



港燈電力投資

HK Electric Investments

HK Electric Investments
and
HK Electric Investments Limited
(Stock Code: 2638)



FINANCIAL HIGHLIGHTS

	Six months ended	From listing date on
	30 June 2015	29 January 2014 to 30 June 2014
Distributable income	HK\$1,760 million	HK\$1,461 million
Distribution per Share Stapled Unit	HK19.92 cents	HK16.53 cents

This Interim Report has been posted in both the English and Chinese languages on the Company's website at www.hkei.hk. If, for any reason, Holders of Share Stapled Units who have chosen (or are deemed to have consented) to receive corporate communications through the Company's website have difficulty in gaining access to the Interim Report, they may request that a printed copy of this Interim Report be sent to them free of charge by mail.

Holders of Share Stapled Units may at any time change their choice of language of all future corporate communications, or choose to receive all future corporate communications either in printed form or through the Company's website, by writing to the Company at 44 Kennedy Road, Hong Kong or to the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by emailing to the Company's email address at mail@hkei.hk.



CONTENTS

2	Corporate Information
3	Key Dates and Share Stapled Unit Information
4	Chairman's Statement
8	Financial Review
12	Unaudited Consolidated Statement of Profit or Loss of the Trust and of the Company
13	Unaudited Consolidated Statement of Comprehensive Income of the Trust and of the Company
14	Unaudited Consolidated Statement of Financial Position of the Trust and of the Company
15	Unaudited Consolidated Statement of Changes in Equity of the Trust and of the Company
16	Unaudited Condensed Consolidated Cash Flow Statement of the Trust and of the Company
17	Notes to the Unaudited Interim Financial Statements of the Trust and of the Company
30	Unaudited Statement of Comprehensive Income of HK Electric Investments Manager Limited
31	Unaudited Statement of Financial Position of HK Electric Investments Manager Limited
32	Unaudited Statement of Changes in Equity of HK Electric Investments Manager Limited
33	Unaudited Condensed Cash Flow Statement of HK Electric Investments Manager Limited
34	Notes to the Unaudited Interim Financial Statements of HK Electric Investments Manager Limited
37	Corporate Governance
47	Other Information
48	Glossary

CORPORATE INFORMATION

HK Electric Investments Manager Limited (港燈電力投資管理人有限公司)

(Incorporated in Hong Kong with limited liability, the trustee-manager of HK Electric Investments)

and

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

(Incorporated in the Cayman Islands with limited liability)

Board of Directors

Executive Directors

FOK Kin Ning, Canning (*Chairman*)

(CHOW WOO Mo Fong, Susan

as his alternate)

WAN Chi Tin (*Chief Executive Officer*)

CHAN Loi Shun

CHENG Cho Ying, Francis

SHAN Shewu

YUEN Sui See (*Director of Operations*)

Non-executive Directors

LI Tzar Kuoi, Victor (*Deputy Chairman*)

(Frank John SIXT as his alternate)

Fahad Hamad A H AL-MOHANNADI

Ronald Joseph ARCULLI

DU Zhigang

JIANG Xiaojun

Deven Arvind KARNIK

Independent Non-executive Directors

FONG Chi Wai, Alex

KWAN Kai Cheong

LEE Lan Yee, Francis

George Colin MAGNUS

Donald Jeffrey ROBERTS

Trustee-Manager Audit Committee

Donald Jeffrey ROBERTS (*Chairman*)

Ronald Joseph ARCULLI

LEE Lan Yee, Francis

Company Audit Committee

Donald Jeffrey ROBERTS (*Chairman*)

Ronald Joseph ARCULLI

LEE Lan Yee, Francis

Remuneration Committee

Donald Jeffrey ROBERTS (*Chairman*)

FOK Kin Ning, Canning

FONG Chi Wai, Alex

Company Secretary

Alex NG

Principal Bankers

Goldman Sachs (Asia) L.L.C.

