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## SUMMARY

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*This summary is intended to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide whether to invest in the Offer Share Stapled Units. Some of the particular risks of investing in the Offer Share Stapled Units are set out in "Risk Factors" and you should read that section carefully before you decide to invest in the Offer Share Stapled Units.*

*Statements contained in this summary that are not historical facts may be forward-looking statements. Such statements are based on certain assumptions. While the Directors consider such assumptions to be reasonable, whether actual results will meet our expectations will depend on a number of risks and uncertainties over which we have no control. Under no circumstances should the inclusion of such information in this prospectus be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Trustee-Manager, the Company or any of the Relevant Persons or that these results will be achieved or are likely to be achieved.*

### OVERVIEW

#### Our Business

HK Electric Investments is the first fixed single investment trust in Hong Kong with a focus on the power industry. We are a vertically integrated power utility and our operations comprise the generation, transmission, distribution and supply of electricity to Hong Kong Island and Lamma Island. We are the sole electricity provider to Hong Kong Island and Lamma Island with an Electricity Supply Reliability Rating of above 99.999% in each year since 1997. Our principal operating subsidiary, HEC, which was incorporated in January 1889 and first commenced operations in 1890, is one of the world's longest established utility companies.

HEC's sole power generation facility is the Lamma Power Station which, as at 30 September 2013, had an aggregate installed capacity of approximately 3,737 MW. As at 30 September 2013, we provided electricity to approximately 568,000 registered customers on Hong Kong Island and Lamma Island.

#### Scheme of Control

Our operations are subject to the Scheme of Control entered into with the Hong Kong Government. The first Scheme of Control was entered into in 1980 for a term of 15 years beginning on 1 January 1979 and it was renewed in 1993 for a similar term until the end of 2008. The current Scheme of Control was entered into on 7 January 2008 for a term of ten years from 1 January 2009 to 31 December 2018, with an option for the Hong Kong Government to extend it for a further term of five years ending on 31 December 2023.

Under the terms of the Scheme of Control, we are entitled to full recovery of our total operating costs from our Gross Tariff Revenue, and a permitted level of earnings based principally on a return on HEC's capital investment in electricity generation, transmission and distribution assets. Subject to deduction of certain interest on borrowed capital for the financing of Fixed Assets and certain other deductions and adjustments, the Scheme of Control provides for a Permitted Return for each year equal to (i) 9.99% of the total value of our Average Net Fixed Assets other than those attributable to our Average Renewables Net Fixed Assets for that year and (ii) 11% of the total value of our Average Renewables Net Fixed Assets for that year.

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The Scheme of Control requires that we maintain a Tariff Stabilisation Fund, the main purpose of which is to accumulate and provide funds to ameliorate tariff increases or facilitate tariff reductions where appropriate. In each year, where the Gross Tariff Revenue exceeds the Tariff Stabilisation Adjustments, the amount of such excess is transferred from our statement of profit or loss to the Tariff Stabilisation Fund. Conversely, when there is a deficiency, the amount of such deficiency is transferred from the Tariff Stabilisation Fund to our statement of profit or loss for that year, provided that the amount transferred may not exceed the balance of the Tariff Stabilisation Fund, which may not go into a deficit position. For further details regarding the Tariff Stabilisation Fund, see “*Scheme of Control and Regulatory Overview — Scheme of Control — Tariff Stabilisation Fund*” and “*Financial Information — Description of Key Consolidated Statements of Profit or Loss and Consolidated Statements of Comprehensive Income Line Items — Scheme of Control Transfers*”.

Our Average Net Fixed Assets and Average Renewables Net Fixed Assets are in part dependent upon the level of our capital expenditure. The Scheme of Control provides for a Development Plan which sets out, among other things, our projected capital expenditure and projected Basic Tariff Rate for each of the five years covered under such Development Plan and is subject to discussion with the Hong Kong Government and approval by the Executive Council.

The 2014-2018 Development Plan, which covers the period from 1 January 2014 to 31 December 2018, was approved by the Executive Council on 10 December 2013. The 2014-2018 Development Plan provides for an estimated total investment of approximately HK\$13.0 billion in new and existing capital projects over its five year term. Our approved capital expenditure under the 2014-2018 Development Plan includes investments in our power generation system (approximately HK\$6.1 billion, inclusive of the estimated HK\$3.0 billion in relation to the L10 Project), our transmission and distribution networks (approximately HK\$5.3 billion) and our customer and corporate services development (approximately HK\$1.6 billion). This estimated total capital expenditure of approximately HK\$13.0 billion represents an increase of approximately 5.7% over the approved total capital expenditure of approximately HK\$12.3 billion under the 2009-2013 Development Plan, and is expected to be funded by cash from our operating activities, bank loans and/or other debt markets fund raising activities. The estimated total capital expenditure as approved under the 2014-2018 Development Plan represents our continued commitment to provide a safe and reliable electricity supply to our customers.

