

港燈電力投資  
HK Electric Investments

(根據香港法律按日期為二零一四年一月一日的信託契約組成，  
其受託人為港燈電力投資管理人有限公司。)

(As constituted pursuant to a deed of trust on 1 January 2014 under the laws of Hong Kong,  
the trustee of which is HK Electric Investments Manager Limited.)

與 and

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

(於開曼群島註冊成立的有限公司 Incorporated in the Cayman Islands with limited liability)

(股份代號 Stock Code : 2638)



港燈電力投資  
HK Electric Investments

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## **2015 INTERIM RESULTS**

### **CHAIRMAN'S STATEMENT**

#### **A Continued Commitment to Excellence**

This year HK Electric celebrates its 125th year of lighting up Hong Kong's streets and skyline, as it renews its long-standing commitment to excellence in the provision of reliable electricity at affordable prices. In this milestone year it gives me great pleasure to present the interim results of HKEI, which holds a 100% interest in the operating company HK Electric.

In the first six months of 2015, HK Electric continued to deliver world-class electricity services to Hong Kong. We are pleased that the HKSAR Government has taken on board the views of the community expressed during the public consultation conducted last year on the future fuel mix for electricity generation in Hong Kong and revised the proportion of natural gas generation to around 50 per cent in 2020.

The HKSAR Government conducted a further public consultation between March and June 2015 on the future development of the electricity market in the territory. In our response to the Environment Bureau, we reaffirmed our conviction that the current Scheme of Control Agreement (SCA) regime, with its clear and proven track record, continues to be the best way forward for Hong Kong.

#### **Half Year Results**

For the period ended 30 June 2015, HKEI's EBITDA amounted to HK\$3,789 million (2014: HK\$3,279 million) and unaudited profit attributable to holders of Share Stapled Unit (SSU) was HK\$1,205 million (2014: HK\$967 million).

## **Interim Distribution**

Distributable income for the six months ended 30 June 2015 was HK\$1,760 million (2014: HK\$1,461 million - from listing date on 29 January 2014 to 30 June 2014) which will be distributed in its entirety to SSU holders.

The Board of the Trustee-Manager has declared an interim distribution of HK19.92 cents (2014: HK16.53 cents) per SSU, payable on 14 August 2015 to SSU holders whose names appear on the Share Stapled Units Register on 5 August 2015.

## **Contributing Our Views to Shape Hong Kong's Future Energy Market**

During the period under review, the Government launched a public consultation on the future development of the electricity market in order to collect public views. In our submission, we argued that no changes should be made to the current SCA just for the sake of change, as it has been very effective in balancing the interests of investors and consumers, allowing power companies to achieve the four energy policy objectives set by the Government with respect to safety, reliability, affordability and environmental protection.

Hong Kong has been enjoying world-leading power supply reliability, consistently ranked amongst the top three by the World Economic Forum in supply quality, with a reliability rating far higher than those of other world cities like London, Sydney and New York. HK Electric customers in particular have experienced on average less than one minute of unplanned power interruption per year since 2009. Our tariffs on the other hand, are much lower, with an increase of 5.9% between 2008-2014 and will remain unchanged till end 2018. As for the environment, thanks to a host of emissions reduction measures in place, HK Electric has significantly outperformed the emissions cap set by the Government.

Given the full achievement of these policy objectives, we do not see any need to impose unnecessary changes to the current regulatory regime, in particular to the rate of return, in order that Hong Kong could continue to enjoy a high level of power supply reliability going forward. We believe that the current regulatory regime has provided a perfect balance whereby consumers enjoy value for money services and investors receive a rate of return conducive to making long-term investments in electricity infrastructure.

## **Delivering on Our Performance Promises**

During the first six months of 2015, HK Electric continued to deliver on its promise of world-class standards in reliability and customer service.

Unit sales of electricity in the period under review were 0.5% higher than the corresponding period in 2014.

To address climate change and improve air quality, Lamma Power Station (LPS) maintained gas-fired generation at over 30% of total electricity output. Tendering for a new gas-fired generating unit at LPS, which will be called L10, was completed on schedule and a conditional contract will be awarded in the second half of 2015. Preliminary layout and piling designs have been confirmed and piling will commence in early 2016 for unit commissioning in 2020.