The Hongkong and Shanghai Banking Corporation Limited

Auditor

KPMG

Company Website

www.hkei.hk

Trustee-Manager Registered Office

44 Kennedy Road, Hong Kong

Company Registered Office

Codan Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive,

P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands

Company Head Office and Principal Place of Business in Hong Kong

44 Kennedy Road, Hong Kong

Telephone: 2843 3111

Facsimile: 2810 0506

Email: mail@hkei.hk

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
Website: www.computershare.com
Email: hkinfo@computershare.com.hk

Principal Share Registrar

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive,
P.O. Box 2681, Grand Cayman, KY1-1111,
Cayman Islands

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716,
17th Floor, Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong
Website: www.computershare.com
Email: hkinfo@computershare.com.hk

ADR (Level 1 Programme) Depositary

Deutsche Bank Trust Company Americas
60 Wall Street, New York, NY 10005
Website: www.adr.db.com
Email: adr@db.com

Investor Relations

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WONG Kim Man (*Chief Financial Officer*)

For other investors, please contact:
Alex NG (*Company Secretary*)

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Telephone: 2843 3111
Facsimile: 2810 0506
Postal Address: G.P.O. Box 915, Hong Kong
Address: 44 Kennedy Road, Hong Kong

KEY DATES AND SHARE STAPLED UNIT INFORMATION

Key Dates

Interim Results Announcement	14 July 2015
Ex-distribution Date	4 August 2015
Record Date for Interim Distribution	5 August 2015
Payment of Interim Distribution (HK19.92 cents per Share Stapled Unit)	14 August 2015
Financial Year End	31 December 2015

Share Stapled Unit Information

Board Lot	500 Share Stapled Units
Market Capitalisation as at 30 June 2015	HK\$46,832 million
Share Stapled Unit to American Depositary Share Ratio	10:1
Stock Codes	
The Stock Exchange of Hong Kong Limited	2638
Bloomberg	2638 HK
Thomson Reuters	2638.HK
ADR Ticker Symbol	HKVTY
CUSIP Number	40422B101

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.

CHAIRMAN'S STATEMENT *(Continued)*

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).

	Six months ended 30 June 2015 HK\$ million	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	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	1,760	1,461
Distribution amount for the period	1,760	1,461
Interim distribution amount per SSU	HK19.92 cents	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.

FINANCIAL REVIEW *(Continued)*

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

The notes on pages 17 to 29 form part of these unaudited consolidated interim financial statements.

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

Details of distributions/dividends payable to holders of Share Stapled Units/shares of the Company attributable to the profit for the period are set out in note 21.

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)

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

The notes on pages 17 to 29 form part of these unaudited consolidated interim financial statements.

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
Non-current assets			
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	70,666	71,467
Goodwill		33,623	33,623
Derivative financial instruments	17	297	352
Employee retirement benefit scheme assets		669	668
Deferred tax assets		8	3
		105,263	106,113
Current assets			
Inventories		975	933
Trade and other receivables	13	1,695	1,135
Bank deposits and cash	14	4,681	4,630
		7,351	6,698
Current liabilities			
Trade and other payables	15	(2,042)	(2,488)
Fuel Clause Recovery Account		(1,406)	(631)
Current portion of bank loans and other interest-bearing borrowings	16	—	(520)
Current tax payable		(442)	(219)
		(3,890)	(3,858)
Net current assets		3,461	2,840
Total assets less current liabilities		108,724	108,953
Non-current liabilities			
Bank loans and other interest-bearing borrowings	16	(47,373)	(47,349)
Derivative financial instruments	17	(233)	(82)
Customers' deposits		(1,967)	(1,937)
Deferred tax liabilities		(9,455)	(9,602)
Employee retirement benefit scheme liabilities		(509)	(499)
		(59,537)	(59,469)
Scheme of Control Fund and Reserve	18	(683)	(293)
Net assets		48,504	49,191
Capital and reserves			
Share capital	19	8	8
Reserves		48,496	49,183
Total equity		48,504	49,191

The notes on pages 17 to 29 form part of these unaudited consolidated interim financial statements.

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 CHANGES IN EQUITY OF THE TRUST AND OF THE COMPANY

For the six months ended 30 June 2015

(Expressed in Hong Kong dollars)

\$ million	Attributable to holders of Share Stapled Units/shares of the Company					Total
	Share capital	Share premium	Hedging reserve	Revenue reserve	Proposed/ declared distribution/ dividend	
Balance at 1 January 2014	—	—	—	—	—	—
Changes in equity for the six months ended 30 June 2014:						
Profit for the period	—	—	—	967	—	967
Other comprehensive income	—	—	(92)	—	—	(92)
Total comprehensive income	—	—	(92)	967	—	875
Issue of Share Stapled Units as part of purchase consideration of HK Electric	4	24,027	—	—	—	24,031
Issue of Share Stapled Units pursuant to global offering	4	24,122	—	—	—	24,126
Transaction costs attributable to issue of Share Stapled Units	—	(677)	—	—	—	(677)
Interim distribution/first interim dividend (see note 21)	—	—	—	(1,461)	1,461	—
Balance at 30 June 2014	8	47,472	(92)	(494)	1,461	48,355
Balance at 1 January 2015	8	47,472	(70)	24	1,757	49,191
Changes in equity for the six months ended 30 June 2015:						
Profit for the period	—	—	—	1,205	—	1,205
Other comprehensive income	—	—	(135)	—	—	(135)
Total comprehensive income	—	—	(135)	1,205	—	1,070
Final distribution/second interim dividend in respect of the previous year approved and paid	—	—	—	—	(1,757)	(1,757)
Interim distribution/first interim dividend (see note 21)	—	—	—	(1,760)	1,760	—
Balance at 30 June 2015	8	47,472	(205)	(531)	1,760	48,504

