, including one issued share held in the name of Quickview, were designated as ordinary shares with a par value of \$0.0005 each (the “Ordinary Shares”), and the remaining 20,000,000,000 shares, including the other issued share held in the name of Quickview, were designated as preference shares with a par value of \$0.0005 each (the “Preference Shares”), in each case with the rights, preferences, privileges and restrictions as set out in the Company’s amended and restated Memorandum and Articles of Association.
- (iii) On 1 January 2014, Trustee-Manager and Quickview entered into a sale and purchase agreement pursuant to which Quickview transferred one ordinary share held by it to Trustee-Manager (in its capacity as trustee-manager of the Trust) in consideration for \$0.0005 which was satisfied by the Trust issuing to Quickview one unit linked to that ordinary share held by Trustee-Manager and stapled to the one preference share held by Quickview to form one share stapled unit in accordance with the Trust Deed.

- (iv) On 14 January 2014, Treasure Business (an indirect wholly owned subsidiary of the Company), as the purchaser, entered into a conditional sale and purchase agreement with PAH, as vendor, Trustee-Manager and the Company pursuant to which Treasure Business conditionally agreed to acquire the entire issued share capital of HK Electric.

The aggregate consideration for the Acquisition amounted to \$56,056,724,869.55, which comprised:

- (a) an amount of \$24,030,684,994.55 which was paid by the issuance of 4,409,299,999 share stapled units to Quickview, at the direction of PAH;
- (b) an amount of \$23,523,439,875.00, being the net proceeds from the issue of 4,426,900,000 share stapled units pursuant to the global offering; and
- (c) an amount of \$8,502,600,000.00, being settled by way of the issue of a promissory note by Treasure Business using part of the proceeds from the Company Loan Facility (see note 10(c) below).

The Acquisition was completed on 29 January 2014 and HK Electric has become an indirect wholly-owned subsidiary of the Company.

**(b) Listing of share stapled units (the “Share Stapled Units”) on the Main Board of the Stock Exchange**

- (i) Following the completion of the Reorganisation and the global offering, a total of 8,836,200,000 Share Stapled Units are in issue, of which, 4,426,900,000 Share Stapled Units were issued on 29 January 2014 pursuant to global offering and 4,409,299,999 Share Stapled Units were issued on 29 January 2014 as part of the Acquisition consideration.
- (ii) The Share Stapled Units structure comprises (1) a unit in the Trust; (2) a beneficial interest in a specifically identified ordinary share in the Company which is linked to the unit and held by Trustee-Manager as legal owner in its capacity as trustee-manager of the Trust; and (3) a specifically identified preference share in the Company which is “stapled” to the unit. The Share Stapled Units were listed on the Main Board of the Stock Exchange on 29 January 2014.

**(c) Company Loan Facility**

In preparation for the Reorganisation, a facility agreement dated 10 January 2014 has been entered into between the Company and each of the participating banks set out therein, pursuant to which a dual currency term loan facility comprising a Hong Kong dollar tranche of up to approximately \$5,078,900,000 and a United States dollar tranche of up to approximately US\$467,000,000 (approximately \$3,621,100,000) has been made available to the Company (“Company Loan Facility”).

On 6 February 2014, \$8,502,600,000 out of the total Company Loan Facility was applied towards redemption of the promissory note issued by Treasure Business in favour of PAH for settlement of part of the Acquisition consideration (see note 10(a)(iv) above).

**HK ELECTRIC INVESTMENTS MANAGER LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD FROM 25 SEPTEMBER 2013 (DATE OF INCORPORATION)**  
**TO 31 DECEMBER 2013**  
(Expressed in Hong Kong dollars)

	Note	25 September 2013 (date of incorporation) to 31 December 2013 \$
<b>Revenue</b>		-
Administrative expenses		-
<b>Profit before taxation</b>	3	-
Income tax	4	-
<b>Profit and total comprehensive income for the period</b>		-

**HK ELECTRIC INVESTMENTS MANAGER LIMITED**  
**BALANCE SHEET**  
**AT 31 DECEMBER 2013**  
(Expressed in Hong Kong dollars)

	Note	<u>2013</u> \$
<b>Current assets</b>		
Amount due from immediate holding company		<u>1</u>
<b>Net assets</b>		<u><u>1</u></u>
<b>Capital and reserves</b>		
Share capital	5	1
Reserves		<u>-</u>
<b>Total equity</b>		<u><u>1</u></u>

## **Notes to 2013 Results of HK Electric Investments Manager Limited**

(Expressed in Hong Kong dollars unless otherwise indicated)

### **1. General information**

The principal activity of the Trustee-Manager is administering 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 Trustee-Manager, as the trustee-manager of the Trust, and the Company.