Since 1997, HK Electric has achieved world-class supply reliability in excess of 99.999% every single year. Work on the electricity supply for the MTR South Island Line project was completed to a substantial extent and the upgrade to the North Point 132 kV Switching Station progressed smoothly. The schedule of proactive network monitoring and diagnostics was maintained and a number of upgrades were carried out across the transmission and distribution network.

HK Electric also upheld its commitment to customer service excellence. All 18 pledged customer service standards of the company and the three customer performance targets set by the Government under Scheme of Control were met or surpassed.

The Government has launched a series of initiatives to promote Hong Kong as a data centre hub. In support of this effort, HK Electric hosted the successful HK Electric Data Centre Symposium with the active participation of information technology practitioners and government officials in March 2015. The company also participated in the ICT Expo 2015 in April showcasing one-stop, customised services for data centre customers.

### **Serving the Hong Kong Community**

Committed to contributing towards a sustainable future for Hong Kong, HK Electric has in place a year-round calendar of environmental protection and conservation activities as well as community service programmes.

During the period under review, emissions of sulphur dioxide, nitrogen oxide and respirable suspended particulates remained well under mandated levels. To help reduce roadside pollution, HK Electric has engaged with commercial buildings, shopping centres, hotels and property estates to stimulate expanded community support for electric vehicles.

HK Electric's Smart Power Fund offers subsidies to help older residential buildings enhance their energy efficiencies. In the first six months of 2015, the Fund approved six new projects, bringing to 12 the total number of projects supported by it. Additionally, 13 school projects were granted funding by HK Electric to implement energy efficiency and renewable energy projects on campus.

For many years HK Electric has been dedicated to serving Hong Kong's elderly community. In March 2015, CAREnJOY was launched in partnership with district councils, Lamma rural committees and social service agencies to pay home visits to single elderly.

## **Outlook**

Now that the public consultation has come to a close, we look forward to positive dialogue and collaboration with the Government and other stakeholders in mapping the future development of the electricity market. We will also continue working closely with the Government to meet the new 2020 environmental targets.

In June 2015 an investment holding company wholly-owned by Qatar Investment Authority (“QIA”) acquired a 19.9% strategic stake in HKEI. QIA is a global investment institution with a worldwide portfolio, including energy and infrastructure businesses. With this investment QIA has demonstrated its confidence in our group, strategy and performance. My fellow board members and I are honoured to have two representatives from QIA joining our Boards and we expect this new partnership to be of potential significant benefit to our group over the coming years.

In conclusion, I would like to extend my thanks to our hardworking staff for their dedication, and to our loyal SSU holders for their continuous support.

***Fok Kin Ning, Canning***

Chairman

Hong Kong, 14 July 2015

## FINANCIAL REVIEW

### Financial Performance and Distribution

Unaudited consolidated profit of the Trust Group for the period ended 30 June 2015 was HK\$1,205 million (2014: HK\$967 million). Distributable income as calculated pursuant to the Trust Deed for the six months ended 30 June 2015 was HK\$1,760 million (2014: HK\$1,461 million – from listing date on 29 January 2014 to 30 June 2014) whilst distributable income per SSU was HK19.92 cents (2014: HK16.53 cents).

The Trustee-Manager Board has declared an interim distribution of HK19.92 cents per SSU for the six months ended 30 June 2015 (2014: HK16.53 cents per SSU - from listing date on 29 January 2014 to 30 June 2014).

	<b>Six months ended 30 June 2015 HK\$ million</b>	For the period from listing date on 29 January 2014 to 30 June 2014 HK\$ million
Consolidated profit attributable to SSU holders for the period	<b>1,205</b>	967
After:		
(i) eliminating the effects of the Adjustments (see note (a) below)	<b>2,611</b>	2,339
(ii) adding/(deducting)		
- movement in Fuel Clause Recovery Account	775	280
- changes in working capital	(478)	(295)
- adjustment for employee retirement benefit schemes	8	5
- taxes paid	(238)	-
	<b>67</b>	(10)
(iii) capital expenditure payment	<b>(1,099)</b>	(730)
(iv) deducting		
- debt repayment	<b>(520)</b>	-
- net finance costs	<b>(485)</b>	(664)
(v) deducting		
- reserve for future capital expenditure/debt service and/or compliance with covenants in credit facility agreement	<b>(19)</b>	(441)
Distributable income for the period	<b>1,760</b>	1,461
Distribution amount for the period	<b>1,760</b>	1,461
Interim distribution amount per SSU	<b>HK19.92 cents</b>	HK16.53 cents