The notes on pages 17 to 29 form part of these unaudited consolidated interim financial statements.

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 CONDENSED CONSOLIDATED CASH FLOW STATEMENT OF THE TRUST AND OF THE COMPANY

For the six months ended 30 June 2015

(Expressed in Hong Kong dollars)

	2015 \$ million	2014 \$ million
Net cash generated from operating activities	3,430	2,697
Net cash used in investing activities	(2,069)	(32,156)
Net cash (used in)/generated from financing activities	<u>(2,247)</u>	<u>33,034</u>
Net (decrease)/increase in cash and cash equivalents	(886)	3,575
Cash and cash equivalents at 1 January	3,236	—
Effect of foreign exchange rate changes	<u>(1)</u>	<u>—</u>
Cash and cash equivalents at 30 June	<u><u>2,349</u></u>	<u><u>3,575</u></u>

The notes on pages 17 to 29 form part of these unaudited consolidated interim financial statements.

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:

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

7. Segment reporting

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

8. Profit before taxation

	Six months ended 30 June	
	2015 \$ million	2014 \$ million
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)
	504	416
Depreciation		
Depreciation charges for the period	1,336	1,224
Less: Depreciation capitalised to fixed assets	(53)	(50)
	1,283	1,174
Amortisation of leasehold land	<u>96</u>	<u>82</u>

9. Income tax

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

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:

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

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

\$ million	Site formation and buildings	Plant, machinery and equipment	Fixtures, fittings and motor vehicles	Assets under construction	Sub-total	Interests in leasehold land held for own use under finance leases	Total
Net book value at 1 January 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)
Net book value at 30 June 2015	15,795	44,674	298	3,330	64,097	6,569	70,666
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)
Net book value at 30 June 2015	15,795	44,674	298	3,330	64,097	6,569	70,666

13. Trade and other receivables

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

	30 June 2015 \$ million	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
	1,669	1,120
Derivative financial instruments — held as cash flow/fair value hedging instruments (<i>see note 17</i>)	3	3
Deposits and prepayments	23	12
	1,695	1,135

13. Trade and other receivables *(Continued)*

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. Bank deposits and cash

Bank deposits and cash comprise:

	30 June 2015 \$ million	31 December 2014 \$ million
Deposits with banks and other financial institutions with 3 months or less to maturity when placed	2,286	3,216
Cash at bank and in hand	63	20
	<hr/>	<hr/>
Cash and cash equivalents in the consolidated cash flow statement	2,349	3,236
Deposits with banks and other financial institutions with more than 3 months to maturity when placed	2,332	1,394
	<hr/>	<hr/>
	4,681	4,630
	<hr/> <hr/>	<hr/> <hr/>

15. Trade and other payables

	30 June 2015 \$ million	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
	<hr/>	<hr/>
Creditors measured at amortised cost	2,028	2,466
Derivative financial instruments		
— held as cash flow/fair value hedging instruments <i>(see note 17)</i>	14	22
	<hr/>	<hr/>
	2,042	2,488
	<hr/> <hr/>	<hr/> <hr/>

16. Non-current bank loans and other interest-bearing borrowings

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

17. Derivative financial instruments

	30 June 2015		31 December 2014	
	Assets \$ million	Liabilities \$ million	Assets \$ million	Liabilities \$ million
Derivative financial instruments used for hedging:				
Cash flow hedges:				
— Cross currency swaps	—	(88)	18	(47)
— Interest rate swaps	—	(135)	—	(21)
— Forward foreign exchange contracts	2	(7)	3	(28)
Fair value hedges:				
— Cross currency swaps	297	(3)	334	(7)
— Forward foreign exchange contracts	1	(14)	—	(1)
	300	(247)	355	(104)
Analysed as:				
Current	3	(14)	3	(22)
Non-current	297	(233)	352	(82)
	300	(247)	355	(104)

18. Scheme of Control Fund and Reserve

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

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

19. Share capital

The Company

	Number of shares	30 June 2015 Nominal value \$	31 December 2014 Nominal value \$
Authorised:			
Ordinary shares of \$0.0005 each	<u>20,000,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
Preference shares of \$0.0005 each	<u>20,000,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
Issued and fully paid:			
Ordinary shares of \$0.0005 each	<u>8,836,200,000</u>	<u>4,418,100</u>	<u>4,418,100</u>
Preference shares of \$0.0005 each	<u>8,836,200,000</u>	<u>4,418,100</u>	<u>4,418,100</u>

There were no movements in the share capital of the Company during the period.