As part of the approval of the 2014-2018 Development Plan, the projected Basic Tariff Rates for the five years from FY2014 to FY2018 were also approved by the Executive Council. The Basic Tariff Rate for FY2014 was determined on the basis of the approved projected Basic Tariff Rate for FY2014 under the 2014-2018 Development Plan. In comparison to FY2013, the Basic Tariff Rate for FY2014 will be increased by HK\$0.071 per kWh, or approximately 7.5%, to HK\$1.018 per kWh. However, such increase in the Basic Tariff Rate for FY2014 will be offset by a corresponding reduction of HK\$0.071 per kWh in the Fuel Clause Charge such that the average net tariff charged to our customers for FY2014 will remain unchanged at HK\$1.349 per kWh. Accordingly, we do not expect this will cause any material adverse impact on our tariff revenues for FY2014. For details relating to the projected Basic Tariff Rate for each of the years from FY2015 to FY2018, which was approved by the Executive Council on 10 December 2013 as part of the 2014-2018 Development Plan, see “*Scheme of Control and Regulatory Overview — Scheme of Control — Development Plan — 2014-2018 Development Plan*”.

The Scheme of Control also provides that each of HEC and the Hong Kong Government had the right during FY2013 and, if the term of the current Scheme of Control is extended until 2023, has the right during FY2018, to request modifications to the Scheme of Control. However, any modifications must be mutually agreed by the parties in writing before they take effect. In November 2013, as part of the 2013 interim review of the Scheme of Control, we agreed in principle with the Hong Kong Government to

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implement six modifications to the Scheme of Control. Such modifications do not include any modification to the rates of Permitted Return. For further details relating to the 2013 interim review of the Scheme of Control, see *“Scheme of Control and Regulatory Overview — Scheme of Control — 2013 and 2018 Interim Reviews of the Scheme of Control”*.

If the Hong Kong Government does not exercise its option to extend the term of the current Scheme of Control for a further term of five years ending on 31 December 2023, under the current Scheme of Control we will, for the period from 1 January 2019 to 31 December 2023, through reasonable arrangements determined by the Hong Kong Government after consultation with us, continue to be entitled to earn from the market the same Permitted Return annually which we currently earn under the Scheme of Control (after recovery of tax and total operating costs and subject to deduction of certain interest on borrowed capital for the financing of Fixed Assets and other applicable deductions, with the assets to be taken into account for calculating the Permitted Return to include only assets that continue to be used in HEC’s Electricity Related activities, and not to include any assets acquired or invested in after 31 December 2018 unless they have been reasonably and prudently purchased for use in HEC’s Electricity Related activities and only if the purchase of such assets has been approved by the Hong Kong Government).

### **Objectives of HK Electric Investments and the Company**

HK Electric Investments and the proposal for HK Electric Investments to issue Units to investors reflect the commercial objective to adopt a trust structure, within which a distribution policy based on the Group Distributable Income can be more clearly articulated and pursued, and within which the Group can more clearly signal its intention to focus principally on distributions and to differentiate itself from other listed issuers on that basis.

The objectives of HK Electric Investments and the Company are (a) to focus principally on the payment of distributions to the Holders of Share Stapled Units with a clearly expressed intention as to their respective distribution policies stated in the Trust Deed and the Company’s Articles and (b) to provide the Holders of Share Stapled Units with stable distributions with the potential for sustainable long-term growth of such distributions.

### **Industry and Competition**

There are currently only two suppliers of electricity in Hong Kong, being us and CLP Power. Although the relevant scheme of control agreements entered into by us and CLP Power separately with the Hong Kong Government do not define a licensed area for our operations or the operations of CLP Power, in practice, we are the only supplier of electricity to customers on Hong Kong Island and Lamma Island while CLP Power is the only supplier of electricity to customers in Kowloon, the New Territories, Lantau and most of the other outlying islands.

There are a number of unique local factors which make it difficult to introduce competition to the Hong Kong electricity market. They include an established customer base within a developed market, the lack of indigenous fuel supply, the scarcity of suitable land in Hong Kong to support the establishment of a new power utility company, the difficulties in building new transmission and distribution networks in a highly urbanised and congested city with existing underground utilities, as well as the significant upfront investment that would be required to build a competitive and efficient customer service infrastructure to participate in retail competition. For further details regarding the electricity industry in Hong Kong, see *“Industry Overview”*.

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### Selected Operating Statistics

Set out below are our selected operating statistics during the Track Record Period:

	FY2010	FY2011	FY2012	9M2013
<b>Installed capacity (MW)</b>				
Gas turbines and standby units . . . . .	555	555	555	555
Coal-fired units . . . . .	2,500	2,500	2,500	2,500
Gas-fired combined cycle unit . . . . .	680	680	680	680
Wind turbine and photovoltaic system <sup>(1)</sup> . .	1	1	2	2
<b>Total (MW) . . . . .</b>	<b><u>3,736</u></b>	<b><u>3,736</u></b>	<b><u>3,737</u></b>	<b><u>3,737</u></b>

	As at 31 December			As at 30 September
	2010	2011	2012	2013
Number of switching stations <sup>(2)</sup> . . . . .	25	25	25	24
Number of zone substations <sup>(2)</sup> . . . . .	27	27	27	27
Number of distribution substations <sup>(3)</sup> . . . .	3,710	3,741	3,755	3,770

