

港燈電力投資

HK Electric Investments

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

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

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港燈電力投資有限公司

HK Electric Investments Limited

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

(股份代號 Stock Code : 2638)



港燈電力投資

HK Electric Investments

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2017 ANNUAL RESULTS

CHAIRMAN'S STATEMENT

Certainty underpinning a clean energy future

2017 was a defining year for HK Electric Investments (HKEI) and its wholly owned subsidiary HK Electric, with the signing of the new Scheme of Control Agreement (SCA). The long-term certainty provided by this agreement will help the local electricity sector make the necessary investments to build a clean energy future and reduce emissions. It will keep us on track to achieve the Government's energy and environmental objectives and its Climate Action Plan 2030+.

During the year, we not only worked with the Government to lay the foundation for Hong Kong's long-term energy future, but also fulfilled our commitments to holders of our Share Stapled Units (SSUs) by delivering stable performance, and continuing to supply reliable and affordable electricity to Hong Kong.

We are proud to have honoured our 2013 pledge to freeze tariffs for the five-year period between 2014 and 2018. Overall tariffs had been consecutively reduced for two years in 2016 and 2017, and despite a small tariff rebound from 1 January 2018, our tariff is a significant 16.6% lower than the 2013 level.

Financial results and distributions

For the year ended 31 December 2017, HKEI's EBITDA was HK\$8,195 million (2016: HK\$8,034 million) and profits attributable to SSU holders was HK\$3,341 million (2016: HK\$3,599 million).

The Board of the Trustee-Manager has declared a final distribution by the Trust of HK20.12 cents (2016: HK20.12 cents) per SSU, payable on 11 April 2018 to SSU holders whose names appear on the Share Stapled Units Register on 28 March 2018. This, together with the interim distribution of HK19.92 cents (2016: HK19.92 cents) per SSU, amounts to a total distribution of HK40.04 cents (2016: HK40.04 cents) per SSU for the year.

The stage is set for low-carbon power

One of the most important developments during the year was the signing of the new SCA following more than a year of negotiation with the Government.

We warmly endorse the new SCA and expedited conclusion to the negotiation process. With a strong emphasis on energy efficiency, customer services, promotion of renewable energy, and transparency, it effectively balances the interests and wishes of the various stakeholders in the community. Its emphasis on electricity generation from renewable sources and various measures for energy efficiency will accelerate Hong Kong's transition to a low-carbon economy. This will also enable the Government to meet its target of reducing carbon intensity by 65-70% by 2030, as compared to 2005 levels.

Following the retirement in May 2017 of L1, the oldest coal-fired unit installed at Lamma Power Station (LPS), other coal-fired units will approach the end of their useful lives towards the end of the next decade and will be replaced by new gas-fired units. The new SCA with a 15-year term provides us with the stability and confidence to implement this replacement programme. The longer tenure is beneficial to both the sector and the wider community, allowing us to make a number of large-scale infrastructural investments to meet the Government's emissions and carbon intensity targets.

While HK Electric is permitted a reduced rate of return on average net fixed assets of 8% under the new SCA, we are confident that we will be able to deliver long-term value to SSU holders because of the substantial asset growth resulting from further replacement of HK Electric's generation portfolio from coal to gas over the term of the new SCA.

Committed to affordable electricity

In 2013 we promised to freeze tariffs for five years until 2018, and have in fact reduced tariffs across the board by 17.2% in year 2017 as a result of two special rebates, "Special Rent & Rates Rebate" and "Special Fuel Rebate".

In 2018, we continue to offer these two rebates, but the "Special Fuel Rebate" is smaller than before. In conjunction with other adjustments, there has been a slight increase of 1.9% in our net tariff. Despite this, the tariff remains among the lowest in the developed world and is a significant 16.6% lower than the 2013 level.

Preparing for low emissions generation

HK Electric continued to outperform all targets of statutory emissions for sulphur dioxide, nitrogen oxides and respirable suspended particulates in 2017. We have also worked with the Government to further reduce emission allowances from 2022 onwards with the approval of the Seventh Technical Memorandum by the Legislative Council.

To increase the proportion of gas-fired electricity we generate, HK Electric is constructing two new gas-fired generating units, L10 and L11, at LPS. Civil construction of L10 has been progressing at a satisfactory pace with commencement of installation of electrical and mechanical equipment targeted in April 2018. For L11, piling was completed on schedule in September 2017. L10 and L11 will be commissioned in 2020 and 2022 respectively.

We are also in the process of developing an offshore liquefied natural gas (LNG) terminal using Floating Storage and Regasification Unit (FSRU) technology in Hong Kong waters, in partnership with CLP Power, to give us additional access to natural gas transported by ship in liquid form. The Environmental Impact Assessment report for the project will soon be submitted to the Government for approval. Planning for this major item of infrastructure is progressing on track. If Government approvals are received and construction continues as scheduled, the offshore LNG terminal will come into operation by the end of 2020 at the earliest.

Upholding world-class standards

Hong Kong suffered extreme weather in 2017. In the summer, a number of powerful typhoons affected Hong Kong, bringing gusty winds and severe storms. Extremely high temperature due to the typhoons led to a surge in electricity demand in August, leading to a new record high of 2,513 MW in system maximum demand since 2010. Notwithstanding these extreme weather conditions, I am pleased that we once again maintained our supreme supply reliability rating of over 99.999% for the 21st consecutive year. The average unplanned power interruption per customer was less than one minute for the ninth year in a row.

Sales volume showed a decline of 1.6% from 2016. We believe that per capita electricity consumption in Hong Kong will continue to decrease as a result of increasing public awareness of energy conservation.