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 Trustee-Manager will not receive any fee for administering the Trust.

### **2. Review of 2013 Results**

The results for the period from 25 September 2013 (date of incorporation) to 31 December 2013 have been reviewed by the Audit Committee.

The figures in respect of the preliminary announcement of the Trustee-Manager's results for the period from 25 September 2013 (date of incorporation) to 31 December 2013 have been compared by the Trustee-Manager's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Trustee-Manager's draft financial statements for the period 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.

### **3. Profit before taxation**

Auditor's remuneration of \$50,000 and all other preliminary expenses of \$4,800 of the Trustee-Manager have been borne by the ultimate controlling party, which has waived its right of recovery thereof.

Except for the above, the Trustee-Manager did not incur any administrative expenses during the period.

### **4. Income tax**

No provision for Hong Kong Profits Tax has been made in the financial statements as the Trustee-Manager did not have any assessable profits during the period.

5. **Share capital**

	2013	
	<u>Number of shares</u>	<u>Nominal value \$</u>
<b>Authorised:</b>		
Ordinary shares of \$1 each		
Beginning and end of the period	<u>1,000,000</u>	<u>1,000,000</u>
<b>Issued and fully paid:</b>		
Ordinary shares of \$1 each		
Issuance of one ordinary share on the date of incorporation	<u>1</u>	<u>1</u>

6. **Post balance sheet events**

On 1 January 2014, the Trust was constituted as a trust by a Hong Kong law governed Trust Deed entered into between the Trustee-Manager, as the trustee-manager of the Trust, and the Company.

The Trustee-Manager has a specific and limited role, which is to administer the Trust under the Trust Deed.

## **OTHER INFORMATION**

### **Closure of registers**

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 Friday, 16 May 2014 (or any adjournment thereof), the register of registered holders of share stapled units, the register of holders of units, the principal and Hong Kong branch registers of members of the Company and the register of beneficial interests as established and maintained by the Trustee-Manager and the Company in accordance with the provisions of the Trust Deed will all be closed from Tuesday, 13 May 2014 to Friday, 16 May 2014, 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 units certificates should be lodged with the share stapled units registrar, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Monday, 12 May 2014.

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**

The Trust was constituted on 1 January 2014 and no share stapled units was issued and listed as at 31 December 2013. None of the Trustee-Manager, the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period ended 31 December 2013.

### **Corporate governance practices**

The Trust and the Company are committed to maintaining high standards of corporate governance. The Directors of the Trustee-Manager and the Directors of the Company 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 Company 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 29 January 2014 (the "Listing Date"), and are subject to the provisions of the Rules Governing the Listing of Securities on the Stock Exchange (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 set out in Appendix 14 of the Listing Rules with effect from the Listing Date.



### **Annual general meeting**

The annual general meeting of holders of share stapled units will be held at the Ballroom, 1 Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Friday, 16 May 2014 at 9:00 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.

### **Board composition**

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

- |                                     |  |
|-------------------------------------|--|
| Executive directors                 | : Mr. FOK Kin Ning, Canning (Chairman), Mr. WAN Chi Tin (Chief Executive Officer), Mr. CHAN Loi Shun, Mr. CHENG Cho Ying, Francis, Mrs. CHOW WOO Mo Fong, Susan and Mr. YUEN Sui See |
| Non-executive directors             | : Mr. TSO Kai Sum (Deputy Chairman) and Mr. Ronald Joseph ARCULLI  |
| Independent non-executive directors | : Mr. FONG Chi Wai, Alex, Mr. LEE Lan Yee, Francis, Mr. George Colin MAGNUS and Mr. Donald Jeffrey ROBERTS   |