	FY2010	FY2011	FY2012
System maximum demand <sup>(4)</sup> (MW) . . . . .	2,510	2,498	2,494
Annual increase/(decrease) (%) . . . . .	(1.1)	(0.5)	(0.2)
Annual load factor <sup>(5)</sup> (%) . . . . .	55.8	55.9	56.6
Thermal efficiency <sup>(6)</sup> (%) . . . . .	36.2	36.2	36.0
Plant availability <sup>(7)</sup> (%) . . . . .	85.6	84.4	84.6
Capital expenditure <sup>(8)</sup> (HK\$ million) . . . . .	2,427	2,887	2,613

*Notes:*

- (1) The 800 kW wind turbine was installed in September 2005. The 550 kW TFPV system was installed in July 2010 and its expansion to approximately 1 MW was completed in March 2013.
- (2) Save for the Rumsey Street 132/11 kV zone substation, which is located within government premises, we are the registered owner of the properties on which our switching stations and zone substations are located.
- (3) We are the registered owner of the properties on which 16 of our distribution substations are located. The interests in the properties on which the rest of our distribution substations are located are owned by third parties.
- (4) "System maximum demand" refers to the highest electricity demand of our customers as a whole.
- (5) "Annual load factor" refers to the ratio of average electricity demand to the system maximum demand.
- (6) "Thermal efficiency" refers to the ratio of the electricity generated from a power plant to the fuel input.
- (7) "Plant availability" refers to the percentage of time that a power plant is able to produce electricity by taking into account the outage hours of the generating units that are completely out of service.
- (8) "Capital expenditure" refers to expenditure incurred for the acquisition and/or upgrading of our fixed assets, which generate future economic benefits to us.

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### KEY RISKS AND UNCERTAINTIES

There are certain risks and uncertainties in investing in HK Electric Investments and the Company. These risks and uncertainties can be categorised into (a) key regulatory risks relating to our overall business, (b) risks relating to the amount and stability of the distributions, (c) risks relating to our coal-fired, gas-fired and oil-fired power businesses, (d) risks relating to our wind power and solar power businesses, (e) risks relating to our operations, (f) risks relating to the structure of HK Electric Investments and the Company and (g) other risks relating to an investment in the Share Stapled Units. In particular:

**(i) Our operations are subject to the Scheme of Control**

The Scheme of Control is due to expire at the end of 2018 (subject to an option for the Hong Kong Government to extend it for a further term of five years ending on 31 December 2023) and there is no assurance that the Scheme of Control will be renewed on terms that are commercially favourable to us or at all, or that it will not subject us to tighter tariff caps, a lower Permitted Return, or reduced or eliminated financial incentives and/or other limitations, any of which could materially and adversely affect our business, financial condition, results of operations and prospects.

**(ii) There is no assurance that the terms of future Development Plans will be similar to or more favourable than the current terms**

Each Development Plan sets out, among other things, the projected Basic Tariff Rate and our projected capital expenditure for each of the five years covered under such Development Plan. Should the terms of future Development Plans become less favourable to us, our projected Basic Tariff Rate, targeted installed capacity and projected capital expenditures could be impacted.

**(iii) Distributions to the Holders of Share Stapled Units may not be stable**

The Trustee-Manager will rely on the receipt of dividends, distributions and other amounts from the Company to make distributions (on behalf of HK Electric Investments) to the Holders of Share Stapled Units. The ability of members of the Group to pay dividends, make distributions, repay shareholder loans or make loans or other payments to their holding companies and, in the case of the Company, to the Trustee-Manager, are dependent on a number of factors, including business, financial condition, results of operations and cash flows of the Group, our Net Return under the Scheme of Control and the operation of the Fuel Clause Recovery Account. Accordingly, there is no assurance as to the ability of the Trustee-Manager to pay or maintain distributions in respect of the Share Stapled Units or that such distributions will be stable or that the level of distributions will increase over time.

### Other Key Risks

Other key risks include the following:

- HEC's credit ratings may be subject to change. HEC's credit rating may be reduced as a result of the increases in the amounts of debt (including the HEC Loan Facility), interest payments or capital expenditures;
- changes in the structure and regulation of the power industry in Hong Kong may materially and adversely affect us;

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- changes to the Hong Kong Government's fuel mix policy or the Air Pollution Control Ordinance may adversely affect the level of our capital expenditures and our future electricity generation capacity; and
- changes in the volatility of coal, natural gas and ultra low sulphur diesel oil prices may materially and adversely affect us and we may encounter difficulties in immediately passing on sudden or significant increases in such prices to our customers.

As an investment in the Share Stapled Units is meant to produce returns over the long-term, you should not expect to obtain short-term gains. You should be aware that the price of the Share Stapled Units, the distributions and the income from them, may rise or fall and may not fully reflect the value of the underlying net assets attributable to them. You should note that you may not get back your original investment cost and that you may not receive any distributions. You should refer to the risk factors set out in "*Risk Factors*" before deciding to invest in the Offer Share Stapled Units.