Playing our part in a green and caring society

A change in Government policy from April 2017 has negatively affected the growth in the rollout of electric vehicles (EVs) in Hong Kong. Despite this, we continued to expand the public EV charging facilities we offer, installing eight quick chargers during the year for the convenience of motorists. We also engaged closely with property developers and managers, offering technical consultancy on the installation of charging points in buildings.

Our passionate band of volunteers dedicated more than 5,400 man-hours over the year to the social causes they believe in: from spreading the message of energy awareness among adults and children, to spending time with the vulnerable elderly. Our long-running community programmes have gone from strength to strength over the years, involving tens of thousands of people in activities like country walks, home visits, education and more.

As the trusted energy partner of Asia's World City, we continued to invest the necessary resources to attract and retain the best talent with a year-round calendar of training, staff development, and a healthy culture that encourages work-life balance.

In July, we were presented with the Grand Award of the 2017 HKMA Quality Award in recognition of our commitment to developing and deploying Total Quality Management. The Hong Kong Management Association (HKMA) highlighted our ability to fulfil our mission and "sustain and perform over an extended period due to strong senior leadership, a nurturing staff culture, and excellent operational performance". I am proud of this endorsement by our peers in the Hong Kong business sector.

Outlook

In February 2018, HK Electric entered into a framework agreement with CK Asset Holdings Limited (CKA) to develop a hotel in the site of HK Electric's former operational headquarters and carpark building at Ap Lei Chau. This project will bring in income to the Group and the appreciation in the value of the property.

2018 is the last year of the current SCA, which has been in force since 2009. During this term, we have consistently delivered the highest standards of operational performance and service quality while our tariffs are amongst the lowest in the developed world. We have made significant progress in emissions reduction and energy efficiency as we proceed with increasing our use of natural gas in electricity generation.

Over the following months our key priority will be to complete deliberations with the Government on all outstanding items associated with the implementation of the new SCA, to ensure we are fully prepared for the new framework, including the introduction of feed-in tariffs and renewable energy certificates. We will prepare our upcoming five-year development plan for Government's approval, and finalise any pending operational details.

The move to green, smart energy is accelerating across the world and Hong Kong is no exception. We welcome technological innovation and recognise its potential to shape a cleaner energy future by encouraging public participation in electricity generation from renewable energy sources while reducing emissions.

We will make significant investments to gradually replace our retiring coal-fired units with new gas-fired units to meet the Government's carbon reduction targets and satisfy the community's aspirations for cleaner air. We are confident that the upcoming increase in our assets base will compensate for the reduction of the rate of permitted return and will deliver growth in value to our SSU holders.

There is no question that cleaner energy come at the cost of affordable tariffs, especially so for HK Electric, as we embark on various programmes to considerably expand gas-firing generation capacity. The capital expenditure associated with the new units and greater consumption of natural gas, a more expensive fuel, will inevitably place greater pressure on tariffs going forward.

We can succeed in this changing world only through the dedicated efforts of our team of employees. On behalf of the Board I extend my gratitude to each and every one for their efforts in the past year.

Fok Kin Ning, Canning

Chairman

Hong Kong, 13 March 2018

FINANCIAL REVIEW

Financial performance

The Trust Group's revenue and consolidated profit for the year ended 31 December 2017 were HK\$11,693 million (2016: HK\$11,420 million) and HK\$3,341 million (2016: HK\$3,599 million) respectively.

Distribution

The Trustee-Manager Board has declared the payment of a final distribution by the Trust of HK20.12 cents (2016: HK20.12 cents) per SSU. In order to enable the Trust to pay that distribution, the Company Board has declared the payment of a second interim dividend in lieu of a final dividend in respect of the Company's ordinary shares held by the Trustee-Manager, of HK20.12 cents (2016: HK20.12 cents) per ordinary share in respect of the same period. This, together with the interim distribution of HK19.92 cents (2016: HK19.92 cents) per SSU, brings the total distribution to HK40.04 cents (2016: HK40.04 cents) per SSU for the year ended 31 December 2017.

	2017	2016
	HK\$ million	HK\$ million
Consolidated profit attributable to SSU holders	3,341	3,599
After:		
(i) eliminating the effects of the Adjustments (see note (a) below)	5,178	4,520
(ii) (deducting)/adding		
– movement in Fuel Clause Recovery Account	(1,317)	1,805
– changes in working capital	191	206
– adjustment for employee retirement benefit schemes	15	26
– taxes paid	(797)	(1,154)
	(1,908)	883
(iii) capital expenditure payment	(2,503)	(2,760)
(iv) deducting		
– debt repayment	-	(7,504)
– net finance costs	(842)	(1,105)
	(842)	(8,609)
Distributable income	3,266	(2,367)
(v) adding discretionary amount as determined by the Company Board pursuant to clause 14.1(c) of the Trust Deed	272	5,905
Distributable income after adjustment of the discretionary amount	3,538	3,538

	2017	2016
	HK\$ million	HK\$ million
Interim distribution	1,760	1,760
Final distribution	1,778	1,778
Distribution amount	3,538	3,538
Distributions per SSU (see note (c) below)		
– Interim distribution per SSU	HK19.92 cents	HK19.92 cents
– Final distribution per SSU	HK20.12 cents	HK20.12 cents
Total distributions per SSU	HK40.04 cents	HK40.04 cents

In determining the distribution amount, the Company Board has taken into account the Group's financial performance achieved during the year and its stable cashflow from operations, and consider it appropriate to adjust the distributable income for the year ended 31 December 2017, as calculated pursuant to the Trust Deed, by the above discretionary amount, pursuant to clause 14.1(c) of the Trust Deed.

