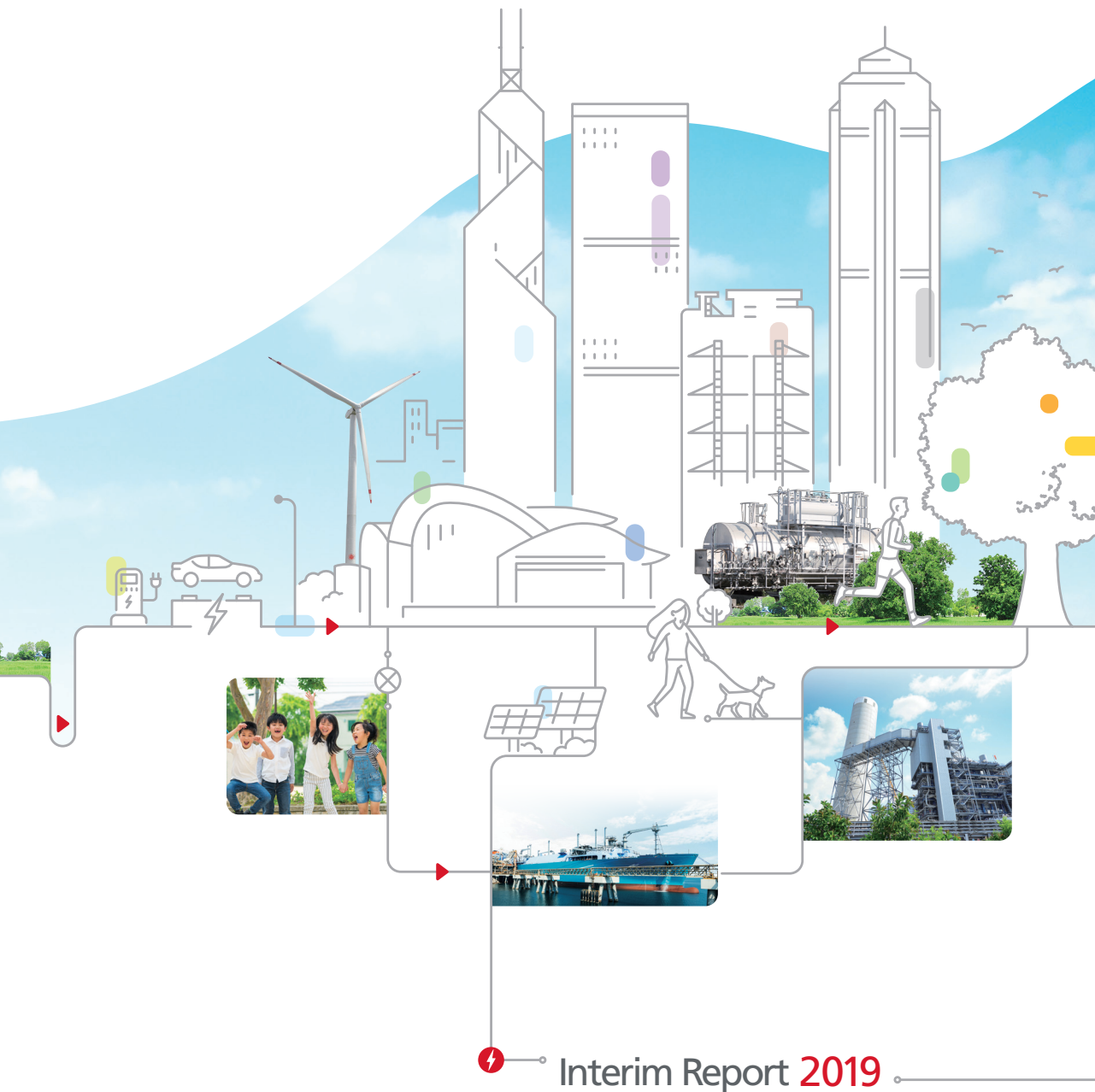




# 港燈電力投資 HK Electric Investments

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



## FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2019	2018
Revenue	HK\$5,003 million	HK\$5,457 million
Distribution amount	HK\$1,408 million	HK\$1,760 million
Interim Distribution per Share Stapled Unit	HK15.94 cents	HK19.92 cents

This Interim Report has been posted in both the English and Chinese languages on the Company's website at [www.hkei.hk](http://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 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](mailto:mail@hkei.hk).



## CONTENTS

2	Corporate Information
3	Key Dates and Share Stapled Unit Information
4	Chairman’s Statement
9	Financial Review
	HK Electric Investments and HK Electric Investments Limited
13	Unaudited Consolidated Statement of Profit or Loss
14	Unaudited Consolidated Statement of Comprehensive Income
15	Unaudited Consolidated Statement of Financial Position
16	Unaudited Consolidated Statement of Changes in Equity
17	Unaudited Consolidated Cash Flow Statement
18	Notes to the Unaudited Interim Financial Statements
	HK Electric Investments Manager Limited
34	Unaudited Statement of Profit or Loss and Other Comprehensive Income
35	Unaudited Statement of Financial Position
36	Unaudited Statement of Changes in Equity
37	Unaudited Cash Flow Statement
38	Notes to the Unaudited Interim Financial Statements
41	Corporate Governance
50	Other Information
51	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*)  
(WOO Mo Fong, Susan  
(alias CHOW WOO Mo Fong, Susan)  
as his alternate)  
WAN Chi Tin (*Chief Executive Officer*)  
CHAN Loi Shun  
CHEN Daobiao  
CHENG Cho Ying, Francis

##### **Non-executive Directors**

LI Tzar Kuoi, Victor (*Deputy Chairman*)  
(Frank John SIXT as his alternate)  
Fahad Hamad A H AL-MOHANNADI  
Ronald Joseph ARCULLI  
DUAN Guangming  
Deven Arvind KARNIK  
ZHU Guangchao

##### **Independent Non-executive Directors**

FONG Chi Wai, Alex  
KWAN Kai Cheong  
LEE Lan Yee, Francis  
George Colin MAGNUS  
Donald Jeffrey ROBERTS  
Ralph Raymond SHEA

#### **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

#### **Nomination Committee**

FOK Kin Ning, Canning (*Chairman*)  
WAN Chi Tin  
CHAN Loi Shun  
CHEN Daobiao  
CHENG Cho Ying, Francis  
LI Tzar Kuoi, Victor  
Fahad Hamad A H AL-MOHANNADI  
Ronald Joseph ARCULLI  
DUAN Guangming  
Deven Arvind KARNIK  
ZHU Guangchao  
FONG Chi Wai, Alex  
KWAN Kai Cheong  
LEE Lan Yee, Francis  
George Colin MAGNUS  
Donald Jeffrey ROBERTS  
Ralph Raymond SHEA

#### **Company Secretary**

Alex NG

#### **Principal Bankers**

The Hongkong and Shanghai Banking Corporation Limited  
Bank of China (Hong Kong) Limited  
Mizuho Bank, Ltd.  
MUFG Bank, Ltd.