Note:

- (a) Pursuant to clause 1.1 of the Trust Deed, “Adjustments” includes, but not limited to (i) transfers to/from the Tariff Stabilisation Fund and the Rate Reduction Reserve under the Scheme of Control; (ii) unrealised revaluation gains/losses, including impairment provisions and reversals of impairment provisions; (iii) impairment of goodwill/recognition of negative goodwill; (iv) material non-cash gains/losses; (v) costs of any public offering of Share Stapled Units that are expensed through the consolidated statement of profit or loss but are funded by proceeds from the issuance of such Share Stapled Units; (vi) depreciation and amortisation; (vii) tax charges as shown in the consolidated statement of profit or loss; and (viii) net finance income/costs as shown in the consolidated statement of profit or loss.
- (b) The Trustee-Manager Board has confirmed, in accordance with the Trust Deed, that (i) the auditors of the Trust Group have reviewed and verified the Trustee-Manager’s calculation of the above distribution entitlement per SSU and (ii) having made all reasonable enquiries, immediately after making the above distribution to the registered unit holders of the Trust, the Trustee-Manager will be able to fulfill, from the Trust Property (as defined in the Trust Deed), the liabilities of the Trust as they fall due.

### **Capital Expenditure, Liquidity and Financial Resources**

Capital expenditure during the period amounted to HK\$656 million (2014: HK\$578 million excluding the addition of fixed assets from the acquisition of HK Electric), which was primarily funded by cash from operations. Total external borrowings outstanding at 30 June 2015 were HK\$47,373 million (31 December 2014: HK\$47,869 million), comprising unsecured bank loans and debt securities in issue. In addition, the Trust Group at 30 June 2015 had undrawn committed bank facilities of HK\$1,000 million (31 December 2014: HK\$1,000 million) and bank deposits and cash of HK\$4,681 million (31 December 2014: HK\$4,630 million).

### **Treasury Policy, Financing Activities, Capital and Debt Structure**

The Trust Group manages its financial risks in accordance with guidelines laid down in its treasury policy which is designed to manage the Trust Group’s currency, interest rate and counterparty risks. Surplus funds, which arise mainly from provision for capital expenditure to be incurred and from electricity bill collection, are placed on short term deposits denominated in Hong Kong dollars. The Trust Group aims to ensure that adequate financial resources are available for refinancing and business growth whilst maintaining a prudent capital structure.

As at 30 June 2015, the net debt of the Trust Group was HK\$42,692 million (31 December 2014: HK\$43,239 million) with a net debt-to-net total capital ratio of 47% (31 December 2014: 47%). The Trust Group’s financial profile remained strong during the period. Following the partial disposal of SSUs by Power Assets, the major SSU holder of the Trust Group, on 9 June 2015, Standard & Poor’s reaffirmed the “A-” long term credit rating of HK Electric with a stable outlook.

The profile of the Trust Group's external borrowings as at 30 June 2015, after taking into account cross currency and interest rate swaps, was as follows:

- (1) 100% were in Hong Kong dollars;
- (2) 78% were bank loans and 22% were capital market instruments;
- (3) 81% were repayable between 2 and 5 years and 19% were repayable beyond 5 years;
- (4) 91% were in fixed rate and 9% were in floating rate.

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

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

The Trust Group's principal foreign currency transaction exposures arise from the import of fuel and capital equipment. Foreign currency transaction exposure is managed mainly through forward contracts. As at 30 June 2015, over 90% of the Trust Group's transaction exposure from the import of fuel and capital equipment was either denominated in United States dollars or hedged into Hong Kong or United States dollars. The Trust Group is also exposed to foreign currency fluctuation arising from foreign currency borrowings. Such exposures are, where appropriate, mitigated by the use of cross currency and interest rate swaps.

The contractual notional amounts of derivative financial instruments outstanding at 30 June 2015 amounted to HK\$51,483 million (31 December 2014: HK\$51,069 million).

### **Charge on Assets**

At 30 June 2015, no assets of the Trust Group were pledged to secure its loans and banking facilities (31 December 2014: Nil).

## **Contingent Liabilities**

As at 30 June 2015, the Trust Group provided an indemnity to a bank in respect of irrevocable letters of credit issued in the ordinary course of business totalling HK\$116 million (31 December 2014: Nil).