Notes:

- (a) Pursuant to clause 1.1 of the Trust Deed, "Adjustments" includes, but not limited to (i) transfers to/from the Tariff Stabilisation Fund and the Rate Reduction Reserve under the Scheme of Control; (ii) unrealised revaluation gains/losses, including impairment provisions and reversals of impairment provisions; (iii) impairment of goodwill/recognition of negative goodwill; (iv) material non-cash gains/losses; (v) costs of any public offering of Share Stapled Units that are expensed through the consolidated statement of profit or loss but are funded by proceeds from the issuance of such Share Stapled Units; (vi) depreciation and amortisation; (vii) tax charges as shown in the consolidated statement of profit or loss; and (viii) net finance income/costs as shown in the consolidated statement of profit or loss.
- (b) The Trustee-Manager Board has confirmed, in accordance with the Trust Deed, that (i) the auditors of the Trust Group have reviewed and verified the Trustee-Manager's calculation of the above distribution entitlement per SSU and (ii) having made all reasonable enquiries, immediately after making the above distribution to the registered unit holders of the Trust, the Trustee-Manager will be able to fulfill, from the Trust Property (as defined in the Trust Deed), the liabilities of the Trust as they fall due.
- (c) Interim distribution per SSU of HK19.92 cents (2016: HK19.92 cents) was calculated based on the interim distribution amount of HK\$1,760 million (2016: HK\$1,760 million) and 8,836,200,000 SSUs in issue as at 30 June 2017 (30 June 2016: 8,836,200,000 SSUs). Final distribution per SSU of HK20.12 cents (2016: HK20.12 cents) was calculated based on the final distribution amount of HK\$1,778 million (2016: HK\$1,778 million) and 8,836,200,000 SSUs in issue as at 31 December 2017 (31 December 2016: 8,836,200,000 SSUs).

Capital expenditure, liquidity and financial resources

Capital expenditure during the year amounted to HK\$2,929 million (2016: HK\$2,799 million), which was primarily funded by cash from operations. Total external borrowings outstanding at 31 December 2017 were HK\$41,371 million (2016: HK\$39,679 million), comprising unsecured bank loans and debt securities in issue. In addition, the Trust Group at 31 December 2017 had undrawn committed bank facilities of HK\$5,750 million (2016: HK\$4,000 million) and bank deposits and cash of HK\$1,659 million (2016: HK\$316 million).

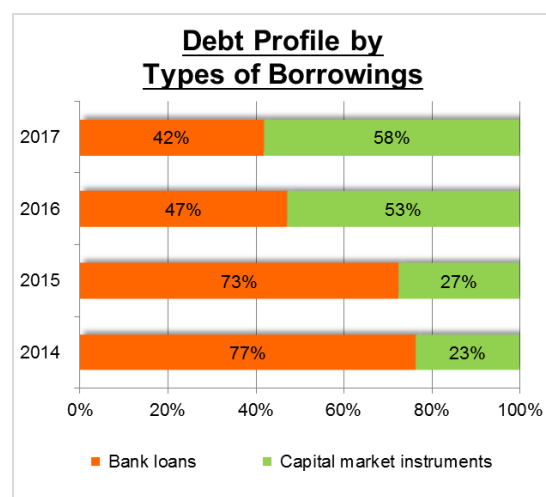
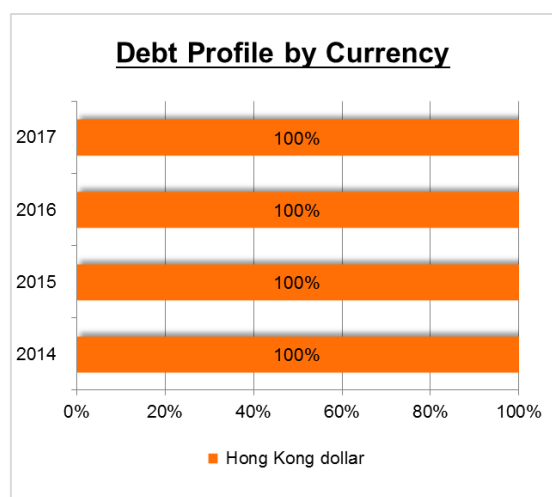
Treasury policy, financing activities, capital and debt structure

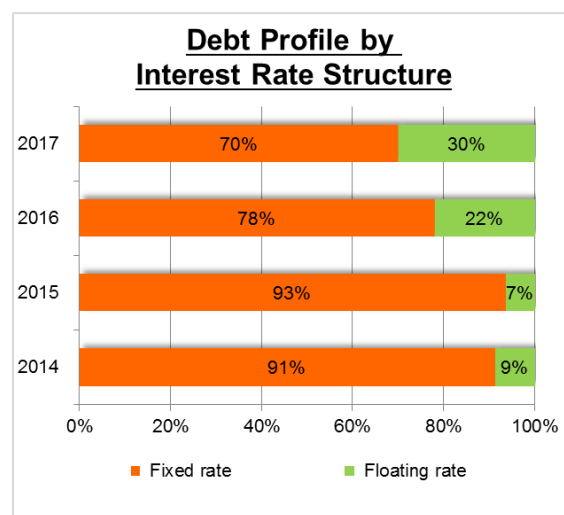
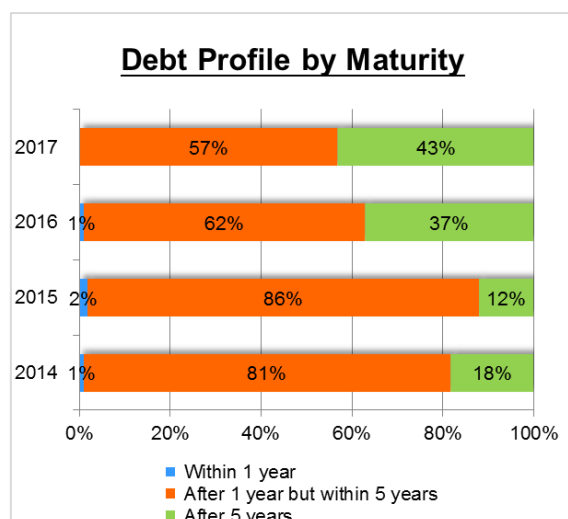
The Trust Group manages its financial risks in accordance with guidelines laid down in its treasury policy which is designed to manage the Trust Group's currency, interest rate and counterparty risks. Surplus funds, which arise mainly from provision for capital expenditure to be incurred and from electricity 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 31 December 2017, the net debt of the Trust Group was HK\$39,712 million (2016: HK\$39,363 million) with a net debt-to-net total capital ratio of 44% (2016: 44%). The Trust Group's financial profile remained strong during the year. On 27 February 2017, Standard & Poor's reaffirmed the "A-" long term credit ratings and the stable outlook for both the Company and HK Electric, unchanged since September 2015 and January 2014, respectively.