#### **Auditor**

KPMG

#### **Company Website**

[www.hkei.hk](http://www.hkei.hk)

#### **Trustee-Manager Registered Office**

44 Kennedy Road, Hong Kong

#### **Company Registered Office**

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: (852) 2843 3111  
Facsimile: (852) 2810 0506  
Email: [mail@hkei.hk](mailto: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

Conyers 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) Depository

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

## Investor Relations

For institutional investors, please contact:  
CHAN Loi Shun (*Executive Director*) or  
WONG Kim Man (*Chief Financial Officer*)

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

Email: mail@hkei.hk  
Telephone: (852) 2843 3111  
Facsimile: (852) 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

<b>Interim Results Announcement</b>	30 July 2019
<b>Ex-distribution Date</b>	13 August 2019
<b>Interim Report Despatch Date</b>	On or before 14 August 2019
<b>Record Date for Interim Distribution</b>	14 August 2019
<b>Payment of Interim Distribution (HK15.94 cents per Share Stapled Unit)</b>	23 August 2019
<b>Financial Year End</b>	31 December 2019

### Share Stapled Unit Information

<b>Board Lot</b>	500 Share Stapled Units
<b>Market Capitalisation as at 30 June 2019</b>	HK\$70,690 million
<b>Share Stapled Unit to American Depository Share Ratio</b>	10:1
<b>Stock Codes</b>	
The Stock Exchange of Hong Kong Limited	2638
Bloomberg	2638 HK
Refinitiv	2638.HK
ADR Ticker Symbol	HKVTY
CUSIP Number	40422B101

## CHAIRMAN'S STATEMENT

2019 has seen HK Electric Investments (HKEI) and its wholly-owned subsidiary HK Electric move into the implementation phase of the new Scheme of Control Agreement (SCA), which is in effect for a period of 15 years. To achieve the energy efficiency and conservation and renewable energy targets under this regulatory regime, we have launched a number of related schemes, services and programmes.

We have moved forward with the initiatives under the 2019-2023 Development Plan to invest HK\$26.6 billion over the next five years in improving our electricity generation, transmission and distribution, and customer service infrastructure. These projects will allow us to significantly expand our gas-firing generation capacity and facilitate the transition to a smart grid.

As we rolled out these strategic initiatives, we remained focused on providing our customers with highly reliable electricity supply and world-class services.

### Half-year Results

For the six months ended 30 June 2019, HKEI's EBITDA amounted to HK\$3,287 million (2018: HK\$3,809 million) and unaudited profit attributable to holders of Share Stapled Units (SSU) was HK\$709 million (2018: HK\$982 million).

### Interim Distribution

Under the new SCA, there is a material drop of approximately 20% in the rate of permitted return for electricity companies. As a result, distributable income for the period also dropped by about 20% to HK\$1,408 million (2018: HK\$1,760 million), which will be 100% distributed to SSU holders.

The Board of the Trustee-Manager has declared an interim distribution of HK15.94 cents (2018: HK19.92 cents) per SSU, payable on 23 August 2019 to SSU holders whose names appear on the Share Stapled Units Register on 14 August 2019.

### Working towards a Smart Green Energy Future

Following the approval of our 2019-2023 Development Plan, we are investing HK\$16.2 billion in new generating units and other generation facilities to replace aged coal-fired generating units and at the same time reduce carbon emission from our electricity generation.

By constructing gas-fired combined-cycle generating units L10, L11 and L12, and developing an offshore liquefied natural gas receiving terminal (LNG Terminal) using Floating Storage and Regasification Unit (FSRU) technology, we will increase our gas-fired generation to about 70% of total output by 2023 and bring carbon emissions down by more than 25% as compared with that in 2018. The emissions of sulphur dioxide, nitrogen oxides and respirable suspended particulates would also drop by 45-55%.

L10 is scheduled to commence commercial operation in January 2020, with testing and commissioning works in progress. Construction of L11 and L12 is on schedule, with commercial operation planned for 2022 and 2023 respectively. Foundation work of the main station building associated with L11 is in full swing while L12 is being constructed in tandem, and piling work is ongoing.

Good progress has been made in the development of an offshore LNG Terminal which is an important piece of infrastructure to secure gas supplies and keep our fuel costs competitive. Following Government's approval of the construction and operation of the terminal, HK Electric and Castle Peak Power Company Ltd. (CAPCO) have entered into a long-term contract with Shell Eastern Trading (Pte.) Ltd. for natural gas supply. HK Electric and CAPCO have also formed a joint venture entity which signed an agreement with Mitsui O.S.K. Lines, Ltd. for the hire of an FSRU vessel.

Advanced Metering Infrastructure (AMI) plays an important role in a smart grid, which is a crucial element of Hong Kong's transformation into a smart city. Our AMI pilot project, which was launched in 2017, continued this year. Thanks to the pilot project, we have enhanced our understanding of and expertise in essential areas from metering and telecommunications to data management and analytics. During the period, an invitation of tender with a comprehensive set of technical specifications was issued for the upcoming full-scale AMI implementation.

### **High Standards in Operating Performance**

With milder weather in the first half of 2019, electricity sales were 1.1% lower than the same six-month period last year, which saw record high temperatures in May 2018.

## CHAIRMAN'S STATEMENT *(Continued)*

Preventive maintenance and the latest technology allowed the transmission and distribution systems to maintain supply reliability and meet the stringent targets under the new SCA. During the period, we once again met or surpassed all our pledged service standards and achieved a reliability performance of over 99.999%.

Following extreme weather events in recent years, we have carried out measures to enhance the security and resilience of our infrastructure, such as installing anti-flooding systems and replacing equipment with better flood-withstand capability at low-lying substations. We continued to identify other initiatives to further enhance supply reliability. These included replacement of our 132-kV transmission gas insulated switchgear at the Wong Nei Chong Gap and North Point Switching Stations and upgrading the 11-kV switchboards at Heung Yip and Chai Wan Zone Substations. In addition, more advanced online monitoring systems were installed in our transmission system to further enhance our asset management capabilities.

We implemented a more frequent adjustment of fuel clause charge mechanism to reflect changes in actual fuel costs in a timely and transparent manner in our tariffs. Thanks to lower fuel costs in the first half of the year, our net tariff in June was 3.3% lower than that in January 2019.

### **Diverse Measures to Reduce Emissions**

During the period, we launched a series of Smart Power Services to promote energy efficiency and conservation in the community, and drive the development of renewable energy. These services and schemes covered areas such as energy audits, subsidies for energy-efficient appliances and improvement works, as well as Feed-in Tariff to encourage customers to set up their own renewable energy installations. We are gratified by the positive response and uptake from the community.