In addition, the Company had given a 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 six months ended 30 June 2015, excluding directors’ emoluments, amounted to HK\$540 million (2014: HK\$448 million). As at 30 June 2015, the Trust Group employed 1,783 permanent employees (31 December 2014: 1,813). No share option scheme is in operation.



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

**For the six months ended 30 June 2015**

(Expressed in Hong Kong dollars)

	Note	<b>2015</b> <b>\$ million</b>	2014 \$ million
<b>Turnover</b>	6	<b>5,232</b>	4,481
Direct costs		<u>(2,481)</u>	<u>(2,150)</u>
		<b>2,751</b>	2,331
Other revenue and other net income		<b>37</b>	29
Other operating costs		<u>(353)</u>	<u>(320)</u>
<b>Operating profit</b>		<b>2,435</b>	2,040
Finance costs		<u>(504)</u>	<u>(416)</u>
<b>Profit before taxation</b>	8	<b>1,931</b>	1,624
Income tax:	9		
Current		<span style="border: 1px solid black;">(462)</span>	<span style="border: 1px solid black;">(354)</span>
Deferred		<span style="border: 1px solid black;">126</span>	<span style="border: 1px solid black;">68</span>
		<u>(336)</u>	<u>(286)</u>
<b>Profit after taxation</b>		<b>1,595</b>	1,338
Scheme of Control transfers	10	<u>(390)</u>	<u>(371)</u>
<b>Profit for the period attributable to the holders of Share Stapled Units/shares of the Company</b>		<u><b>1,205</b></u>	<u>967</u>
<b>Earnings per Share Stapled Unit/ share of the Company</b>			
Basic and diluted	11	<u><b>13.64 cents</b></u>	<u>10.94 cents</u>

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

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

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

**For the six months ended 30 June 2015**

(Expressed in Hong Kong dollars)

	<b>2015</b>	2014
	<b>\$ million</b>	\$ million
<b>Profit for the period attributable to the holders of Share Stapled Units/shares of the Company</b>	<b>1,205</b>	967
<b>Other comprehensive income for the period, after tax and reclassification adjustments</b>		
<b>Items that may be reclassified subsequently to profit or loss</b>		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments recognised during the period	(173)	(105)
Amounts transferred to the initial carrying amount of hedged items	11	(5)
Net deferred tax credited to other comprehensive income	27	18
	<b>(135)</b>	<b>(92)</b>
<b>Total comprehensive income for the period attributable to the holders of Share Stapled Units/shares of the Company</b>	<b>1,070</b>	<b>875</b>

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

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

**At 30 June 2015**

(Expressed in Hong Kong dollars)

	Note	(Unaudited) 30 June 2015 \$ million	(Audited) 31 December 2014 \$ million
<b>Non-current assets</b>			
Fixed assets			
- Property, plant and equipment		60,767	61,743
- Assets under construction		3,330	3,059
- Interests in leasehold land held for own use under finance leases		6,569	6,665
	12	<u>70,666</u>	<u>71,467</u>
Goodwill		33,623	33,623
Derivative financial instruments		297	352
Employee retirement benefit scheme assets		669	668
Deferred tax assets		8	3
		<u>105,263</u>	<u>106,113</u>
<b>Current assets</b>			
Inventories		975	933
Trade and other receivables	13	1,695	1,135
Bank deposits and cash		4,681	4,630
		<u>7,351</u>	<u>6,698</u>
<b>Current liabilities</b>			
Trade and other payables	14	(2,042)	(2,488)
Fuel Clause Recovery Account		(1,406)	(631)
Current portion of bank loans and other interest-bearing borrowings	15	-	(520)
Current tax payable		(442)	(219)
		<u>(3,890)</u>	<u>(3,858)</u>
<b>Net current assets</b>		<u>3,461</u>	<u>2,840</u>
<b>Total assets less current liabilities</b>		<u>108,724</u>	<u>108,953</u>
<b>Non-current liabilities</b>			
Bank loans and other interest-bearing borrowings	15	(47,373)	(47,349)
Derivative financial instruments		(233)	(82)
Customers' deposits		(1,967)	(1,937)
Deferred tax liabilities		(9,455)	(9,602)
Employee retirement benefit scheme liabilities		(509)	(499)
		<u>(59,537)</u>	<u>(59,469)</u>
<b>Scheme of Control Fund and Reserve</b>	16	<u>(683)</u>	<u>(293)</u>
<b>Net assets</b>		<u>48,504</u>	<u>49,191</u>
<b>Capital and reserves</b>			
Share capital		8	8
Reserves		48,496	49,183
<b>Total equity</b>		<u>48,504</u>	<u>49,191</u>

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

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

(Expressed in Hong Kong dollars)

### **1. Review of unaudited interim financial statements**

These unaudited consolidated interim financial statements have been reviewed by the Audit Committees.