In 2017, the Trust Group took advantage of market liquidity to extend its debt maturity profile by re-tapping the Formosa bond market with an issue under its medium term note programme of US\$400 million 30 year bonds at an accrual yield of 4.375% per annum callable at the end of the fifth year and annually thereafter until the penultimate year to maturity. Part of the proceeds of the issue was utilised for the repayment of certain bank loans and the balance placed on short term deposit for future capital expenditure and general working capital.

The profile of the Trust Group's external borrowings as at 31 December 2017, after taking into account forward foreign exchange contracts, cross currency and interest rate swaps, was as follows:





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

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

The Trust Group's principal foreign currency transaction exposures arise from the import of fuel and capital equipment. Foreign currency transaction exposure is managed mainly through forward foreign exchange contracts. As at 31 December 2017, 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 and cross currency swaps.

The contractual notional amounts of derivative financial instruments outstanding at 31 December 2017 amounted to HK\$37,258 million (2016: HK\$65,367 million).

Charge on assets

At 31 December 2017, no assets of the Trust Group were pledged to secure its loans and banking facilities (2016: Nil).

Contingent liabilities

As at 31 December 2017, the Trust Group had no guarantee or indemnity to external parties (2016: 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 year ended 31 December 2017, excluding directors' emoluments, amounted to HK\$1,111 million (2016: HK\$1,113 million). As at 31 December 2017, the Trust Group employed 1,776 (2016: 1,790) permanent employees. No share option scheme is in operation.

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

For the year ended 31 December 2017

(Expressed in Hong Kong dollars)

	Note	2017 \$ million	2016 \$ million
Revenue	5	11,693	11,420
Direct costs		(5,384)	(5,369)
		6,309	6,051
Other revenue and other net income	7	24	39
Other operating costs		(1,053)	(918)
Operating profit		5,280	5,172
Finance costs		(848)	(991)
Profit before taxation	8	4,432	4,181
Income tax:	9		
Current		(660)	(1,145)
Deferred		(134)	388
		(794)	(757)
Profit after taxation		3,638	3,424
Scheme of Control transfers	10(b)	(297)	175
Profit for the year attributable to the holders of Share Stapled Units/ shares of the Company		3,341	3,599
Earnings per Share Stapled Unit/ share of the Company			
Basic and diluted	12	37.81 cents	40.73 cents

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

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

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

For the year ended 31 December 2017

(Expressed in Hong Kong dollars)

	2017 \$ million	2016 \$ million
Profit for the year attributable to the holders of Share Stapled Units/shares of the Company	3,341	3,599
Other comprehensive income for the year, after tax and reclassification adjustments		
Items that will not be reclassified to profit or loss		
Defined benefit retirement schemes:		
Remeasurement of net defined benefit asset/liability	327	81
Net deferred tax charged to other comprehensive income	(54)	(13)
	273	68
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments recognised during the year	(303)	837
Reclassification adjustments for amounts transferred to profit or loss	(12)	71
Amounts transferred to the initial carrying amount of hedged items	-	7
Net deferred tax credited/(charged) to other comprehensive income	56	(151)
	(259)	764
Total comprehensive income for the year attributable to the holders of Share Stapled Units/shares of the Company	3,355	4,431

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

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

At 31 December 2017

(Expressed in Hong Kong dollars)

	Note	2017 \$ million	2016 \$ million
Non-current assets			
Property, plant and equipment		64,412	64,432
Interests in leasehold land held for own use under finance leases		6,090	6,281
	13	70,502	70,713
Goodwill		33,623	33,623
Derivative financial instruments		809	1,034
Employee retirement benefit scheme assets		648	454
		105,582	105,824
Current assets			
Inventories		1,011	985
Trade and other receivables	14	1,067	1,225
Bank deposits and cash		1,659	316
		3,737	2,526
Current liabilities			
Trade and other payables	15	(2,652)	(2,735)
Fuel Clause Recovery Account	16	(2,771)	(4,088)
Current portion of bank loans and other interest- bearing borrowings	17	-	(335)
Current tax payable		(214)	(351)
		(5,637)	(7,509)
Net current liabilities		(1,900)	(4,983)
Total assets less current liabilities		103,682	100,841
Non-current liabilities			
Bank loans and other interest-bearing borrowings	17	(41,371)	(39,344)
Derivative financial instruments		(184)	(73)
Customers' deposits		(2,130)	(2,057)
Deferred tax liabilities		(9,149)	(9,017)
Employee retirement benefit scheme liabilities		(288)	(406)
Provisions	18	(503)	-
		(53,625)	(50,897)
Scheme of Control Fund and Reserve	10(c)	(335)	(39)
Net assets		49,722	49,905
Capital and reserves			
Share capital		8	8
Reserves		49,714	49,897
Total equity		49,722	49,905

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

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

(Expressed in Hong Kong dollars)

1. Review of annual results

The annual results have been reviewed by the Audit Committees.