20. Fair value measurement

The following table presents the fair value of the Groups' financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13: *Fair Value Measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical financial assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data is not available
- Level 3 valuations: Fair values measured using significant unobservable inputs

(a) Recurring fair value measurements

	Level 2	
	30 June 2015 \$ million	31 December 2014 \$ million
Financial assets		
Derivative financial instruments:		
— Cross currency swaps	297	352
— Forward foreign exchange contracts	3	3
	<u>300</u>	<u>355</u>
Financial liabilities		
Derivative financial instruments:		
— Cross currency swaps	91	54
— Interest rate swaps	135	21
— Forward foreign exchange contracts	21	29
Medium term notes subject to fair value hedges	4,535	4,568
Bank loans subject to fair value hedges	4,266	4,256
	<u>9,048</u>	<u>8,928</u>

20. Fair value measurement *(Continued)*

- (b) Fair values of financial assets and liabilities carried at other than fair value

Trade and other receivables, trade and other payables and external borrowings are carried at cost or amortised cost which are not materially different from their fair values as at 30 June 2015 and 31 December 2014.

- (c) Valuation techniques and inputs in Level 2 fair value measurements

The fair values of forward foreign exchange contracts are determined using forward exchange market rates at the end of the reporting period. The fair values of cross currency swaps and interest rate swaps are determined by discounting the future cash flows of the contracts at the current market interest rates.

The fair values of medium term notes are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

The fair values of bank loans are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

21. Interim distribution/dividend

The distributable income for the period was as follows:

	Six months ended 30 June 2015 \$ million	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	1,760	1,461
Distributable amount for the period	1,760	1,461
Number of Share Stapled Units/ordinary shares of the Company	8,836,200,000	8,836,200,000
Interim distribution per Share Stapled Unit/first interim dividend per ordinary share of the Company (see note (d) below)	19.92 cents	16.53 cents

21. Interim distribution/dividend *(Continued)*

- (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).

22. Capital commitments

The Groups' outstanding capital commitments not provided for in the financial statements were as follows:

	30 June 2015 \$ million	31 December 2014 \$ million
Capital expenditure for fixed assets authorised and contracted for	<u>1,321</u>	<u>964</u>
Capital expenditure for fixed assets authorised but not contracted for	<u>10,711</u>	<u>11,474</u>

23. Contingent liabilities

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

24. Material related party transactions

The Groups had the following material transactions with related party during the period:

- (a) Holder of Share Stapled Units

Support service charge recovered from Power Assets group

Other operating costs included support service charge recovered from Power Assets group amounting to \$18 million (2014: \$18 million) for provision of the support services and office facilities to Power Assets group. The support service charge was based on the total costs incurred in the provision or procurement of the provision of the services and facilities and allocated to Power Assets group on a fair and equitable basis, taking into account the time spent by the relevant personnel when providing such services. At 30 June 2015, the total outstanding balance with Power Assets group was \$3 million (31 December 2014: \$2 million).

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 \$
Revenue		—	—
Administrative expenses		—	—
		<hr/>	<hr/>
Profit before taxation	6	—	—
Income tax	7	—	—
		<hr/>	<hr/>
Profit and total comprehensive income for the period		—	—
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 34 to 36 form part of these unaudited interim financial statements.

UNAUDITED STATEMENT OF FINANCIAL POSITION OF HK ELECTRIC INVESTMENTS MANAGER LIMITED

At 30 June 2015

(Expressed in Hong Kong dollars)

		(Unaudited) 30 June 2015 \$	(Audited) 31 December 2014 \$
	Note		
Current assets			
Amount due from immediate holding company		<u>1</u>	<u>1</u>
Net assets		<u><u>1</u></u>	<u><u>1</u></u>
Capital and reserves			
Share capital	8	1	1
Reserves		<u>—</u>	<u>—</u>
Total equity		<u><u>1</u></u>	<u><u>1</u></u>

The notes on pages 34 to 36 form part of these unaudited interim financial statements.