We met statutory requirements in respect of emissions and are set to outperform our annual emission targets for sulphur dioxide, nitrogen oxides and respirable suspended particulates.

We have agreed with the Government on a set of even more stringent emissions allowances from January 2024 as proposed under the Eighth Technical Memorandum (TM8) of the Air Pollution Control Ordinance. Subject to the vetting result of the Legislative Council, TM8 is anticipated to be promulgated within 2019. The targets proposed under TM8 are very challenging and we will make our best efforts to achieve them.



We maintained our longstanding support of electric vehicles (EV) through the provision of free EV charging services and technical support to owners wishing to install charging facilities on their premises. We responded to about 130 enquiries to facilitate the setup of EV charging facilities on customer premises and provided some 6,000 free charges at our public EV charging stations.

### **Promoting Energy Efficiency the Fun Way**

During the period, we continued to run community programmes with the twin focus of caring for the elderly and supporting environmental conservation.

Equipped with multi-media display and interactive games, the newly-opened Smart Power Gallery in Sheung Wan promotes public understanding of energy efficiency and conservation, climate change and the move to a smart city. More than 600 visitors have enjoyed the displays and the video games in the Gallery since its inauguration in April 2019. To enhance environmental awareness among the young, the Happy Green Campaign promoted the theme “Smart Power for Smart City” through various activities.

More than 400 elderly residents had an enjoyable time learning about energy efficiency and electrical safety at CAREnJOY for the Elderly talks in the first half of 2019, while 54 U3A students-turned-Smart Power Ambassadors pursued their mission to spread green messages to their communities.

### **Outlook**

Our top priority for the remainder of the year is to complete all aspects of construction, testing and commissioning for the commercial operation of L10 in January 2020. We are also moving full steam ahead to ensure the smooth construction of the other two new gas-fired generating units, L11 and L12, and the offshore LNG Terminal. Looking ahead, we will continue our rollout of smart meters and invest in appropriate new technologies to help Hong Kong achieve its goals under the Climate Action Plan 2030+. With the progressive build-out of the asset base, we are delivering long-term value to our SSU holders.

## **CHAIRMAN'S STATEMENT** *(Continued)*

Commissioned by the Hong Kong Government, the Council for Sustainable Development launched a public engagement on Hong Kong's Long-term Decarbonisation Strategy in mid-June 2019. As a major player in the city's power industry, we recognise the impact that our activities have on the environment and will actively participate in the public engagement to support the Government in mapping out Hong Kong's long-term decarbonisation strategy.

In closing, this has been a busy and productive period for HK Electric as we progress confidently to implement the different initiatives for which we have spent many months planning and preparing for. I would like to thank the Board, our SSU holders and each of our employees, without whose efforts none of this would be possible.

**Fok Kin Ning, Canning**

*Chairman*

Hong Kong, 30 July 2019

# FINANCIAL REVIEW

## Financial Performance

The Trust Group's revenue and unaudited consolidated profit for the period ended 30 June 2019 were HK\$5,003 million (2018: HK\$5,457 million) and HK\$709 million (2018: HK\$982 million) respectively.

## Distribution

The Trustee-Manager Board has declared an interim distribution of HK15.94 cents (2018: HK19.92 cents) per SSU for the six months ended 30 June 2019. In order to enable the Trust to pay that distribution, the Company Board has declared the payment of a first interim dividend in respect of the Company's ordinary shares held by the Trustee-Manager of HK15.94 cents (2018: HK19.92 cents) per ordinary share in respect of the same period.

	Six months ended 30 June	
	2019 HK\$ million	2018 HK\$ million
Consolidated profit attributable to SSU holders for the period	709	982
After:		
(i) eliminating the effects of the Adjustments (see note (a) below)	2,750	2,961
(ii) (deducting)/adding		
– movement in Fuel Clause Recovery Account	(82)	(713)
– changes in working capital	(587)	(224)
– adjustment for employee retirement benefit schemes	5	5
– taxes paid	(107)	(149)
	(771)	(1,081)
(iii) capital expenditure payment	(1,429)	(1,748)
(iv) net finance costs	(500)	(425)
Distributable income for the period	759	689
(v) adding discretionary amount as determined by the Company Board pursuant to clause 14.1(c) of the Trust Deed	649	1,071
Distributable income for the period after adjustment of the discretionary amount	<u>1,408</u>	<u>1,760</u>
Distribution amount for the period	<u>1,408</u>	<u>1,760</u>
Interim distribution amount per SSU	<u>HK15.94 cents</u>	<u>HK19.92 cents</u>

## FINANCIAL REVIEW *(Continued)*

In determining the distribution amount, the Company Board has taken into account the Group's financial performance achieved during the period under review and its stable cashflow from operations, and consider it appropriate to adjust the distributable income for the six months ended 30 June 2019, as calculated pursuant to the Trust Deed, by the above discretionary amount, pursuant to clause 14.1(c) of the Trust Deed.

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\$1,270 million (2018: HK\$1,651 million), which was funded by cash from operations and external borrowings. Total external borrowings outstanding at 30 June 2019 were HK\$43,477 million (31 December 2018: HK\$41,965 million), comprising unsecured bank loans and debt securities in issue. In addition, the Trust Group at 30 June 2019 had undrawn committed bank facilities of HK\$4,900 million (31 December 2018: HK\$5,495 million) and bank deposits and cash of HK\$347 million (31 December 2018: HK\$34 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 2019, the net debt of the Trust Group was HK\$43,130 million (31 December 2018: HK\$41,931 million) with a net debt-to-net total capital ratio of 47% (31 December 2018: 46%). The Trust Group's financial profile remained strong during the period. On 10 June 2019, Standard & Poor's reaffirmed the "A-" long term credit rating of the Company with a stable outlook, unchanged since September 2015. The "A-" long term credit rating and "Stable" outlook for HK Electric have remained unchanged since January 2014.

The profile of the Trust Group's external borrowings as at 30 June 2019, after taking into account forward foreign exchange contracts, cross currency and interest rate swaps, was as follows:

- (1) 100% were in Hong Kong dollars;
- (2) 45% were bank loans and 55% were capital market instruments;
- (3) 59% were repayable after 1 year but within 5 years and 41% were repayable after 5 years; and
- (4) 67% were in fixed rate and 33% 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 foreign exchange contracts. As at 30 June 2019, over 90% of the Trust Group's transaction exposure from the import of fuel and capital equipment was either denominated in United States dollars or hedged into Hong Kong or United States dollars. The Trust Group is also exposed to foreign currency fluctuation arising from the foreign currency borrowings. Such exposures are, where appropriate, mitigated by the use of either forward foreign exchange contracts or cross currency swaps.