The figures in respect of the preliminary announcement of the Trust Group's and the Group's results for the year ended 31 December 2017 have been compared by the Trust Group's and the Group's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Trust Group's and the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

2. General information

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

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

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

3. Basis of presentation

Pursuant to the Trust Deed, the Trust and the Company are each required to prepare their own sets of financial statements on a consolidated basis. The consolidated financial statements of the Trust for the year ended 31 December 2017 comprise the consolidated financial statements of the Trust, the Company and its subsidiaries (together the “Trust Group”). The consolidated financial statements of the Company for the year ended 31 December 2017 comprise the consolidated 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 year ended 31 December 2017 was investing in the Company. Therefore, the consolidated results and financial position that would be presented in the consolidated financial statements of the Trust are identical to the consolidated results and financial position of the Company with the only differences being disclosures of share capital of the Company. The Directors of the Trustee-Manager and Directors of the Company believe that it is clearer to present the consolidated financial statements of the Trust and of the Company together. The consolidated financial statements of the Trust and the consolidated financial statements of the Company are presented together to the extent they are identical and are hereinafter referred as the “consolidated financial statements of the Trust and of the Company”.

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

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

4. Changes in accounting policies

The HKICPA has issued several 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 consolidated financial statements:

- Amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*
- Amendments to HKAS 12, *Income taxes: Recognition of deferred assets for unrealised losses*

The adoption of these amendments to HKFRSs has no material impact on the Groups’ results and financial position for the current or prior periods. Only amendments to HKAS 7, *Statement of cash flows: Disclosure initiative* require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

5. Revenue

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

	2017 \$ million	2016 \$ million
Sales of electricity	11,621	11,373
Concessionary discount on sales of electricity	(4)	(6)
Electricity-related income	76	53
	<u>11,693</u>	<u>11,420</u>

6. Segment reporting

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

7. Other revenue and other net income

	2017 \$ million	2016 \$ million
Interest income from financial assets not at fair value through profit or loss	7	12
Sundry income	17	27
	<u>24</u>	<u>39</u>

8. Profit before taxation

	2017 \$ million	2016 \$ million
Profit before taxation is arrived at after charging:		
Depreciation	2,731	2,683
Amortisation of leasehold land	191	191
Costs of inventories	3,820	3,138
Write down of inventories	31	11
Staff costs	664	652
Net loss on disposal and written off of property, plant and equipment	104	74
Auditor's remuneration		
– audit and audit related work	5	5

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

	2017 \$ million	2016 \$ million
Current tax		
Provision for Hong Kong Profits Tax for the year	660	1,145
Deferred tax		
Origination and reversal of temporary differences	134	(388)
	794	757

The provision for Hong Kong Profits Tax for 2017 is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the year.

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

10. Scheme of Control transfers

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

Pursuant to 2013 mid-term review of Scheme of Control, a Smart Power Fund was established in June 2014 to support the carrying out of improvement works to upgrade the energy efficiency performance of building services installations for communal use in non-commercial buildings. Specifically, HK Electric consented to contribute to the Smart Power Fund each year during the period from 1 January 2014 to 31 December 2018 an amount being deducted from its financial incentive under the energy efficiency incentive mechanism in the SoCA for outperforming the energy audit and energy saving targets (if any) each year during the period from 1 January 2013 to 31 December 2017.

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

	2017 \$ million	2016 \$ million
Tariff Stabilisation Fund	291	(181)
Rate Reduction Reserve	1	1
Smart Power Fund		
– Provisional sum to be injected in the following year	5	5
	297	(175)

A provisional sum of \$5,038,000, representing deduction of HK Electric’s 2017 financial incentive (2016: \$4,990,000), was transferred from the consolidated statement of profit or loss and included in the trade and other payables for injection into the Smart Power Fund in the following year.

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

\$ million	Tariff Stabilisation Fund (see note below)	Rate Reduction Reserve (see note below)	Smart Power Fund	Total
At 1 January 2016	204	1	10	215
Transfer from Rate Reduction Reserve to Tariff Stabilisation Fund (see note below)	1	(1)	-	-
Transfer (to)/from the consolidated statement of profit or loss	(181)	1	-	(180)
Injection for the year	-	-	5	5
Disbursement for the year	-	-	(1)	(1)
At 31 December 2016 and 1 January 2017	24	1	14	39
Transfer from Rate Reduction Reserve to Tariff Stabilisation Fund (see note below)	1	(1)	-	-
Transfer from the consolidated statement of profit or loss	291	1	-	292
Injection for the year (see note (b) above)	-	-	5	5
Disbursement for the year	-	-	(1)	(1)
At 31 December 2017	316	1	18	335

Pursuant to mid-term review of Scheme of Control, the year-end balance of the Rate Reduction Reserve of a year has to be transferred to the Tariff Stabilisation Fund in the following year starting from end 2013.