### **2. General information**

HK Electric Investments Limited (the “Company”) was incorporated in the Cayman Islands on 23 September 2013 as an exempted company with limited liability under the Companies Law 2011 (as consolidated and revised) of the Cayman Islands.

On 1 January 2014, HK Electric Investments (the “Trust”) was constituted by a Hong Kong law governed Trust Deed entered into between HK Electric Investments Manager Limited (the “Trustee-Manager”, in its capacity as the trustee-manager of the Trust) and the Company. The scope of activity of the Trust as provided in the Trust Deed is limited to investing in the Company.

### **3. Basis of presentation**

Pursuant to the Trust Deed, the Trust and the Company are each required to prepare their own sets of interim financial statements on a consolidated basis. The unaudited consolidated interim financial statements of the Trust for the period ended 30 June 2015 comprise the unaudited consolidated interim financial statements of the Trust, the Company and its subsidiaries (together the “Trust Group”). The unaudited consolidated interim financial statements of the Company for the period ended 30 June 2015 comprise the unaudited consolidated interim financial statements of the Company and its subsidiaries (together the “Group”).

The Trust controls the Company and the sole activity of the Trust during the six months period ended 30 June 2015 was investing in the Company. Therefore, the consolidated results and financial position that would be presented in the unaudited consolidated interim financial statements of the Trust are identical to the consolidated financial results and financial position of the Company with the only differences being disclosures of share capital of the Company. The Directors of the Trustee-Manager and Directors of the Company believe that it is clearer to present the unaudited consolidated interim financial statements of the Trust and of the Company together. The unaudited consolidated interim financial statements of the Trust and the unaudited consolidated interim financial statements of the Company are presented together to the extent they are identical and are hereinafter referred as the “Unaudited consolidated interim financial statements of the Trust and of the Company”.

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

#### 4. Basis of preparation

The unaudited consolidated interim financial statements of the Trust and of the Company have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim Financial Reporting* issued by the HKICPA and comply with the applicable disclosure provisions of the Listing Rules.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in and should be read in conjunction with the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of these changes in accounting policies are set out in note 5.

The preparation of the interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial statements and selected explanatory notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

#### 5. Changes in accounting policies

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

- Amendments to HKAS 19 (2011), *Defined benefit plans: Employee contributions*
- Annual improvements to HKFRSs 2010-2012 Cycle
- Annual improvements to HKFRSs 2011-2013 Cycle

The adoption of these amendments to HKFRSs has no material impact on the Groups’ results and financial positions for the current or prior periods. The Groups have not applied any new standard or amendment that is not effective for the current accounting period.

#### 6. 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>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>\$ million</b>	\$ million
Sales of electricity	<b>5,211</b>	4,476
Concessionary discount on sales of electricity	<b>(3)</b>	(2)
Electricity-related income	<b>24</b>	7
	<b>5,232</b>	4,481

## 7. Segment reporting

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

## 8. Profit before taxation

	<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$ million</b>	<b>\$ million</b>
Profit before taxation is arrived at after charging/(crediting):		
Finance costs		
Interest on borrowings	549	461
Less: Interest capitalised to fixed assets	(36)	(37)
Interest transferred to fuel cost	(9)	(8)
	<b>504</b>	<b>416</b>
Depreciation		
Depreciation charges for the period	1,336	1,224
Less: Depreciation capitalised to fixed assets	(53)	(50)
	<b>1,283</b>	<b>1,174</b>
Amortisation of leasehold land	<b>96</b>	<b>82</b>

## 9. Income tax

	<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$ million</b>	<b>\$ million</b>
<b>Current tax</b>		
Provision for Hong Kong Profits Tax for the period	462	354
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(126)	(68)
	<b>336</b>	<b>286</b>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the six months ended 30 June 2015.