## **FINANCIAL REVIEW** *(Continued)*

The contractual notional amounts of derivative financial instruments outstanding at 30 June 2019 amounted to HK\$43,259 million (31 December 2018: HK\$43,484 million).

### **Charge on Assets**

As at 30 June 2019, no assets of the Trust Group were pledged to secure its loans and banking facilities (31 December 2018: Nil).

### **Contingent Liabilities**

As at 30 June 2019, the Trust Group had no guarantee or indemnity to external parties (31 December 2018: Nil).

### **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 2019, excluding directors' emoluments, amounted to HK\$583 million (2018: HK\$564 million). As at 30 June 2019, the Trust Group employed 1,768 (31 December 2018: 1,763) permanent employees. 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 2019

(Expressed in Hong Kong dollars)

	Note	2019 \$ million	2018 \$ million
<b>Revenue</b>	6	5,003	5,457
Direct costs		<u>(2,676)</u>	<u>(2,628)</u>
		2,327	2,829
Other revenue and other net income		17	35
Other operating costs	8	<u>(531)</u>	<u>(481)</u>
<b>Operating profit</b>		1,813	2,383
Finance costs		<u>(491)</u>	<u>(473)</u>
<b>Profit before taxation</b>	9	1,322	1,910
Income tax:	10		
Current		<u>(209)</u>	<u>(195)</u>
Deferred		<u>(43)</u>	<u>(157)</u>
		<u>(252)</u>	<u>(352)</u>
<b>Profit after taxation</b>		1,070	1,558
Scheme of Control transfers	11	<u>(361)</u>	<u>(576)</u>
<b>Profit for the period attributable to the holders of Share Stapled Units/ shares of the Company</b>		<u><u>709</u></u>	<u><u>982</u></u>
<b>Earnings per Share Stapled Unit/ share of the Company</b>			
Basic and diluted	12	<u><u>8.02 cents</u></u>	<u><u>11.11 cents</u></u>

The notes on pages 18 to 33 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 22.

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

For the six months ended 30 June 2019

(Expressed in Hong Kong dollars)

	2019 \$ million	2018 \$ million
Profit for the period attributable to the holders of Share Stapled Units/shares of the Company	709	982
Other comprehensive income for the period, after tax and reclassification adjustments		
Items that will not be reclassified to profit or loss		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments and cost of hedging recognised during the period	14	10
Net deferred tax charged to other comprehensive income	(2)	(2)
	12	8
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments and cost of hedging recognised during the period	140	371
Reclassification adjustments for amounts transferred to profit or loss	(45)	(23)
Net deferred tax charged to other comprehensive income	(20)	(52)
	75	296
<b>Total comprehensive income for the period attributable to the holders of Share Stapled Units/shares of the Company</b>	<b>796</b>	<b>1,286</b>

The notes on pages 18 to 33 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 2019

(Expressed in Hong Kong dollars)

	Note	(Unaudited) 30 June 2019 \$ million	(Audited) 31 December 2018 \$ million
<b>Non-current assets</b>			
Property, plant and equipment		64,830	65,049
Interests in leasehold land held for own use		5,912	6,010
	13	70,742	71,059
Goodwill		33,623	33,623
Derivative financial instruments	18	444	568
Employee retirement benefit scheme assets		594	593
		105,403	105,843
<b>Current assets</b>			
Inventories		815	989
Trade and other receivables	14	1,439	1,028
Bank deposits and cash	15(a)	347	34
		2,601	2,051
<b>Current liabilities</b>			
Trade and other payables and contract liabilities	16	(1,768)	(2,447)
Fuel Clause Recovery Account		(773)	(855)
Current portion of bank loans and other interest-bearing borrowings	17	(158)	(440)
Current tax payable		(239)	(137)
		(2,938)	(3,879)
<b>Net current liabilities</b>		<b>(337)</b>	<b>(1,828)</b>
<b>Total assets less current liabilities</b>		<b>105,066</b>	<b>104,015</b>
<b>Non-current liabilities</b>			
Bank loans and other interest-bearing borrowings	17	(43,319)	(41,525)
Derivative financial instruments	18	(90)	(411)
Customers' deposits		(2,214)	(2,195)
Deferred tax liabilities		(9,418)	(9,353)
Employee retirement benefit scheme liabilities		(399)	(393)
Provisions		(854)	(747)
		(56,294)	(54,624)
<b>Scheme of Control Fund and Reserve</b>	19	<b>(1,009)</b>	<b>(648)</b>
<b>Net assets</b>		<b>47,763</b>	<b>48,743</b>
<b>Capital and reserves</b>			
Share capital	20	8	8
Reserves		47,755	48,735
<b>Total equity</b>		<b>47,763</b>	<b>48,743</b>

The notes on pages 18 to 33 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 2019

(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 2018	8	47,472	314	150	1,778	49,722
Changes in equity for the six months ended 30 June 2018:						
Profit for the period	-	-	-	982	-	982
Other comprehensive income	-	-	304	-	-	304
Total comprehensive income	-	-	304	982	-	1,286
Amounts transferred to the initial carrying amount of hedged items	-	-	(2)	-	-	(2)
Final distribution/second interim dividend in respect of previous year approved and paid	-	-	-	-	(1,778)	(1,778)
Interim distribution/first interim dividend (see note 22)	-	-	-	(1,760)	1,760	-
Balance at 30 June 2018	<u>8</u>	<u>47,472</u>	<u>616</u>	<u>(628)</u>	<u>1,760</u>	<u>49,228</u>
<b>Balance at 1 January 2019</b>	<b>8</b>	<b>47,472</b>	<b>(54)</b>	<b>(461)</b>	<b>1,778</b>	<b>48,743</b>
Changes in equity for the six months ended 30 June 2019:						
Profit for the period	-	-	-	709	-	709
Other comprehensive income	-	-	87	-	-	87
Total comprehensive income	-	-	87	709	-	796
Amounts transferred to the initial carrying amount of hedged items	-	-	2	-	-	2
Final distribution/second interim dividend in respect of previous year approved and paid	-	-	-	-	(1,778)	(1,778)
Interim distribution/first interim dividend (see note 22)	-	-	-	(1,408)	1,408	-
Balance at 30 June 2019	<u>8</u>	<u>47,472</u>	<u>35</u>	<u>(1,160)</u>	<u>1,408</u>	<u>47,763</u>

The notes on pages 18 to 33 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 CASH FLOW STATEMENT OF THE TRUST AND OF THE COMPANY

For the six months ended 30 June 2019

(Expressed in Hong Kong dollars)