11. Distributions/dividends

(a) The distributable income for the year was as follows:

	2017 \$ million	2016 \$ million
Consolidated profit attributable to the holders of Share Stapled Units	3,341	3,599
After:		
(i) eliminating the effects of the Adjustments (see note 1 below)	5,178	4,520
(ii) (deducting)/adding		
– movement in Fuel Clause Recovery Account	(1,317)	1,805
– changes in working capital	191	206
– adjustment for employee retirement benefit schemes	15	26
– taxes paid	(797)	(1,154)
	(1,908)	883
(iii) capital expenditure payment	(2,503)	(2,760)
(iv) deducting		
– debt repayment	-	(7,504)
– net finance costs	(842)	(1,105)
	(842)	(8,609)
Distributable income	3,266	(2,367)
(v) adding discretionary amount as determined by the Company Board pursuant to clause 14.1(c) of the Trust Deed (see note 4 below)	272	5,905
Distributable income after adjustment of discretionary amount	3,538	3,538

Note 1 Pursuant to clause 1.1 of the Trust Deed, “Adjustments” includes, but not limited to (i) transfers to/from the Tariff Stabilisation Fund and the Rate Reduction Reserve under the Scheme of Control; (ii) unrealised revaluation gains/losses, including impairment provisions and reversals of impairment provisions; (iii) impairment of goodwill/recognition of negative goodwill; (iv) material non-cash gains/losses; (v) costs of any public offering of Share Stapled Units that are expensed through the consolidated statement of profit or loss but are funded by proceeds from the issuance of such Share Stapled Units; (vi) depreciation and amortisation; (vii) tax charges as shown in the consolidated statement of profit or loss; and (viii) net finance income/costs as shown in the consolidated statement of profit or loss.

Note 2 The Trust Deed requires the Trustee-Manager (on behalf of the Trust) to distribute 100% of the dividends, distributions and other amounts received by the Trustee-Manager in respect of the ordinary shares from the Company, after deduction of all amounts permitted to be deducted or paid under the Trust Deed.

Note 3 The distributions received by the Trustee-Manager from the Company will be derived from the Group Distributable Income which is referred as audited consolidated profit attributable to the holders of Share Stapled Units for the relevant financial year or distribution period, after making adjustments in respect of items as set out in the Trust Deed.

Note 4 In determining the distribution amount, the Company Board has taken into account the Group's financial performance achieved during the year and its stable cashflow from operations, and consider it appropriate to adjust the distributable income for the year ended 31 December 2017, as calculated pursuant to the Trust Deed, by the above discretionary amount, pursuant to clause 14.1(c) of the Trust Deed.

(b) Distributions/dividends payable to holders of Share Stapled Units/shares of the Company attributable to the year

	2017 \$ million	2016 \$ million
Interim distribution/first interim dividend declared and paid of 19.92 cents (2016: 19.92 cents) per Share Stapled Unit/share	1,760	1,760
Final distribution/second interim dividend proposed after the end of the reporting period of 20.12 cents (2016: 20.12 cents) per Share Stapled Unit/share	1,778	1,778
	3,538	3,538

For the year ended 31 December 2017, the Company Board declared the payment of a second interim dividend of 20.12 cents per ordinary share (2016: 20.12 cents per ordinary share), amounting to \$1,778 million (2016: \$1,778 million), in lieu of a final dividend after the end of the reporting period and therefore no final dividend was proposed by the Company Board.

For the year ended 31 December 2017, the Trustee-Manager Board declared a final distribution of 20.12 cents per Share Stapled Unit (2016: 20.12 cents per Share Stapled Unit), amounting to \$1,778 million (2016: \$1,778 million), after the end of the reporting period.

The final distribution/second interim dividend declared after the end of the reporting period is based on the number of Shares Stapled Units/ordinary shares of the Company of 8,836,200,000 as at 31 December 2017 (2016: 8,836,200,000). The final distribution/second interim dividend declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(c) Distributions/dividends payable to holders of Share Stapled Units/shares of the Company attributable to the previous financial year, approved and paid during the year

	2017 \$ million	2016 \$ million
Final distribution/second interim dividend in respect of the previous financial year, approved and paid during the year, of 20.12 cents (2016: 20.12 cents) per Share Stapled Unit/share	<u>1,778</u>	<u>1,778</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/ordinary shares of the Company of \$3,341 million (2016: \$3,599 million) and the weighted average of 8,836,200,000 Share Stapled Units/ordinary shares of the Company (2016: 8,836,200,000 Share Stapled Units/ordinary shares of the Company) in issue during the year.

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 under finance leases	Total
Cost							
At 1 January 2016	16,547	48,652	507	3,809	69,515	6,844	76,359
Additions	18	403	82	2,296	2,799	-	2,799
Transfer	68	1,324	27	(1,419)	-	-	-
Disposals	(2)	(353)	(38)	-	(393)	-	(393)
At 31 December 2016 and 1 January 2017	16,631	50,026	578	4,686	71,921	6,844	78,765
Additions	8	415	53	2,453	2,929	-	2,929
Transfer	10	1,655	138	(1,803)	-	-	-
Disposals	-	(400)	(10)	-	(410)	-	(410)
At 31 December 2017	16,649	51,696	759	5,336	74,440	6,844	81,284
Accumulated depreciation and amortisation							
At 1 January 2016	974	3,876	144	-	4,994	372	5,366
Written back on disposals	(1)	(257)	(38)	-	(296)	-	(296)
Charge for the year	511	2,193	87	-	2,791	191	2,982
At 31 December 2016 and 1 January 2017	1,484	5,812	193	-	7,489	563	8,052
Written back on disposals	-	(265)	(10)	-	(275)	-	(275)
Charge for the year	512	2,205	97	-	2,814	191	3,005
At 31 December 2017	1,996	7,752	280	-	10,028	754	10,782
Net book value							
At 31 December 2017	14,653	43,944	479	5,336	64,412	6,090	70,502
At 31 December 2016	15,147	44,214	385	4,686	64,432	6,281	70,713

The above are mainly electricity-related property, plant and equipment in respect of which financing costs capitalised during the year amounted to \$139 million (2016: \$118 million).