UNAUDITED STATEMENT OF CHANGES IN EQUITY OF HK ELECTRIC INVESTMENTS MANAGER LIMITED

For the six months ended 30 June 2015

(Expressed in Hong Kong dollars)

\$	Share capital	Reserves	Total
Balance at 1 January 2014	1	—	1
Changes in equity for the six months ended 30 June 2014:			
Profit and total comprehensive income for the period	—	—	—
Balance at 30 June 2014	<u>1</u>	<u>—</u>	<u>1</u>
Balance at 1 January 2015	1	—	1
Changes in equity for the six months ended 30 June 2015:			
Profit and total comprehensive income for the period	—	—	—
Balance at 30 June 2015	<u>1</u>	<u>—</u>	<u>1</u>

The notes on pages 34 to 36 form part of these unaudited interim financial statements.

UNAUDITED CONDENSED CASH FLOW STATEMENT OF HK ELECTRIC INVESTMENTS MANAGER LIMITED

For the six months ended 30 June 2015

(Expressed in Hong Kong dollars)

	2015 \$	2014 \$
Net cash generated from operating activities	—	—
Net cash used in investing activities	—	—
Net cash used in financing activities	—	—
Net change in cash and cash equivalents	—	—
Cash and cash equivalents at 1 January	—	—
Cash and cash equivalents at 30 June	—	—

The notes on pages 34 to 36 form part of these unaudited interim financial statements.

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 21 to the unaudited consolidated interim financial statements of the Trust and HK Electric Investments Limited on page 27, 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.

8. Share capital

	30 June 2015		31 December 2014	
	Number	\$	Number	\$
	of shares		of shares	
Ordinary shares, issued and fully paid	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

There were no movements in the share capital of the Company during the period.

9. Material related party transactions

Except for the transactions and balances disclosed elsewhere in the financial statements, the Company did not enter into material related party transactions.

CORPORATE GOVERNANCE

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 co-operate 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.

CORPORATE GOVERNANCE *(Continued)*

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 of Directors

Each of the Trustee-Manager Board and the Company Board, led by the Chairman, is responsible for approval and monitoring of strategies and policies, approval of annual budgets and business plans, evaluation of the performance, and oversight of management of the Trustee-Manager and the Company respectively. Management is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer.

As at 30 June 2015, each of the Boards consisted of a total of seventeen Directors, comprising six Executive Directors, six Non-executive Directors and five Independent Non-executive Directors. All Directors are required to retire from office by rotation and are subject to re-election at the annual general meeting once every three years pursuant to the Trust Deed and the articles of association of the Company.

The positions of the Chairman and the Chief Executive Officer of the Company are held by separate individuals. The Trustee-Manager does not appoint a Chief Executive Officer due to its specific and limited role to administer the Trust. The Chairman is responsible for providing leadership to, and overseeing the functioning

and effective running of, the Boards to ensure that each Board acts in the best interests of the Trust and the Group, as appropriate. In addition to board meetings, the Chairman schedules two meetings annually with Non-executive Directors without the presence of Executive Directors. The Chief Executive Officer, working with the executive management team, is responsible for managing the businesses of the Group, attending to the formulation and successful implementation of Group policies and assuming full accountability to the Company Board for all Group operations.

The Trustee-Manager Board and the Company Board hold meetings on a combined basis, and they meet at least four times a year. Additional board meetings will be held when warranted. Directors also participate in the consideration and approval of matters by way of written resolutions, which are circulated to Directors together with supporting explanatory write-up and coupled with briefings from the Chief Executive Officer or the Company Secretary as required.

The Company Secretary is responsible to the Boards for ensuring that the board procedures are followed and for ensuring that the Boards are briefed on all legislative, regulatory and corporate governance developments and that the Boards have regard to them when making decisions. The Company Secretary is also directly responsible for the Trustee-Manager's and the Trust Group's compliance with all obligations of the Listing Rules, Codes on Takeovers and Mergers and Share Buy-backs, Companies Ordinance, SFO and other related laws, rules and regulations.

Model Code for Securities Transactions by Directors

The Boards have adopted the Model Code as their code of conduct regarding directors' securities transactions. All Directors have confirmed following specific enquiry that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2015.

Senior managers, other nominated managers and staff who, because of their respective positions in the Company are likely to be in possession of inside information regarding the Trust Group and its securities are also required to comply with the Model Code.