	Note	2019 \$ million	2018 \$ million
<b>Operating activities</b>			
Cash generated from operations	15(b)	2,796	3,004
Interest paid		(410)	(375)
Interest received		1	13
Hong Kong Profits Tax paid		(107)	(149)
<b>Net cash generated from operating activities</b>		<b>2,280</b>	<b>2,493</b>
<b>Investing activities</b>			
Payment for the purchase of property, plant and equipment and capital stock		(1,429)	(1,748)
Capitalised interest paid		(91)	(63)
(Increase)/decrease in bank deposits with more than three months to maturity when placed		(70)	625
<b>Net cash used in investing activities</b>		<b>(1,590)</b>	<b>(1,186)</b>
<b>Financing activities</b>			
Proceeds from bank loans		1,643	109
Redemption of medium term notes		(330)	–
New customers' deposits		153	151
Repayment of customers' deposits		(134)	(126)
Distributions/dividends paid		(1,778)	(1,778)
<b>Net cash used in financing activities</b>		<b>(446)</b>	<b>(1,644)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>244</b>	<b>(337)</b>
Cash and cash equivalents at 1 January		34	784
Effect of foreign exchange rate changes		(1)	7
<b>Cash and cash equivalents at 30 June</b>		<b>277</b>	<b>454</b>

The notes on pages 18 to 33 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 2019 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 2019 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 2019 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 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 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 new HKFRS, HKFRS 16, *Leases*, and a number of 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:

- HKFRS 16, *Leases*
- HK(IFRIC)-Int 23, *Uncertainty over income tax treatments*
- Annual improvements to HKFRSs 2015-2017 Cycle
- Amendments to HKAS 19, *Plan amendments, curtailment or settlement*

The adoption of HKFRS 16, *Leases* and these amendments to HKFRSs does not have a material impact on the Groups’ results and financial positions for the current or prior periods. Details of the changes in accounting policies for HKFRS 16 are discussed below.

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

## 5. Changes in accounting policies *(Continued)*

### HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC)-Int 4, *Determining whether an arrangement contains a lease*, HK(SIC)-Int 15, *Operating leases – incentives*, and HK(SIC)-Int 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“short-term leases”) and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Groups have initially applied HKFRS 16 as from 1 January 2019 and elected to use the modified retrospective approach. The adoption of HKFRS 16 does not have material effect to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

#### **(i) New definition of a lease**

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Groups apply the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Groups have used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

## **(ii) Lease accounting**

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Groups are required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets.

When the Groups enter into a lease in respect of a low-value asset, the Groups decide whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Groups' estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Groups will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

## 6. Revenue

The principal activity of the Groups is the generation and supply of electricity to Hong Kong Island and Lamma Island. Disaggregation of revenue by type of output and services is analysed as follows:

	Six months ended 30 June	
	2019 \$ million	2018 \$ million
Sales of electricity	4,983	5,440
Less: Concessionary discount on sales of electricity	(2)	(2)
	4,981	5,438
Electricity-related income	22	19
	<u>5,003</u>	<u>5,457</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. Other operating costs

	Six months ended 30 June	
	2019 \$ million	2018 \$ million
Administrative expenses, government rent and rates	168	170
Staff costs in relation to corporate and administrative supports	114	104
Provisions for asset decommissioning obligation	107	85
Portion of depreciation and amortisation of leasehold land included in other operating costs	86	82
Net loss on disposal and written off of property, plant and equipment	56	40
	<u>531</u>	<u>481</u>



## 9. Profit before taxation

	Six months ended 30 June	
	2019	2018
	\$ million	\$ million
Profit before taxation is arrived at after charging/(crediting):		
Finance costs		
Interest on borrowings and other finance costs	617	566
Less: Interest expense and other finance costs capitalised to assets under construction	(117)	(84)
Interest expense transferred to fuel costs	(9)	(9)
	<u>491</u>	<u>473</u>
Depreciation		
Depreciation charges for the period	1,417	1,385
Less: Depreciation capitalised to assets under construction	(40)	(45)
	<u>1,377</u>	<u>1,340</u>
Amortisation of leasehold land	<u>98</u>	<u>97</u>

## 10. Income tax

	Six months ended 30 June	
	2019	2018
	\$ million	\$ million
<b>Current tax</b>		
Provision for Hong Kong Profits Tax for the period	209	195
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>43</u>	<u>157</u>
	<u>252</u>	<u>352</u>

The provision for Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rate regime for the six months ended 30 June 2019 and 2018. Under the two-tiered profits tax rate regime, the first \$2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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.

## 11. 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	
	2019	2018
	\$ million	\$ million
Tariff Stabilisation Fund	356	574
Rate Reduction Reserve	5	2
	<u>361</u>	<u>576</u>

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

The calculation of basic and diluted earnings per Share Stapled Unit/share of the Company are based on the profit attributable to the holders of Share Stapled Units/shares of the Company of \$709 million for the six months ended 30 June 2019 (2018: \$982 million) and the weighted average of 8,836,200,000 Shares Stapled Units/ordinary shares of the Company (2018: 8,836,200,000 Shares Stapled Units/ordinary shares of the Company) in issue throughout the period.

## 13. Property, plant and equipment and interests in leasehold land

\$ 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	Total
Net book value at 1 January 2019	14,167	43,375	482	7,025	65,049	6,010	71,059
Additions	2	65	7	1,196	1,270	-	1,270
Transfers between categories	-	117	1	(118)	-	-	-
Disposals	-	(72)	-	-	(72)	-	(72)
Depreciation/amortisation	(254)	(1,112)	(51)	-	(1,417)	(98)	(1,515)
Net book value at 30 June 2019	<u>13,915</u>	<u>42,373</u>	<u>439</u>	<u>8,103</u>	<u>64,830</u>	<u>5,912</u>	<u>70,742</u>
Cost	16,675	53,257	851	8,103	78,886	6,958	85,844
Accumulated depreciation and amortisation	(2,760)	(10,884)	(412)	-	(14,056)	(1,046)	(15,102)
Net book value at 30 June 2019	<u>13,915</u>	<u>42,373</u>	<u>439</u>	<u>8,103</u>	<u>64,830</u>	<u>5,912</u>	<u>70,742</u>

## 14. 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 2019 \$ million	31 December 2018 \$ million
Current and within 1 month	706	513
1 to 3 months	32	35
More than 3 months but less than 12 months	12	15
	<hr/>	<hr/>
Trade debtors	750	563
Other receivables	628	402
	<hr/>	<hr/>
	1,378	965
Derivative financial instruments (see note 18)	9	2
Deposits and prepayments	52	61
	<hr/>	<hr/>
	<b>1,439</b>	<b>1,028</b>
	<hr/> <hr/>	<hr/> <hr/>

Electricity bills issued to residential, 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.