Depreciation charges for the year included \$83 million (2016: \$108 million), relating to assets utilised in development activities, which have been capitalised.

14. Trade and other receivables

	2017 \$ million	2016 \$ million
Trade debtors (see note (a) below)	555	647
Other receivables (see note below)	449	499
	1,004	1,146
Derivative financial instruments	7	16
Deposits and prepayments	56	63
	1,067	1,225

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

Other receivables of the Groups include unbilled electricity charges of \$335 million (2016: \$416 million) to be received from electricity customers.

(a) **Trade receivables ageing analysis**

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

	2017 \$ million	2016 \$ million
Current and within 1 month	499	588
1 to 3 months	36	37
More than 3 months but less than 12 months	20	22
	555	647

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.

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

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

(b) Impairment of trade and other receivables

The Groups' trade debtors are individually assessed for impairment. Any impairment losses are written off against the trade debtors directly. No separate account is maintained for impairment losses. During the year ended 31 December 2017, impairment of trade and other receivables of \$1,389,000 (2016: \$1,589,000) was charged to profit or loss.

15. Trade and other payables

	2017 \$ million	2016 \$ million
Creditors measured at amortised cost (see note below)	2,649	2,717
Derivative financial instruments	3	18
	2,652	2,735

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

Creditors' ageing is analysed as follows:

	2017 \$ million	2016 \$ million
Due within 1 month or on demand	1,321	813
Due after 1 month but within 3 months	202	445
Due after 3 months but within 12 months	1,126	1,459
	2,649	2,717

16. Fuel Clause Recovery Account

The Fuel Clause Charges per unit for electricity sales was 23.4 cents from 1 January 2017 (2016: 27.9 cents). During the year, Special Fuel Rebates of 17.9 cents per unit for electricity sales (2016: Nil) was offered to customers. Movements in the Fuel Clause Recovery Account were as follows:

	2017 \$ million	2016 \$ million
At 1 January	4,088	2,283
Transferred to profit or loss	(1,904)	(1,206)
Fuel Clause Charges during the year	2,484	3,011
Special Fuel Rebates during the year	(1,897)	-
At 31 December	2,771	4,088

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

17. Bank loans and other interest-bearing borrowings

	2017 \$ million	2016 \$ million
Bank loans	17,359	18,628
Current portion	-	(35)
	17,359	18,593
Hong Kong dollar medium term notes		
Fixed rate notes (see note (a) below)	6,291	6,588
Zero coupon notes (see note (b) below)	679	656
	6,970	7,244
Current portion	-	(300)
	6,970	6,944
United States dollar medium term notes		
Fixed rate notes (see note (a) below)	11,741	11,758
Zero coupon notes (see note (b) below)	5,301	2,049
	17,042	13,807
Non-current portion	41,371	39,344

- (a) The Hong Kong dollar fixed rate notes bear interest at rates ranging from 2.55% to 4% per annum (2016: 1.65% to 4% per annum).

The United States dollar fixed rate notes bear interest at rates ranging from 2.875% to 4.25% per annum (2016: 2.875% to 4.25% per annum).

- (b) The Hong Kong dollar zero coupon notes which were issued at discount have nominal amount of \$1,056 million (2016: \$1,056 million) and accrual yield of 3.5% per annum (2016: 3.5% per annum).

The United States dollar zero coupon notes have nominal amount of US\$650 million (2016: US\$250 million) and accrual yields ranging from 4.375% to 4.8% per annum (2016: 4.6% to 4.8% per annum). These notes embed with issuer call options allowing issuer to early redeem the notes. US\$250 million of these notes are callable on 20 October 2020 and annually thereafter until the penultimate year to maturity. The remaining US\$400 million are callable on 12 October 2022 and annually thereafter until the penultimate year to maturity.

- (c) Some banking facilities of the Groups are subject to the fulfilment of covenants relating to certain of the Groups' statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Groups were to breach the covenants, the drawn down facilities would become payable on demand and any undrawn amount will be cancelled. The Groups regularly monitors its compliance with these covenants. As at 31 December 2017 and 2016, none of the covenants relating to drawn down facilities had been breached.
- (d) None of the non-current interest-bearing borrowings is expected to be settled within one year. All the above borrowings are unsecured.

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

	2017 \$ million	2016 \$ million
After 1 year but within 2 years	330	-
After 2 years but within 5 years	23,316	24,931
After 5 years	17,725	14,413
	41,371	39,344

18. Provisions

Provisions for asset decommissioning obligation	\$ million
At 1 January 2017 (included in trade and other payables)	298
Additional provisions made	205
At 31 December 2017	503

Under SoCA, provision which represents the best estimation of expenditure required to settle asset decommissioning obligation has to be made to the extent that HK Electric incurs an obligation for the costs of dismantling and removing property, plant and equipment and restoring the sites on which they are located either when the assets are acquired or as a consequence of having used them during a particular period for electricity-related activities.

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

For the year ended 31 December 2017

(Expressed in Hong Kong dollars)

	Note	2017 \$	2016 \$
Revenue		-	-
Administrative expenses		-	-
Profit before taxation	5	-	-
Income tax	6	-	-
Profit and total comprehensive income for the year		-	-

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

At 31 December 2017

(Expressed in Hong Kong dollars)

	2017 \$	2016 \$
Current assets		
Amount due from immediate holding company	1	1
Net assets	1	1
Capital and reserves		
Share capital	1	1
Reserves	-	-
Total equity	1	1

**NOTES TO THE FINANCIAL STATEMENTS
OF HK ELECTRIC INVESTMENTS MANAGER LIMITED**
(Expressed in Hong Kong dollars)

1. Review of annual results

The annual results have been reviewed by the Audit Committee.