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

## 10. Scheme of Control transfers

The Scheme of Control transfers are mid-year notional transfers. The actual Scheme of Control transfers can only be determined in accordance with the Scheme of Control at the year end. Notional Scheme of Control transfers during the period represent transfer to the following:

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>\$ million</b>	\$ million
Tariff Stabilisation Fund	<b>390</b>	366
Rate Reduction Reserve	-	-
Smart Power Fund	-	5
	<b>390</b>	371

## 11. Earnings per Share Stapled Unit/share of the Company

The calculation of basic and diluted earnings per Share Stapled Unit/share of the Company are based on the profit for the period attributable to the holders of Share Stapled Units/shares of the Company of \$1,205 million (2014: \$967 million) for the six months ended 30 June 2015 and 8,836,200,000 (2014: 8,836,200,000) Shares Stapled Units/ordinary shares of the Company in issue throughout the period.

## 12. Fixed assets

<b>\$ million</b>	Site formation and buildings	Plant, machinery and equipment	Fixtures, fittings and motor vehicles	Assets under construction	Sub-total	Interests in leasehold land held for own use under finance leases	Total
Net book value at							
1 January 2015	16,043	45,387	313	3,059	64,802	6,665	71,467
Additions	1	77	10	568	656	-	656
Transfers between categories	4	281	12	(297)	-	-	-
Disposals	-	(25)	-	-	(25)	-	(25)
Depreciation/amortisation	(253)	(1,046)	(37)	-	(1,336)	(96)	(1,432)
<b>Net book value at</b>							
<b>30 June 2015</b>	<b>15,795</b>	<b>44,674</b>	<b>298</b>	<b>3,330</b>	<b>64,097</b>	<b>6,569</b>	<b>70,666</b>
Cost	16,514	47,605	408	3,330	67,857	6,844	74,701
Accumulated depreciation and amortisation	(719)	(2,931)	(110)	-	(3,760)	(275)	(4,035)
<b>Net book value at</b>							
<b>30 June 2015</b>	<b>15,795</b>	<b>44,674</b>	<b>298</b>	<b>3,330</b>	<b>64,097</b>	<b>6,569</b>	<b>70,666</b>

### 13. Trade and other receivables

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

	<b>30 June 2015 \$ million</b>	31 December 2014 \$ million
Current and within 1 month	894	610
1 to 3 months	43	38
More than 3 months but less than 12 months	18	20
Trade debtors	955	668
Other receivables	714	452
	<b>1,669</b>	1,120
Derivative financial instruments		
– held as cash flow/fair value hedging instruments	3	3
Deposits and prepayments	23	12
	<b>1,695</b>	1,135

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.

### 14. Trade and other payables

	<b>30 June 2015 \$ million</b>	31 December 2014 \$ million
Due within 1 month or on demand	539	798
Due after 1 month but within 3 months	255	475
Due after 3 months but within 12 months	1,234	1,193
Creditors measured at amortised cost	2,028	2,466
Derivative financial instruments		
– held as cash flow/fair value hedging instruments	14	22
	<b>2,042</b>	2,488



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

	<b>30 June 2015 \$ million</b>	31 December 2014 \$ million
Bank loans	<u>36,823</u>	<u>36,788</u>
Hong Kong dollar medium term notes	4,484	4,983
United States dollar medium term notes	<u>6,066</u>	<u>6,098</u>
	<u>10,550</u>	<u>11,081</u>
Total bank loans and other interest-bearing borrowings	47,373	47,869
Current portion	<u>-</u>	<u>(520)</u>
Non-current portion	<u>47,373</u>	<u>47,349</u>

## 16. Scheme of Control Fund and Reserve

The Tariff Stabilisation Fund, Rate Reduction Reserve and Smart Power Fund of the Groups' major subsidiary, HK Electric, are collectively referred to as Scheme of Control Fund and Reserve. The respective balances at the end of the period/year are:

	<b>30 June 2015 \$ million</b>	31 December 2014 \$ million
Tariff Stabilisation Fund	678	288
Rate Reduction Reserve	-	-
Smart Power Fund	<u>5</u>	<u>5</u>
	<u>683</u>	<u>293</u>

## 17. Interim distribution/dividend

The distributable income for the period was as follows:

	<b>Six months ended 30 June 2015 \$ million</b>	From listing date on 29 January 2014 to 30 June 2014 \$ million
Consolidated profit attributable to the holders of Share Stapled Units for the period	1,205	967
After:		
(i) eliminating the effects of the Adjustments (see note (a) below )	2,611	2,339
(ii) adding/(deducting)		
- movement in Fuel Clause Recovery Account	775	280
- changes in working capital	(478)	(295)
- adjustment for employee retirement benefit schemes	8	5
- taxes paid	(238)	-
	67	(10)
(iii) capital expenditure payment	(1,099)	(730)
(iv) deducting		
- debt repayment	(520)	-
- net finance costs	(485)	(664)
(v) deducting		
- reserve for future capital expenditure/ debt service and/or compliance with covenants in credit facility agreement	(19)	(441)
Distributable income for the period	<u>1,760</u>	<u>1,461</u>
Distributable amount for the period	<u>1,760</u>	<u>1,461</u>
Number of Share Stapled Units/ ordinary shares of the Company	<u>8,836,200,000</u>	<u>8,836,200,000</u>
Interim distribution per Share Stapled Unit/first interim dividend per ordinary share of the Company (see note (d) below)	<u>19.92 cents</u>	<u>16.53 cents</u>

- (a) Pursuant to clause 1.1 of the Trust Deed, “Adjustments” includes, but not limited to (i) transfers to/from the Tariff Stabilisation Fund and the Rate Reduction Reserve under the Scheme of Control; (ii) unrealised revaluation gains/losses, including impairment provisions and reversals of impairment provisions; (iii) impairment of goodwill/recognition of negative goodwill; (iv) material non-cash gains/losses; (v) costs of any public offering of Share Stapled Units that are expensed through the consolidated statement of profit or loss but are funded by proceeds from the issuance of such Share Stapled Units; (vi) depreciation and amortisation; (vii) tax charges as shown in the consolidated statement of profit or loss; and (viii) net finance income/costs as shown in the consolidated statement of profit or loss.
- (b) The Trust Deed requires the Trustee-Manager (on behalf of the Trust) to distribute 100% of the dividends, distributions and other amounts received by the Trustee-Manager in respect of the ordinary shares from the Company, after deduction of all amounts permitted to be deducted or paid under the Trust Deed.
- (c) The distributions received by the Trustee-Manager from the Company will be derived from the Group Distributable Income which is referred as audited consolidated profit attributable to the holders of Share Stapled Units for the relevant financial year or distribution period, after making adjustments in respect of items as set out in the Trust Deed.
- (d) Interim distribution per Share Stapled Unit/first interim dividend per ordinary share of the Company of 19.92 cents (2014: 16.53 cents) for the six months ended 30 June 2015 (2014: from listing date on 29 January 2014 to 30 June 2014) is calculated based on the interim distribution of \$1,760 million (2014: \$1,461 million) for the period and the number of Shares Stapled Units/ordinary shares of the Company of 8,836,200,000 as at 30 June 2015 (2014: 8,836,200,000).

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME  
OF HK ELECTRIC INVESTMENTS MANAGER LIMITED**  
For the six months ended 30 June 2015  
(Expressed in Hong Kong dollars)

	Note	2015 \$	2014 \$
		<u>          </u>	<u>          </u>
<b>Revenue</b>		-	-
Administrative expenses		<u>-</u>	<u>-</u>
<b>Profit before taxation</b>	6	-	-
Income tax	7	<u>-</u>	<u>-</u>
<b>Profit and total comprehensive income for the period</b>		<u><u>-</u></u>	<u><u>-</u></u>

**UNAUDITED STATEMENT OF FINANCIAL POSITION  
OF HK ELECTRIC INVESTMENTS MANAGER LIMITED  
At 30 June 2015**  
(Expressed in Hong Kong dollars)

	<b>(Unaudited)</b> <b>30 June</b> <b>2015</b> <u>\$</u>	<b>(Audited)</b> <b>31 December</b> <b>2014</b> <u>\$</u>
<b>Current assets</b>		
Amount due from immediate holding company	<u>1</u>	<u>1</u>
<b>Net assets</b>	<u><u>1</u></u>	<u><u>1</u></u>
<b>Capital and reserves</b>		
Share capital	1	1
Reserves	<u>-</u>	<u>-</u>
<b>Total equity</b>	<u><u>1</u></u>	<u><u>1</u></u>

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

(Expressed in Hong Kong dollars)

### **1. Review of unaudited interim financial statements**

These unaudited interim financial statements have been reviewed by the Audit Committee.

### **2. General information**

HK Electric Investments Manager Limited (the “Company”) was incorporated in Hong Kong under the Companies Ordinance on 25 September 2013 and is an indirect wholly-owned subsidiary of Power Assets.