CORPORATE GOVERNANCE *(Continued)*

Change of Information of Directors

The change in the information of Directors since the publication of the 2014 annual report (or, where applicable, subsequent announcement(s) relating to appointment(s) of Director(s)) and up to 24 July 2015 (the latest practicable date prior to the printing of this interim report) is set out below pursuant to Rule 13.51B(1) of the Listing Rules:

Name of Director

Fok Kin Ning, Canning	Re-designated from a Non-executive Director to an Executive Director and Group Co-Managing Director of CK Hutchison Holdings Limited ^(a)
	Re-designated from a Non-executive Director to a Director of Cheung Kong (Holdings) Limited ^(a)
	Re-designated from an Executive Director and the Group Managing Director to a Director of Hutchison Whampoa Limited ^(b)
Li Tzar Kuoi, Victor	Re-designated from an Executive Director, Managing Director and Deputy Chairman to an Executive Director, Group Co-Managing Director and Deputy Chairman of CK Hutchison Holdings Limited ^(a)
	Appointed as Chairman of Executive Committee of Cheung Kong Property Holdings Limited ^(c)
	Re-designated from an Executive Director, Managing Director and Deputy Chairman to a Director of Cheung Kong (Holdings) Limited ^(a)
	Ceased to be Chairman of Executive Committee of Cheung Kong (Holdings) Limited and CK Hutchison Holdings Limited ^(a)
	Re-designated from an Executive Director and Deputy Chairman to a Director of Hutchison Whampoa Limited ^(b)

Name of Director

Kwan Kai Cheong	Appointed as an Independent Non-executive Director of CK Life Sciences Int'l., (Holdings) Inc.
George Colin Magnus	Resigned as a Non-executive Director of Cheung Kong (Holdings) Limited ^(a) Resigned as a Non-executive Director of Hutchison Whampoa Limited ^(b)
Donald Jeffrey Roberts	Appointed as a Member of the Listing Committee of the Main Board and Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
Chow Woo Mo Fong, Susan (Alternate Director to Fok Kin Ning, Canning)	Appointed as an Executive Director and Group Deputy Managing Director of CK Hutchison Holdings Limited ^(a) Re-designated from an Executive Director and Deputy Group Managing Director to a Director of Hutchison Whampoa Limited ^(b)
Frank John Sixt (Alternate Director to Li Tzar Kuoi, Victor)	Re-designated from a Non-executive Director to a Director of Cheung Kong (Holdings) Limited ^(a) Re-designated from an Executive Director and the Group Finance Director to a Director of Hutchison Whampoa Limited ^(b)

Notes:

- (a) *Cheung Kong (Holdings) Limited's listing status on the Stock Exchange was replaced by CK Hutchison Holdings Limited whose shares are listed on the Stock Exchange since 18 March 2015.*
- (b) *Hutchison Whampoa Limited was privatised by way of a scheme of arrangement on 3 June 2015.*
- (c) *The shares of Cheung Kong Property Holdings Limited are listed on the Stock Exchange since 3 June 2015.*

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CORPORATE GOVERNANCE *(Continued)*

Internal Control

The Trustee-Manager Board has overall responsibility for the system of internal control of the Trust and the Trustee-Manager and reviews its effectiveness through the Trustee-Manager Audit Committee to ensure that policies and procedures in place for the identification and management of risks are adequate.

The Company Board has overall responsibility for the system of internal control of the Company and reviews its effectiveness through the Company Audit Committee to ensure that policies and procedures in place for the identification and management of risks are adequate.

The Internal Audit Department, reporting to an Executive Director and the Trustee-Manager Audit Committee and the Company Audit Committee, provides independent assurance as to the existence and effectiveness of the risk management activities and controls in business operations. Staff members of the department are from a wide range of disciplines including accounting, engineering and information technology. Using risk assessment methodology and taking into account the scope and nature of the Group's activities and changes in operating environment, the Internal Audit Department prepares its yearly audit plan which is reviewed and approved by the Audit Committees. Its internal audit reports on the Group's operations are also reviewed and considered by the Trustee-Manager Audit Committee and the Company Audit Committee. The scope of work performed includes financial and operations review, recurring and unscheduled audits, fraud investigation, productivity efficiency review and laws and regulations compliance review. The Internal Audit Department follows up audit recommendations on implementation by the operating units and the progress is reported to the Trustee-Manager Audit Committee and the Company Audit Committee.

Remuneration Committee of the Company

The Remuneration Committee of the Company comprises three members, two of whom are Independent Non-executive Directors. It is chaired by Mr. Donald Jeffrey Roberts and the other members are Mr. Fok Kin Ning, Canning and Mr. Fong Chi Wai, Alex.