The figures in respect of the preliminary announcement of the HK Electric Investments Manager Limited's (the "Company") results for the year ended 31 December 2017 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Company's draft financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

2. General information

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

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

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

3. Basis of presentation

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

The financial information relating to the years ended 31 December 2017 and 2016 included in this preliminary announcement of annual results does not constitute the Company's statutory annual financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the 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 2016 have been delivered to the Registrar of Companies and the Company's financial statements for the year ended 31 December 2017 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 2016. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance. The financial statements for the year ended 31 December 2017 have yet to be reported on by the Company's auditor.

4. Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Company. The adoption of these amendments to standards does not have any material impact on the Company's financial statements.

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

5. Profit before taxation

Auditor's remuneration of \$56,000 (2016: \$55,000) and all other expenses of the Company which were incurred for the administering of the Trust of \$501,769 (2016: \$466,223) for the year 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 years.

6. Income tax

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

OTHER INFORMATION

Final distribution and closure of Registers

The Trustee-Manager Board has declared a final distribution by the Trust for 2017 of HK20.12 cents per Share Stapled Unit. The final distribution will be payable on Wednesday, 11 April 2018 to Holders of Share Stapled Units whose names appear in the Share Stapled Units Register at the close of business on Wednesday, 28 March 2018, being the record date for determination of entitlement to the final distribution. To qualify for the final distribution, all transfers accompanied by the relevant Share Stapled Unit certificates should be lodged with the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Wednesday, 28 March 2018.

For the purpose of ascertaining Holders of Share Stapled Units who are entitled to attend and vote at the Annual General Meeting to be held on Wednesday, 9 May 2018 (or any adjournment thereof), the Registers will be closed from Friday, 4 May 2018 to Wednesday, 9 May 2018, both days inclusive, during which no transfer of Share Stapled Units will be registered. In order to qualify for the right to attend and vote at the meeting (or any adjournment thereof), all transfers accompanied by the relevant Share Stapled Unit certificates should be lodged with the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Thursday, 3 May 2018.

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

Purchase, sale or redemption of Share Stapled Units

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

None of the Trust, the Trustee-Manager, the Company nor any of their subsidiaries purchased, sold or redeemed any of the issued Share Stapled Units during the year ended 31 December 2017.

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 year ended 31 December 2017, 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.

At present, neither the Trustee-Manager nor the Company has a nomination committee as provided for in code provision A.5. The Trustee-Manager and the Company do not consider it necessary to have a nomination committee as the full Boards are responsible for reviewing the structure, size and composition of the Boards and the appointment of new Directors from time to time having regard to the Group's board diversity policy. The Boards as a whole are also responsible for reviewing the succession plan for the Directors, in particular the Chairman and the Chief Executive Officer.

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

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 year ended 31 December 2017.

Trustee-Manager Audit Committee and Company Audit Committee

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Trustee-Manager and the Company established their respective audit committee on 29 January 2014 (the memberships of which are required to be the same pursuant to the Trust Deed), and have formulated their written terms of reference, which have from time to time been modified, in accordance with the prevailing provisions of the Corporate Governance Code.

Each of the Trustee-Manager Audit Committee and the Company Audit Committee is chaired by Mr. Donald Jeffrey Roberts (an Independent Non-executive Director) and the other members are Mr. Ronald Joseph Arculli (a Non-executive Director) and Mr. Lee Lan Yee, Francis (an Independent Non-executive Director). 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.

Remuneration Committee of the Company

In compliance with the Corporate Governance Code, the Company established its remuneration committee on 29 January 2014 with a majority of the members thereof being Independent Non-executive Directors. The Remuneration Committee of the Company is chaired by Mr. Donald Jeffrey Roberts (an Independent Non-executive Director), and the other members are Mr. Fok Kin Ning, Canning (the Chairman) and Mr. Fong Chi Wai, Alex (an Independent Non-executive Director).

Annual General Meeting

The Annual General Meeting will be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Wednesday, 9 May 2018 at 12:15 p.m. Notice of the Annual General Meeting will be published and despatched to Holders of Share Stapled Units in the manner as required by the Listing Rules in due course.

Boards composition

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

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

GLOSSARY

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

Term(s)	Definition
“Annual General Meeting”	The annual general meeting of unitholders of the Trust and shareholders of the Company, as convened by the Trustee-Manager and the Company held on a combined basis as a single meeting characterised as the annual general meeting of Holders of Share Stapled Units
“Boards” or “Boards of Directors”	Trustee-Manager Board and Company Board
“Company”	HK Electric Investments Limited, 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
“HKASs”	Hong Kong Accounting Standards
“HKEI”	The Trust and the Company
“HKFRSs”	A collective term includes all applicable individual Hong Kong Financial Reporting Standards, HKASs and Interpretations issued by the HKICPA

Term(s)	Definition
“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)
“Registers”	The Share Stapled Units Register, the Units Register, the Principal and Hong Kong Branch Registers of Members and the Register of Beneficial Interests
“Share Stapled Unit(s)” or “SSU(s)”	Share Stapled Unit(s) jointly issued by the Trust and the Company, with each Share Stapled Unit being the combination of the following securities or interests in securities which, subject to the provisions in the Trust Deed, can only be dealt with together and may not be dealt with individually or one without the others: (a) a unit in the Trust; (b) the beneficial interest in a specifically identified ordinary share of the Company linked to the unit and held by the Trustee-Manager as legal owner (in its capacity as trustee-manager of the Trust); and (c) a specifically identified preference share of the Company stapled to the unit.
“Share Stapled Units Register”	The register of registered Holders of Share Stapled Units

Term(s)	Definition
“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
“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