## 15. Bank deposits and cash and other cash flow information

(a) Bank deposits and cash comprise:

	30 June 2019 \$ million	31 December 2018 \$ million
Deposits with banks and other financial institutions with 3 months or less to maturity when placed	235	–
Cash at bank and in hand	42	34
	<hr/>	<hr/>
Cash and cash equivalents in the consolidated cash flow statement	277	34
Deposits with banks and other financial institutions with more than 3 months to maturity when placed	70	–
	<hr/>	<hr/>
Bank deposits and cash in the consolidated statement of financial position	347	34
	<hr/> <hr/>	<hr/> <hr/>

## 15. Bank deposits and cash and other cash flow information

(Continued)

### (b) Reconciliation of profit before taxation to cash generated from operations:

		Six months ended 30 June	
		2019	2018
	Note	\$ million	\$ million
Profit before taxation		1,322	1,910
Adjustments for:			
Interest income		(1)	(11)
Finance costs	9	491	473
Interest expense transferred to fuel costs	9	9	9
Depreciation	9	1,377	1,340
Amortisation of leasehold land	9	98	97
Net loss on disposal and written off of property, plant and equipment	8	56	40
Increase in provisions for asset decommissioning obligation	8	107	85
Net financial instrument revaluation and exchange losses/(gains)		1	(7)
Changes in working capital:			
Decrease in inventories		167	25
Increase in trade and other receivables		(404)	(353)
Movements in Fuel Clause Recovery Account		(82)	(713)
(Decrease)/increase in trade and other payables and contract liabilities		(350)	104
Increase/decrease in net employee retirement benefit assets/liabilities		5	5
Cash generated from operations		<u>2,796</u>	<u>3,004</u>

## 16. Trade and other payables and contract liabilities

	30 June 2019 \$ million	31 December 2018 \$ million
Due within 1 month or on demand	683	1,316
Due after 1 month but within 3 months	133	139
Due after 3 months but within 12 months	891	948
	<hr/>	<hr/>
Creditors measured at amortised cost	1,707	2,403
Derivative financial instruments (see note 18)	24	6
Contract liabilities	37	38
	<hr/>	<hr/>
	<b>1,768</b>	<b>2,447</b>
	<hr/> <hr/>	<hr/> <hr/>

## 17. Bank loans and other interest-bearing borrowings

	30 June 2019 \$ million	31 December 2018 \$ million
Bank loans	19,411	17,755
Current portion	(158)	(110)
	<hr/>	<hr/>
	19,253	17,645
	<hr/>	<hr/>
Hong Kong dollar medium term notes		
Fixed rate notes	5,967	6,295
Zero coupon notes	714	702
	<hr/>	<hr/>
	6,681	6,997
Current portion	–	(330)
	<hr/>	<hr/>
	6,681	6,667
	<hr/>	<hr/>
United States dollar medium term notes		
Fixed rate notes	11,721	11,673
Zero coupon notes	5,664	5,540
	<hr/>	<hr/>
	17,385	17,213
	<hr/>	<hr/>
Non-current portion	43,319	41,525
	<hr/> <hr/>	<hr/> <hr/>

## 18. Derivative financial instruments

	30 June 2019		31 December 2018	
	Assets \$ million	Liabilities \$ million	Assets \$ million	Liabilities \$ million
<b>Derivative financial instruments used for hedging:</b>				
Cash flow hedges:				
– Cross currency swaps	10	(55)	–	(172)
– Interest rate swaps	139	–	497	–
– Forward foreign exchange contracts	199	(59)	10	(244)
Fair value hedges:				
– Cross currency swaps	103	–	63	–
– Forward foreign exchange contracts	2	–	–	(1)
	<u>453</u>	<u>(114)</u>	<u>570</u>	<u>(417)</u>
Analysed as:				
Current	9	(24)	2	(6)
Non-current	<u>444</u>	<u>(90)</u>	<u>568</u>	<u>(411)</u>
	<u>453</u>	<u>(114)</u>	<u>570</u>	<u>(417)</u>

## 19. Scheme of Control Fund and Reserve

The Tariff Stabilisation Fund, Rate Reduction Reserve and Smart Power Fund/Smart Power Care 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 2019 \$ million	31 December 2018 \$ million
Tariff Stabilisation Fund	982	620
Rate Reduction Reserve	5	6
Smart Power Fund/Smart Power Care Fund	<u>22</u>	<u>22</u>
	<u>1,009</u>	<u>648</u>

## 20. Share capital

### The Company

		30 June 2019	31 December 2018
	Number of shares	Nominal value \$	Nominal value \$
<b>Authorised:</b>			
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>
<b>Issued and fully paid:</b>			
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.

## 21. 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

## 21. Fair value measurement *(Continued)*

### (a) Recurring fair value measurements

	Level 2	
	30 June 2019 \$ million	31 December 2018 \$ million
<b>Financial assets</b>		
Derivative financial instruments:		
– Cross currency swaps	113	63
– Interest rate swaps	139	497
– Forward foreign exchange contracts	201	10
	<u>453</u>	<u>570</u>
<b>Financial liabilities</b>		
Derivative financial instruments:		
– Cross currency swaps	55	172
– Forward foreign exchange contracts	59	245
Medium term notes subject to fair value hedges	4,370	4,327
	<u>4,484</u>	<u>4,744</u>

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

Trade and other receivables, trade and other payables and contract liabilities and external borrowings are carried at cost or amortised cost which are not materially different from their fair values as at 30 June 2019 and 31 December 2018.

### (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.



## 22. Interim distribution/dividend

The distributable income for the period was as follows:

	Six months ended 30 June	
	2019	2018
	\$ million	\$ million
Consolidated profit attributable to the holders of Share Stapled Units for the period	709	982
After:		
(i) eliminating the effects of the Adjustments (see note (a) below)	2,750	2,961
(ii) (deducting)/adding		
– movement in Fuel Clause Recovery Account	(82)	(713)
– changes in working capital	(587)	(224)
– adjustment for employee retirement benefit schemes	5	5
– taxes paid	(107)	(149)
	(771)	(1,081)
(iii) capital expenditure payment	(1,429)	(1,748)
(iv) net finance costs	(500)	(425)
Distributable income for the period	759	689
(v) adding discretionary amount as determined by the Company Board pursuant to clause 14.1(c) of the Trust Deed (see note (d) below)	649	1,071
Distributable income for the period after adjustment of discretionary amount	<u>1,408</u>	<u>1,760</u>
Distribution amount for the period	<u>1,408</u>	<u>1,760</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 (e) below)	<u>15.94 cents</u>	<u>19.92 cents</u>

## 22. 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) In determining the distribution amount, the Company Board has taken into account the Group’s financial performance achieved during the period under review and its stable cashflow from operations, and consider it appropriate to adjust the distributable income for the six months ended 30 June 2019, as calculated pursuant to the Trust Deed, by the above discretionary amount, pursuant to clause 14.1(c) of the Trust Deed.
- (e) Interim distribution per Share Stapled Unit/first interim dividend per ordinary share of the Company of 15.94 cents (2018: 19.92 cents) is calculated based on the interim distribution of \$1,408 million for the six months ended 30 June 2019 (2018: \$1,760 million) and the number of Shares Stapled Units/ordinary shares of the Company of 8,836,200,000 in issue as at 30 June 2019 (2018: 8,836,200,000).