The Remuneration Committee reports directly to the Company Board and its principal responsibilities include the review and consideration of the Company's policy for remuneration of Directors and senior management, and the determination of their individual remuneration packages. The terms of reference of the Remuneration Committee are published on the Company's website and the HKEx's website.

Trustee-Manager Audit Committee and Company Audit Committee

Each of the Trustee-Manager Audit Committee and the Company Audit Committee comprises two Independent Non-executive Directors and one Non-executive Director. It is chaired by Mr. Donald Jeffrey Roberts and the other members are Mr. Ronald Joseph Arculli and Mr. Lee Lan Yee, Francis.

The Trustee-Manager Audit Committee reports directly to the Trustee-Manager Board and its principal responsibilities are to assist the Trustee-Manager Board in fulfilling its audit duties through the review and supervision of the financial reporting system and internal control system of the Trust and the Trustee-Manager, to review the financial information of the Trust and the Trustee-Manager, and to consider issues relating to the external auditor and their appointment.

The Company Audit Committee reports directly to the Company Board and its principal responsibilities are to assist the Company Board in fulfilling its audit duties through the review and supervision of the financial reporting system and internal control system of the Company, to review the financial information of the Company and to consider issues relating to the external auditor and their appointment.

The Committees also meet regularly with the external auditor to discuss the audit process and accounting issues. The terms of reference of the Trustee-Manager Audit Committee and the Company Audit Committee are published on the Company's website and the HKEx's website.

Communication with Holders of Share Stapled Units

The Trustee-Manager and the Company have established a range of communication channels between themselves and Holders of Share Stapled Units and investors. These include the annual general meeting, the annual and interim reports, notices, letters, announcements and circulars, material results highlights published in newspapers, news releases, the Company's website at www.hkei.hk and meetings with investors and analysts. All Holders of Share Stapled Units have the opportunity to put questions to the Boards at general meetings, and at other times by emailing or writing to the Company.

Holders of Share Stapled Units may at any time notify the Company by mail or email of any change in their choice of language (English or Chinese or both) or means of receiving (printed copies or through the Company's website) corporate communications from the Trustee-Manager and the Company.

CORPORATE GOVERNANCE *(Continued)*

The Trustee-Manager and the Company handle registration of Share Stapled Units and related matters for Holders of Share Stapled Units through Computershare Hong Kong Investor Services Limited, the Share Stapled Units Registrar.

The Boards have adopted a communication policy which provided a framework to promote effective communication with Holders of Share Stapled Units.

Directors' Interests and Short Positions in Share Stapled Units, Underlying Share Stapled Units and Debentures

As at 30 June 2015, the interests or short positions of the Directors and chief executives of the Trustee-Manager and the Company in the SSUs, underlying SSUs and debentures of the Trust and the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Trustee-Manager, the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Trustee-Manager and the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO, or as otherwise notified to the Trustee-Manager, the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long Positions in Share Stapled Units

Name of Director	Capacity	Nature of Interests	Number of SSUs Held	Total	Approximate % of Issued SSUs
Li Tzar Kuoi, Victor	Interest of controlled corporations	Corporate	7,870,000 (Note)	7,870,000	0.08%
Fok Kin Ning, Canning	Interest of controlled corporation	Corporate	2,000,000	2,000,000	0.02%
Donald Jeffrey Roberts	Interest of controlled corporation	Corporate	74,000	74,000	≈0%

Note:

Such SSUs comprise:

- (a) 2,700,000 SSUs held by Lankford Profits Limited, a wholly-owned subsidiary of Li Ka Shing (Overseas) Foundation ("LKSOFF"). By virtue of the terms of the constituent documents of LKSOFF, Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSOFF; and
- (b) 5,170,000 SSUs held by Li Ka Shing Foundation Limited ("LKSF"). By virtue of the terms of the constituent documents of LKSF, Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSF.

Save as disclosed above, as at 30 June 2015, none of the Directors or chief executives of the Trustee-Manager and the Company had any interests or short positions in the SSUs, underlying SSUs or debentures of the Trust and the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Trustee-Manager, the Company and the Stock Exchange pursuant to the Model Code.