### COMPETITIVE STRENGTHS

We believe that our strong market position in the electricity market in Hong Kong is a result of our competitive strengths which are set out below:

- we have a favourable business profile governed by the well-established Scheme of Control entered into with the Hong Kong Government;
- we are a vertically integrated operator with a captive customer base;
- we are a well-established local brand and with a long-term relationship with customers;
- we have an established supply reliability and operational excellence;
- our tariff levels are competitive with other developed markets;
- we have a strong and experienced management team; and
- we have a track record of prudent financial performance.

### BUSINESS STRATEGIES

We aim to continue our excellence in supply reliability, provision of world-class customer service, dedication to greener energy and constructive and on-going dialogue with our stakeholders to deliver a sustainable and optimal performance for the Holders of Share Stapled Units, our customers and the environment. The following are our key business strategies:

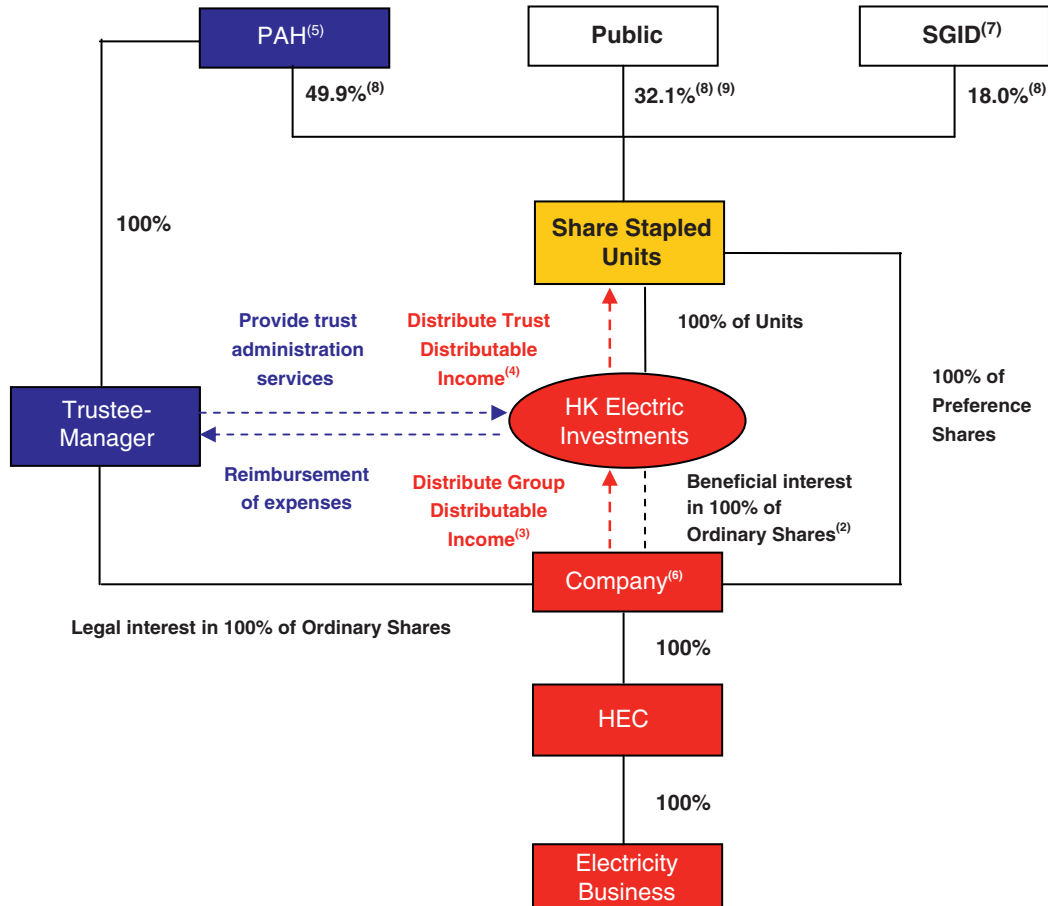
- to maintain world-class supply reliability;
- to provide outstanding customer services;
- to continue focusing on greener energy;
- to engage with the community and stakeholders; and
- to strive for prudent financial and operational management and deliver sustainable returns to the Holders of Share Stapled Units.

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### STRUCTURE OF THE TRUST GROUP AND THE SHARE STAPLED UNITS

#### Structure of the Trust Group

The chart below illustrates a simplified version of the structure of the Trust Group immediately following the completion of the Reorganisation and the Global Offering (assuming that the Over-allotment Option is not exercised)<sup>(1)</sup>:



**Notes:**

- (1) With the exception of the beneficial interest in 100% of the Ordinary Shares held by the Holders of Share Stapled Units, all dotted lines indicate a contractual relationship between the entities or distribution or funds flow and continuous lines indicate an interest in shares (or, in the case of HK Electric Investments, an interest in the Units) or ownership in the Electricity Business.
- (2) As HK Electric Investments is not a separate legal entity, all of the Trust Property, being the assets of HK Electric Investments, will be held by the Trustee-Manager for the benefit of the Registered Holders of Units. Subject to the exercise of the Exchange Right, all of the issued Ordinary Shares must be registered in the Principal Register of Members in the name of the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments).
- (3) The current intention of the Company Directors is to declare a dividend of and distribute 100% of the Group Distributable Income for (a) the period from the Listing Date to 31 December 2014 and (b) each financial year thereafter. Please see "Distributions" for further details.
- (4) Under the Trust Deed, the Trustee-Manager (on behalf of HK Electric Investments) is required to declare a dividend of and distribute 100% of the Trust Distributable Income. Please see "Distributions" for further details.
- (5) PAH's interest in the Share Stapled Units is held through Quickview, its wholly-owned subsidiary. PAH's interest in the Trustee-Manager is held through Sure Grade, its wholly-owned subsidiary.
- (6) The Company's interest in HEC is held through Century Rank and Treasure Business, its wholly-owned subsidiaries.
- (7) Pursuant to the SGID Agreement, SGID, a wholly-owned subsidiary of the State Grid Corporation of China, has agreed to subscribe at the Offer Price for Share Stapled Units representing 18.0% of the Share Stapled Units in issue immediately following the completion of the Reorganisation and the Global Offering. See "Cornerstone Investors" for further details. SGID's percentage holding of Share Stapled Units will not be affected by any exercise of the Over-allotment Option and will not count towards the public float of Share Stapled Units.
- (8) Assuming the Over-allotment Option is exercised in full, the respective percentage holding of PAH, the public and SGID in the Share Stapled Units will be approximately 42.4%, 39.6% and 18.0%, respectively.
- (9) The holding of Share Stapled Units by the public includes the 71,100,500 Share Stapled Units (representing approximately 0.8% of the total Share Stapled Units in issue immediately following the completion of the Reorganisation and the Global Offering and assuming an Offer Price of HK\$5.45 (being the Minimum Offer Price)) to be subscribed for by OIF, a sovereign wealth fund of the Government of Oman, pursuant to the OIF Agreement. See "Cornerstone Investors" for further details.

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### Share Stapled Units

Subscribers under the Global Offering will subscribe for Share Stapled Units jointly issued by HK Electric Investments and the Company. Each Share Stapled Unit comprises three components:

- (a) a Unit;
- (b) a beneficial interest in a specifically identified Ordinary Share held by the Trustee-Manager, which is “Linked” to the Unit; and
- (c) a specifically identified Preference Share which is “Stapled” to the Unit.

#### *Meaning of “Linked”*

All of the issued Ordinary Shares must be held by the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments). Each Unit issued by the Trustee-Manager must correspond with a specifically identified Ordinary Share held by the Trustee-Manager and confer a beneficial interest in that specifically identified Ordinary Share such that a transfer of a Unit is effective to transfer the beneficial interest in the Ordinary Share. The Trust Deed characterises this relationship as each Unit being “Linked” to a specifically identified Ordinary Share held by the Trustee-Manager. The Linking provisions result in the SFO (including, but not limited to, provisions on protection of investors) being applicable to the Units as derivatives of the underlying listed Ordinary Shares.

#### *Meaning of “Stapled”*

Each Unit issued by the Trustee-Manager must be attached or “Stapled” to a specifically identified Preference Share, with the Preference Share to be held by the Unitholder (along with the Unit) as full legal and beneficial owner, so that one cannot be traded without the other. The Trust Deed characterises this relationship as each Unit being “Stapled” to a specifically identified Preference Share. The Stapling structure ensures that the Share Stapled Units (and, thereby, HK Electric Investments, including the Trustee-Manager, and the Company) are clearly subject to all the provisions of the SFO (including, but not limited to, the provisions on the protection of investors).

#### *Numbers of Units, Ordinary Shares and Preference Shares Must Be the Same*

Under the Trust Deed and the Company’s Articles, the number of Ordinary Shares and Preference Shares in issue must be the same at all times and must also, in each case, be equal to the number of Units in issue.

#### *Listing and Trading of the Share Stapled Units*

The Share Stapled Units will be listed and traded on the Stock Exchange and there will only be a single price quotation on the Stock Exchange for a Share Stapled Unit.

### **The Company**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and following the completion of the Reorganisation and the Global Offering, the Company will become the holding company of the Electricity Business.



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The Company has two classes of shares:

- (a) Ordinary Shares, which confer voting rights at general meetings of Shareholders (one vote per Ordinary Share) and rights to dividends and distributions from the Company; and
- (b) Preference Shares, which also confer voting rights at general meetings of Shareholders (one vote per Preference Share), but have no rights to any dividends, distributions or other payments from the Company, except in the case of the winding up of the Company or their redemption upon the termination of HK Electric Investments.

### **HK Electric Investments and the Trustee-Manager**

#### *General*

**HK Electric Investments is a fixed single investment trust, meaning that HK Electric Investments may only invest in the securities and other interests in a single entity, being the Company, and that HK Electric Investments will confer on Registered Holders of Units a beneficial interest in specifically identifiable property (being the Ordinary Shares) held by HK Electric Investments.**

HK Electric Investments is constituted by a Hong Kong law governed trust deed entered into between the Trustee-Manager and the Company. Under the Trust Deed, the Trustee-Manager has been appointed as the trustee and manager of HK Electric Investments.