## 23. Capital commitments

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

	30 June 2019 \$ million	31 December 2018 \$ million
Capital expenditure for property, plant and equipment authorised and contracted for	<u>4,633</u>	<u>4,155</u>
Capital expenditure for property, plant and equipment authorised but not contracted for	<u>18,822</u>	<u>20,717</u>

## 24. Material related party transactions

The Groups had the following material transactions with related parties 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 \$20 million (2018: \$21 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 2019, the total outstanding balance receivable from Power Assets group was \$3 million (31 December 2018: \$4 million).

## UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF HK ELECTRIC INVESTMENTS MANAGER LIMITED

*For the six months ended 30 June 2019*

*(Expressed in Hong Kong dollars)*

	<i>Note</i>	2019 \$	2018 \$
Revenue		–	–
Administrative expenses		–	–
		<hr/>	<hr/>
Profit before taxation	6	–	–
Income tax	7	–	–
		<hr/>	<hr/>
Profit and total comprehensive income for the period		–	–
		<u>–</u>	<u>–</u>

The notes on pages 38 to 40 form part of these unaudited interim financial statements.

## UNAUDITED STATEMENT OF FINANCIAL POSITION OF HK ELECTRIC INVESTMENTS MANAGER LIMITED

At 30 June 2019

(Expressed in Hong Kong dollars)

		(Unaudited) 30 June 2019 \$	(Audited) 31 December 2018 \$
<b>Current assets</b>			
Amount due from immediate holding company		1	1
		<u>1</u>	<u>1</u>
<b>Net assets</b>		<b><u>1</u></b>	<b><u>1</u></b>
<b>Capital and reserves</b>			
Share capital	8	1	1
Reserves		—	—
		<u>—</u>	<u>—</u>
<b>Total equity</b>		<b><u>1</u></b>	<b><u>1</u></b>

The notes on pages 38 to 40 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 2019*

*(Expressed in Hong Kong dollars)*

\$	Share capital	Reserves	Total
Balance at 1 January 2018	1	–	1
Changes in equity for the six months ended 30 June 2018:			
Profit and total comprehensive income for the period	–	–	–
Balance at 30 June 2018	<u>1</u>	<u>–</u>	<u>1</u>
<b>Balance at 1 January 2019</b>	<b>1</b>	<b>–</b>	<b>1</b>
Changes in equity for the six months ended 30 June 2019:			
Profit and total comprehensive income for the period	–	–	–
<b>Balance at 30 June 2019</b>	<b><u>1</u></b>	<b><u>–</u></b>	<b><u>1</u></b>

The notes on pages 38 to 40 form part of these unaudited interim financial statements.

## UNAUDITED CASH FLOW STATEMENT OF HK ELECTRIC INVESTMENTS MANAGER LIMITED

For the six months ended 30 June 2019

(Expressed in Hong Kong dollars)

	2019	2018
	\$	\$
<b>Operating activities</b>		
Net cash generated from operating activities	<u>—</u>	<u>—</u>
<b>Investing activities</b>		
Net cash used in investing activities	<u>—</u>	<u>—</u>
<b>Financing activities</b>		
Net cash used in financing activities	<u>—</u>	<u>—</u>
<b>Net change in cash and cash equivalents</b>	<u>—</u>	<u>—</u>
Cash and cash equivalents at 1 January	<u>—</u>	<u>—</u>
<b>Cash and cash equivalents at 30 June</b>	<u><u>—</u></u>	<u><u>—</u></u>

The notes on pages 38 to 40 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 Hong Kong Companies Ordinance on 25 September 2013 and is an indirect wholly-owned subsidiary of Power Assets.

The principal activity of the Company is administering HK Electric Investments (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 22 to the unaudited consolidated interim financial statements of the Trust and of HK Electric Investments Limited on pages 31 and 32, no distributions statement is therefore presented in these 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 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 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.

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial statements as comparative information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company’s financial statements together with the consolidated financial statements of the Trust and of HK Electric Investments Limited for the year ended 31 December 2018 will be delivered to the Registrar of Companies in due course.

The Company’s auditor has reported on the financial statements of the Company for the year ended 31 December 2018. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

## 5. Changes in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Company. The adoption of HKFRS 16, *Leases* and 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 \$186,000 for the six months ended 30 June 2019 (2018: \$249,000) 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 2019		31 December 2018	
	Number of shares	\$	Number of shares	\$
Ordinary shares, issued and fully paid	1	1	1	1

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

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.

The Trust and the Company are both listed on the Main Board of the Stock Exchange, and are subject to the provisions of the Listing Rules. Pursuant to the Trust Deed, the Trustee-Manager is responsible for compliance by the Trust with the Listing Rules applicable to the Trust and other relevant laws and regulations, the Company is responsible for compliance by the Company with the Listing Rules applicable to the Company and other relevant laws and regulations, and each of the Trustee-Manager and the Company will co-operate with each other to ensure that each party complies with the Listing Rules obligations and to co-ordinate disclosure to the Stock Exchange.

The Trust and the Company have complied with the applicable code provisions in the Corporate Governance Code throughout the six months ended 30 June 2019, 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.

The Nomination Committee of the Company established on 1 January 2019 comprises all Directors of the Company, and accordingly its membership deviates from the requirements in code provision A.5. In discharging its responsibilities, the Nomination Committee of the Company is, however, assisted by an ad hoc sub-committee which is chaired by the Chairman of the Company Board and its membership is compliant with the requirements under the Listing Rules for a nomination committee. The Trustee-Manager does not have a nomination committee as provided for in code provision A.5, since in accordance with the Trust Deed and the Trustee-Manager's articles of association, the Trustee-Manager Board shall at all times comprise the same individuals who serve as Directors of the Company, and the requirement to establish a nomination committee is hence considered irrelevant to the Trustee-Manager.

## CORPORATE GOVERNANCE *(Continued)*

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. The Boards consider that the senior management of the Trust Group comprises only the Executive Directors.

As at 30 June 2019, each of the Boards consisted of a total of seventeen Directors, comprising five Executive Directors, six Non-executive Directors and six Independent Non-executive Directors. More than one-third of the Board are Independent Non-executive Directors, among which more than one of them have appropriate professional qualifications or accounting or related financial management expertise as required by the Listing Rules. 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 meeting(s) annually with Independent Non-executive Directors without the presence of Executive Directors and Non-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 of the Trustee-Manager and the Company supports the Boards by ensuring good information flow within the Boards and that board policy and procedures are followed. The Company Secretary is responsible 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 regulating 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 2019.