Interests and Short Positions of Holders of Share Stapled Units

As at 30 June 2015, Holders of Share Stapled Units (other than Directors or chief executives of the Trustee-Manager and the Company) who had interests or short positions in the SSUs or underlying SSUs of the Trust and the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Trustee-Manager, the Company and the Stock Exchange were as follows:

Substantial Holders of Share Stapled Units

Long Positions in Share Stapled Units

Name	Capacity	Number of SSUs Held	Approximate % of Issued SSUs
Power Assets Holdings Limited	Interest of controlled corporation	2,948,966,418 (Note 1)	33.37%
Hyford Limited	Interest of controlled corporations	2,948,966,418 (Notes 1 and 2)	33.37%
Cheung Kong Infrastructure (BVI) Limited	Interest of controlled corporations	2,948,966,418 (Note 2)	33.37%
Cheung Kong Infrastructure Holdings Limited	Interest of controlled corporations	2,948,966,418 (Note 2)	33.37%
Hutchison Infrastructure Holdings Limited	Interest of controlled corporations	2,948,966,418 (Note 3)	33.37%
Hutchison International Limited	Interest of controlled corporations	2,948,966,418 (Note 3)	33.37%
Hutchison Whampoa Limited	Interest of controlled corporations	2,948,966,418 (Note 3)	33.37%
Cheung Kong (Holdings) Limited	Interest of controlled corporations	2,948,966,418 (Note 4)	33.37%
CK Global Investments Limited	Interest of controlled corporations	2,948,966,418 (Note 4)	33.37%
CK Hutchison Holdings Limited	Interest of controlled corporations	2,948,966,418 (Note 4)	33.37%

CORPORATE GOVERNANCE *(Continued)*

Other Persons

Long Positions in Share Stapled Units

Name	Capacity	Number of SSUs Held	Approximate % of Issued SSUs
State Grid Corporation of China	Interest of controlled corporations	1,767,240,000 <i>(Note 5)</i>	20.00%
State Grid International Development Co., Limited	Interest of controlled corporation	1,767,240,000 <i>(Note 5)</i>	20.00%
State Grid International Development Limited	Beneficial owner	1,767,240,000 <i>(Note 5)</i>	20.00%
Qatar Investment Authority	Interest of controlled corporation	1,758,403,800	19.90%

Notes:

- (1) *Hyford Limited is deemed to be interested in 2,948,966,418 SSUs which interests are duplicated in the 2,948,966,418 SSUs in which Power Assets is interested, as Hyford Limited is entitled to exercise or control the exercise of more than one-third of the issued shares of Power Assets through its direct and indirect wholly-owned subsidiaries.*
- (2) *CKI is deemed to be interested in the 2,948,966,418 SSUs as referred to in Note (1) above as it holds more than one-third of the issued share capital of Cheung Kong Infrastructure (BVI) Limited, which holds more than one-third of the issued share capital of Hyford Limited. Its interests are duplicated in the interest of Hutchison Whampoa Limited ("HWL") in HKI described in Note (3) below.*
- (3) *HWL is deemed to be interested in the 2,948,966,418 SSUs as referred to in Note (2) above as it holds more than one-third of the issued shares of Hutchison International Limited, which holds more than one-third of the issued share capital of Hutchison Infrastructure Holdings Limited ("HIH"). HIH holds more than one-third of the issued share capital of CKI.*
- (4) *CKH Holdings is deemed to be interested in the 2,948,966,418 SSUs as referred to in Note (3) above as it holds more than one-third of the issued shares of Cheung Kong (Holdings) Limited and CK Global Investments Limited respectively, each of which in turn holds more than one-third of the issued shares of HWL.*
- (5) *State Grid International Development Limited is a direct wholly-owned subsidiary of State Grid International Development Co., Limited and an indirect wholly-owned subsidiary of State Grid Corporation of China ("State Grid"), and the interests of State Grid International Development Limited and State Grid International Development Co., Limited of 1,767,240,000 SSUs each are duplicated in the 1,767,240,000 SSUs held by State Grid.*

Save as disclosed above, as at 30 June 2015, there was no other person (other than Directors or chief executives of the Trustee-Manager and the Company) who had interests or short positions in the SSUs or underlying SSUs of the Trust and the Company as recorded in the register required to be kept under section 336 of the SFO.

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.

GLOSSARY

In this interim report, 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
“CKH Holdings”	CK Hutchison Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1)
“CKI”	Cheung Kong Infrastructure Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1038)
“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
“HKEx”	Hong Kong Exchanges and Clearing Limited

Term(s)	Definition
"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
"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)"	<p>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:</p> <ul style="list-style-type: none"> (a) a unit in the Trust; (b) the beneficial interest in a specifically identified ordinary share of the Company linked to the unit and held by the Trustee-Manager as legal owner (in its capacity as trustee-manager of the Trust); and (c) a specifically identified preference share of the Company stapled to the unit.

GLOSSARY *(Continued)*

Term(s)	Definition
"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
"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