#### *The Trustee-Manager and Its Specific Role*

The Trustee-Manager, HK Electric Investments Manager Limited, is incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of PAH. The Trustee-Manager has legal ownership of the assets of HK Electric Investments and has declared, under the Trust Deed, that it will hold those assets on trust for the Registered Holders of Units. All Trust Property will be held in segregated accounts controlled jointly by the Trustee-Manager and the Company.

The Trustee-Manager has a specific and limited role, which is to administer HK Electric Investments. The Trustee-Manager is not actively involved in the management of the Electricity Business, which is owned and managed by the Group.

#### *No Fees Payable to the Trustee-Manager*

The costs and expenses of administering HK Electric Investments may be deducted from the Trust Property but, commensurate with its specific and limited role, the Trustee-Manager will not receive any fee for administering HK Electric Investments.

#### *Removal and Replacement of the Trustee-Manager*

The Trust Deed provides that the Trustee-Manager may be removed and replaced by an Ordinary Resolution of Registered Holders of Units. The Trust Deed contains detailed provisions relating to the resignation, removal and replacement of the Trustee-Manager.

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### *Trustee-Manager Board*

The Trust Deed requires that the Trustee-Manager Directors shall at all times comprise the same individuals who serve as the Company Directors. In addition, no person shall serve as a Trustee-Manager Director unless he also serves as a Company Director at the same time and no person shall serve as a Company Director unless he also serves as a Trustee-Manager Director at the same time.

### *No Debt*

In accordance with the Trust Deed, HK Electric Investments is not permitted to incur debt. However, there is no restriction on the ability of the Company or any of its subsidiaries to incur debt.

### **Exchange Right**

The Trust Deed includes an Exchange Right for the benefit of Registered Holders of Share Stapled Units. By passing an Extraordinary Resolution of Registered Holders of Units, Registered Holders of Share Stapled Units may require that all (but not part only) of the Share Stapled Units in issue be exchanged (on a one for one basis) for the underlying Ordinary Shares held by the Trustee-Manager that are Linked to the Units being exchanged.

If the Exchange Right is exercised, HK Electric Investments and the Trust Deed would terminate, the Units and Preference Shares would be exchanged with the Trustee-Manager and cancelled pursuant to the exercise of the Exchange Right and the former Registered Holders of Share Stapled Units would become the holders of an equal number of listed Ordinary Shares, which would, subject to the prior approval of the Stock Exchange, be tradeable on the Stock Exchange on an independent basis.

### **Meetings of Holders of Share Stapled Units Held on a Combined Basis**

If a meeting of Registered Holders of Units is convened, a meeting of Shareholders must also be convened and *vice versa*. The Trust Deed provides that meetings of Registered Holders of Units and Shareholders shall be held on a combined basis as a single meeting and characterised as a meeting of Registered Holders of Share Stapled Units. If that is not possible under the relevant laws and regulations, the meetings shall be held separately but consecutively (with the meeting of Shareholders being held immediately after the meeting of Registered Holders of Units).

### **Notices of Meetings and Other Documents**

Holders of Share Stapled Units will receive notices of meetings, financial statements and other publications in respect of both HK Electric Investments and the Company.

### **Voting at Meetings**

A Registered Holder of a Share Stapled Unit shall cast a single vote in respect of that Share Stapled Unit, which shall serve as a vote in respect of both the Unit and the Preference Share Stapled to the Unit.

The Trustee-Manager may only exercise the voting rights conferred by the Ordinary Shares held by it in accordance with the directions of the holders of the Units which are Linked to those Ordinary Shares.

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### SUMMARY OF SELECTED FINANCIAL INFORMATION

The consolidated financial information included in the Accountants' Report is prepared for the Operating Group and not the Trust Group. Neither HK Electric Investments nor the Company carried on, or expect to carry on, any business from the dates of their respective establishment/incorporation until the date of completion of the Acquisition, which is the same date as the Listing Date, except for incurring certain insignificant costs relating to the Acquisition and the Listing, and neither HK Electric Investments nor the Company had any material assets or liabilities or revenue or expenses during the Track Record Period. Accordingly, we have used the consolidated financial information of the Operating Group below for the purpose of undertaking an analysis of the financial information of the Trust Group during the Track Record Period.

### Summary Consolidated Statements of Profit or Loss and Consolidated Statements of Comprehensive Income

The following table sets out selected items in our consolidated statements of profit or loss and consolidated statements of comprehensive income for the periods indicated:

	FY2010	FY2011	FY2012	9M2012 (unaudited)	9M2013
	(HK\$ in millions)				
<b>Turnover</b> . . . . .	10,363.0	10,184.8	10,399.6	8,061.5	7,885.5
Standard fuel costs . . . . .	(1,776.0)	(1,783.4)	(1,805.6)	(1,404.4)	(1,360.8)
Direct costs . . . . .	<u>(2,159.2)</u>	<u>(2,239.4)</u>	<u>(2,347.2)</u>	<u>(1,729.1)</u>	<u>(1,822.2)</u>
	6,427.8	6,162.0	6,246.8	4,928.0	4,702.4
Other revenue and other net income . . . . .	34.2	50.4	32.1	26.0	22.4
Other operating costs . . . . .	(734.4)	(639.9)	(652.0)	(458.7)	(520.8)
Finance costs . . . . .	<u>(112.9)</u>	<u>(249.2)</u>	<u>(264.9)</u>	<u>(190.6)</u>	<u>(214.6)</u>
<b>Profit before taxation</b> . . . . .	5,614.7	5,323.4	5,362.0	4,304.8	3,989.4
Income tax . . . . .	<u>(936.1)</u>	<u>(888.9)</u>	<u>(890.9)</u>	<u>(715.2)</u>	<u>(660.7)</u>
<b>Profit after taxation</b> . . . . .	4,678.7	4,434.5	4,471.1	3,589.6	3,328.7
Scheme of Control transfers (to)/from:					
Tariff Stabilisation Fund . . . . .	(58.2)	46.1	72.0	(152.3)	235.0
Rate Reduction Reserve . . . . .	<u>(0.9)</u>	<u>(1.0)</u>	<u>(1.4)</u>	<u>(1.1)</u>	<u>(0.4)</u>
<b>Profit attributable to the equity shareholders of HEC</b> . . . . .	4,619.5	4,479.5	4,541.7	3,436.1	3,563.3
Other comprehensive income/(losses) for the year/period, net of tax . . . . .	<u>394.3</u>	<u>(726.8)</u>	<u>13.3</u>	<u>(149.7)</u>	<u>590.1</u>
<b>Total comprehensive income for the year/period attributable to the equity shareholders of HEC</b> . . . . .	<u>5,013.8</u>	<u>3,752.8</u>	<u>4,555.0</u>	<u>3,286.5</u>	<u>4,153.4</u>

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### Summary Consolidated Balance Sheets

The following table sets out selected items in the consolidated balance sheets as at the dates indicated:

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	(HK\$ in millions)			
Non-current assets . . . . .	48,793.3	49,551.8	50,207.0	49,712.5
Current assets . . . . .	2,444.9	3,257.8	3,130.3	2,672.6
Total assets . . . . .	51,238.2	52,809.6	53,337.3	52,385.1
Non-current liabilities <sup>(1)</sup> . . . . .	(34,502.8)	(35,709.9)	(30,891.9)	(34,715.0)
Current liabilities . . . . .	(1,787.9)	(3,405.2)	(7,956.8)	(3,643.7)
Net current assets/(liabilities) . . . . .	657.0	(147.4)	(4,826.5)	(971.1)
Total liabilities . . . . .	(36,290.7)	(39,115.1)	(38,848.7)	(38,358.7)
Net assets . . . . .	14,947.4	13,694.5	14,488.6	14,026.4
Total equity . . . . .	14,947.4	13,694.5	14,488.6	14,026.4

*Note:*

(1) Included in our non-current liabilities are the amounts contained in the Tariff Stabilisation Fund and the Rate Reduction Reserve. For further information, see our consolidated balance sheets in section A of “Appendix I — Accountants’ Report”.

We recorded net current assets of HK\$657.0 million as at 31 December 2010 and net current liabilities of HK\$147.4 million, HK\$4,826.5 million and HK\$971.1 million as at 31 December 2011 and 2012 and 30 September 2013, respectively. Our net current liabilities position as at 31 December 2011 primarily reflected (i) the increase in our trade and other payables and (ii) the increase in the current portion of our MTNs in accordance with their repayment schedules. During 2012, certain bank loans that were previously classified as non-current became due within one year in accordance with their repayment schedules and hence were classified as current liabilities. Our net current liabilities position as at 30 September 2013 primarily reflected a decrease in the current portion of our bank loans. The current portion of our bank loans decreased from HK\$5,310.5 million as at 31 December 2012 to HK\$792.0 million as at 30 September 2013, primarily due to repayment in accordance with their repayment schedules, funded by (i) amounts made available through a drawdown of facilities with maturity dates beyond one year and (ii) additional amounts made available from the loan from our ultimate holding company. During the Track Record Period, we maintained a relatively stable level of total borrowings (comprising MTNs, bank loans, bank overdrafts and loan from our ultimate holding company) of HK\$25,778.5 million, HK\$27,308.0 million, HK\$27,209.3 million and HK\$27,082.5 million as at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively. During the same periods, the balance of loan capital received from PAH was HK\$8,845.0 million and was accounted for as part of our equity. Our net current liabilities position is also a result of our centralised cash fund management, under which we transferred substantially all of our cash and bank balances to our then holding company. Upon Listing, we will handle our cash fund management independently.

As at 30 November 2013, we had total committed, undrawn bank facilities of HK\$2,300 million with maturity dates ranging from 31 July 2015 to 3 August 2015. For information regarding the material covenants and undertakings and material events of default contained in our bank loans held during the Track Record Period, see “Financial Information — Indebtedness — Bank Loans”.