Senior managers, and 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 annual report 2018 and up to 6 August 2019 (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

---

Donald Jeffrey Roberts	Appointed as an Independent Non-executive Director of WeLab Digital Limited
------------------------	---

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.

### Risk Management and Internal Control

The Trustee-Manager Board and the Company Board have overall responsibility for evaluating and determining the nature and extent of the risks they are willing to take in achieving the Trustee-Manager's and the Company's strategic objectives, overseeing the risk management and internal control systems including reviewing their effectiveness through the Trustee-Manager Audit Committee and the Company Audit Committee to ensure appropriate and effective risk management and internal control systems are in place.

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 internal 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 Audit Committees.

The Trustee-Manager Audit Committee and the Company Audit Committee have reviewed the effectiveness of the risk management and internal control systems of the Trust, the Company and the Trustee-Manager for the six months ended 30 June 2019, and considered the systems are effective and adequate.

### **Nomination Committee of the Company**

The Company established its Nomination Committee on 1 January 2019 which comprises all Directors of the Company. The Nomination Committee of the Company is chaired by Mr. Fok Kin Ning, Canning, the Chairman of the Company Board. In discharging its responsibilities, the Nomination Committee of the Company is assisted by an ad hoc sub-committee which is chaired by the Chairman of the Company Board and its membership is compliant with the requirements under the Listing Rules for a nomination committee.

The Nomination Committee reports directly to the Company Board. The principal responsibilities of the Nomination Committee are to review the structure, size, diversity profile and skills matrix of the Company Board, to facilitate the Company Board in conduct of the selection and nomination process, to assess the independence of Independent Non-executive Directors having regard to the criteria under the Listing Rules, and to make recommendations to the Company Board on the appointment or re-appointment of Directors and succession planning for Directors. The terms of reference of the Nomination Committee of the Company are published on the Company's website and HKEX's website.

### **Remuneration Committee of the Company**

The Remuneration Committee of the Company established on 29 January 2014 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 HKEX's website.

## **CORPORATE GOVERNANCE** *(Continued)*

### **Trustee-Manager Audit Committee and Company Audit Committee**

Each of the Trustee-Manager Audit Committee and the Company Audit Committee established on 29 January 2014 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 and the Company Audit Committee report directly to the Trustee-Manager Board and the Company Board respectively. The principal responsibilities of the Audit Committees are to assist the Boards in fulfilling their audit duties through the review and supervision of financial reporting, risk management and internal control systems, the review of financial information, and the consideration of issues relating to external auditor and their appointment.

The Audit 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 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, news releases, the Company's website at [www.hkei.hk](http://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 e-mailing 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.

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 provides 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 2019, 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	Approximate % of Issued SSUs
Li Tzar Kuoi, Victor	Interest of controlled corporations	Corporate	7,870,000 (Note 1)	0.08%
Fok Kin Ning, Canning	Interest of controlled corporation	Corporate	2,000,000 (Note 2)	0.02%
Donald Jeffrey Roberts	Interest of controlled corporation	Corporate	1,398,000 (Note 3)	0.02%
Ronald Joseph Arculli	Interest of controlled corporation	Corporate	502	≈0%

Notes:

(1) 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. Victor T K Li 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. Victor T K Li 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.

(2) Such SSUs are held by a company which is equally owned by Mr. Fok Kin Ning, Canning and his wife.

(3) Such SSUs are held by a company which is equally owned by Mr. Donald Jeffrey Roberts and his wife.

## CORPORATE GOVERNANCE *(Continued)*

Save as disclosed above, as at 30 June 2019, 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 2019, 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 <i>(Note 1)</i>	33.37%
Hyford Limited	Interest of controlled corporations	2,948,966,418 <i>(Notes 1 and 2)</i>	33.37%
Cheung Kong Infrastructure (BVI) Limited	Interest of controlled corporations	2,948,966,418 <i>(Note 2)</i>	33.37%
CK Infrastructure Holdings Limited	Interest of controlled corporations	2,948,966,418 <i>(Note 2)</i>	33.37%
Hutchison Infrastructure Holdings Limited	Interest of controlled corporations	2,948,966,418 <i>(Note 3)</i>	33.37%
CK Hutchison Global Investments Limited	Interest of controlled corporations	2,948,966,418 <i>(Note 3)</i>	33.37%
CK Hutchison Holdings Limited	Interest of controlled corporations	2,948,966,418 <i>(Note 3)</i>	33.37%
State Grid Corporation of China	Interest of controlled corporations	1,855,602,000 <i>(Note 4)</i>	21.00%
State Grid International Development Co., Limited	Interest of controlled corporation	1,855,602,000 <i>(Note 4)</i>	21.00%
State Grid International Development Limited	Beneficial owner	1,855,602,000 <i>(Note 4)</i>	21.00%
Qatar Investment Authority	Interest of controlled corporation	1,758,403,800	19.90%

Notes:

- (1) *Power Assets is deemed to be interested in 2,948,966,418 SSUs which are beneficially owned by its direct wholly-owned subsidiary, Quickview Limited. 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 CK Hutchison in HKEI described in Note (3) below.*
- (3) *CK Hutchison 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 voting shares of CK Hutchison Global Investments Limited ("CKHGI"). Certain subsidiaries of CKHGI hold more than one-third of the issued voting shares of Hutchison Infrastructure Holdings Limited which in turn holds more than one-third of the issued share capital of CKI.*
- (4) *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 1,855,602,000 SSUs each are duplicated in the 1,855,602,000 SSUs held by State Grid.*

Save as disclosed above, as at 30 June 2019, 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, or as otherwise notified to the Trustee-Manager, the Company and the Stock Exchange.

## OTHER INFORMATION

### Interim Distribution

The Trustee-Manager Board has declared an interim distribution by the Trust for 2019 of HK15.94 cents per Share Stapled Unit. The distribution will be payable on Friday, 23 August 2019 to Holders of Share Stapled Units whose names appear in the Share Stapled Units Register at the close of business on Wednesday, 14 August 2019, 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, 14 August 2019.

### 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 2019.

## 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
"CK Hutchison"	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"	CK 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, 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, a company incorporated in Hong Kong with limited liability on 24 January 1889 and an indirect wholly-owned subsidiary of the Company

## GLOSSARY *(Continued)*

Term(s)	Definition
"HKASs"	Hong Kong Accounting Standards
"HKEI"	The Trust and the Company
"HKEX"	Hong Kong Exchanges and Clearing Limited
"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

Term(s)	Definition
"Share Stapled Unit(s)" or "SSU(s)"	<p data-bbox="619 274 1127 566">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"> <li data-bbox="619 615 906 642">(a) a unit in the Trust;</li> <li data-bbox="619 687 1127 902">(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 data-bbox="619 948 1127 1048">(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, 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

## GLOSSARY *(Continued)*

Term(s)	Definition
"Trustee-Manager"	HK Electric Investments Manager Limited, 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