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

### **3. Basis of presentation**

The Trust Deed requires the Company (on behalf of the Trust) to distribute 100% of the dividends, distributions and other amounts received in respect of the ordinary shares from HK Electric Investments Limited, after deduction of all amounts permitted to be deducted or paid under the Trust Deed.

In accordance with the Trust Deed, a distributions statement shall be included in the financial statements of the Company. As the details of the distribution has already been presented in note 17 to the unaudited consolidated interim financial statements of the Trust and HK Electric Investments Limited on page 18, no distributions statement is therefore presented in this unaudited interim financial statements.

### **4. Basis of preparation**

These unaudited interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting issued by the HKICPA and comply with the applicable disclosure provisions of the Listing Rules.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in and should be read in conjunction with the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of these changes in accounting policies are set out in note 5.

The preparation of the interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial statements and selected explanatory notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

#### **5. Changes in accounting policies**

The HKICPA has issued a few amendments to HKFRSs that are first effective for the current accounting period of the Company. The adoption of these amendments to HKFRSs has no material impact on the Company's result and financial position for the current or prior periods. The Company has not applied any new standard or amendment that is not effective for the current accounting period.

#### **6. Profit before taxation**

All expenses of the Company which were incurred for the administering of the Trust of \$285,000 (2014: \$110,000) for the period ended 30 June 2015 have been borne by HK Electric Investments Limited, which has waived its right of recovery thereof.

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

#### **7. Income tax**

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

## **OTHER INFORMATION**

### **Interim Distribution**

The Trustee-Manager Board has declared an interim distribution by the Trust for 2015 of HK19.92 cents per Share Stapled Unit. The distribution will be payable on 14 August 2015 to Holders of Share Stapled Units whose names appear in the Share Stapled Units Register at the close of business on Wednesday, 5 August 2015, being the record date for determination of entitlement to the interim distribution. To qualify for the interim distribution, all transfers accompanied by the relevant Share Stapled Unit certificates should be lodged with the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, 5 August 2015.

### **Purchase, Sale or Redemption of Share Stapled Units**

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

None of the Trust, the Trustee-Manager, the Company nor any of their subsidiaries purchased, sold or redeemed any of issued Share Stapled Units during the six months ended 30 June 2015.

### **Corporate Governance Practices**

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

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

The Trust and the Company have complied with the applicable code provisions in the Corporate Governance Code throughout the six months ended 30 June 2015, 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.

Following the appointments of Mr. Fahad Hamad A H Al-Mohannadi and Mr. Deven Arvind Karnik as Non-executive Directors of the Trustee-Manager Board and the Company Board with effect from 9 June 2015, the Boards have five Independent Non-executive Directors which fall below the required percentage under Rule 3.10A of the Listing Rules. An additional Independent Non-executive Director will be appointed to meet the requirement. Further announcement will be made by the Trustee-Manager and the Company on the appointment and upon the fulfillment of the said rule.

The Trust Group is committed to achieving and maintaining standards of openness, probity and accountability. In line with this commitment and in compliance with the Corporate Governance Code, the Trustee-Manager Audit Committee and the Company Audit Committee have reviewed the procedures for reporting possible improprieties in financial reporting, internal control or other matters. In addition, the Trustee-Manager and the Company have established a policy relating to inside information and securities dealing for compliance by all employees of the Group.

## **Boards Composition**

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

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

## GLOSSARY

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

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

Term(s)	Definition
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“Power Assets”	Power Assets Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6)
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share Stapled Unit(s)” or “SSU(s)”	Share Stapled Unit(s) jointly issued by the Trust and the Company, with each Share Stapled Unit being the combination of the following securities or interests in securities which, subject to the provisions in the Trust Deed, can only be dealt with together and may not be dealt with individually or one without the others: <ul style="list-style-type: none"> <li>(a) a unit in the Trust;</li> <li>(b) the beneficial interest in a specifically identified ordinary share of the Company linked to the unit and held by the Trustee-Manager as legal owner (in its capacity as trustee-manager of the Trust); and</li> <li>(c) a specifically identified preference share of the Company stapled to the unit.</li> </ul>
“Share Stapled Units Register”	The register of registered Holders of Share Stapled Units
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trust”	HK Electric Investments (港燈電力投資), as constituted pursuant to the Trust Deed under the Laws of Hong Kong

Term(s)	Definition
“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