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## SUMMARY

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### *Settlement of the Acquisition Consideration*

On the Completion Date (which is the same date as the Listing Date), we expect to settle the Acquisition Consideration through:

- the issuance of the Consideration Share Stapled Units to Quickview, at the direction of PAH;
- the payment to PAH of the net proceeds from the Global Offering (being the gross proceeds less underwriting commissions and any incentive fees in relation to the Global Offering payable by HK Electric Investments and the Company); and
- as to the balance, through the issuance of the Promissory Note by Treasure Business in favour of PAH.

### *Disbursement of the Proceeds from the Loan Facilities*

In preparation for the Reorganisation and the Acquisition, we have obtained the HEC Loan Facility and the Company Loan Facility, which together total approximately HK\$37,000.0 million.

On or before the fifth business day following the Listing Date, we intend to utilise the proceeds of the HEC Loan Facility of approximately HK\$28,300.0 million in the following manner:

- approximately HK\$27,445.3 million will be applied towards repayment in full of all amounts outstanding under the Inter-company Loans, comprising (i) HK\$18,600.3 million outstanding under various loans and advances from PAH and (ii) HK\$8,845.0 million of outstanding loan capital;
- approximately HK\$600.0 million will be applied towards payment of capital expenditure incurred or expected to be incurred by HEC up to the Listing Date but unpaid as of such date; and
- approximately HK\$254.7 million will be applied towards payment of a front end fee in respect of the HEC Loan Facility.

On or before the fifth business day following the Listing Date, we intend to utilise the proceeds of the Company Loan Facility of approximately HK\$8,700.0 million in the following manner:

- approximately HK\$8,502.6 million will be applied towards redemption of the Promissory Note to be issued by Treasure Business in favour of PAH;
- approximately HK\$109.1 million will be applied towards payment of various costs and expenses relating to the Global Offering which are to be borne by the Company;
- approximately HK\$10.0 million will be applied towards funding working capital requirements of the Company and its subsidiaries; and
- approximately HK\$78.3 million will be applied towards payment of a front end fee in respect of the Company Loan Facility.

## SUMMARY

Amounts to be drawn under the HEC Loan Facility and the Company Loan Facility will be repayable after more than one year and will thus be recorded as non-current liabilities. Neither the HEC Loan Facility nor the Company Loan Facility will be guaranteed by PAH.

In addition, as at and from the Listing Date to 31 December 2014 (being the period covered by the 2014 Profit Forecast), we expect to have in place at least HK\$500.0 million of committed and available banking facilities, which we can draw to fund the Group's general working capital.

Immediately following the redemption of the Promissory Note as set out above, we expect our total outstanding borrowings to amount to approximately HK\$48,328.5 million. As a result of the foregoing, and together with retained cash generated from our operations, we expect to have a net current asset position upon Listing.

### Summary Cash Flow Statements

The following table sets out a summary of the net cash flow and the cash and cash equivalents as at and for the periods indicated:

	FY2010	FY2011	FY2012	9M2012 (unaudited)	9M2013
	(HK\$ in millions)				
Net cash generated from operating activities . . . . .	6,616.3	6,437.8	6,689.7	5,409.8	5,934.6
Net cash used in investing activities . . . .	(2,283.6)	(2,531.7)	(2,675.7)	(2,132.5)	(1,583.0)
Net cash used in financing activities . . . .	(4,410.8)	(3,889.4)	(4,036.1)	(3,274.6)	(4,351.5)
(Decrease)/increase in cash and cash equivalents . . . . .	<u>(78.1)</u>	<u>16.8</u>	<u>(22.1)</u>	<u>2.8</u>	<u>0.1</u>
	As at 31 December			As at 30 September	
	2010	2011	2012	2012 (unaudited)	2013
	(HK\$ in millions)				
Cash and cash equivalents					
Cash and bank balances . . . . .	8.7	23.8	7.6	26.6	7.8
Bank overdraft - unsecured . . . . .	<u>(1.7)</u>	<u>—</u>	<u>(5.9)</u>	<u>—</u>	<u>(6.0)</u>
	<u>7.0</u>	<u>23.8</u>	<u>1.7</u>	<u>26.6</u>	<u>1.8</u>

## SUMMARY

### Selected Key Financial Ratios

The following table sets out selected key financial ratios for the periods indicated:

	For the year ended and as at 31 December			For the nine months ended and as at 30 September	
	2010	2011	2012	2012	2013
Net debt-to-net assets ratio <sup>(1)</sup> . . . .	84.2%	115.0%	113.7%	126.4%	98.4%
Net debt-to-total assets ratio <sup>(2)</sup> . . .	24.6%	29.8%	30.9%	31.5%	26.4%
Return on assets <sup>(3)</sup> . . . . .	9.0%	8.5%	8.5%	N/A	N/A
Return on equity <sup>(4)</sup> . . . . .	30.9%	32.7%	31.3%	N/A	N/A

*Notes:*

- (1) Net debt-to-net assets ratio is calculated by dividing net debt by net assets and multiplying the result by 100%. Net debt represents our interest-bearing borrowings less cash and bank balances, with interest-bearing borrowings comprising bank loans, MTNs and unsecured bank overdrafts.
- (2) Net debt-to-total assets ratio is calculated by dividing net debt by total assets and multiplying the result by 100%.
- (3) Return on assets is calculated by dividing profit attributable to the equity shareholders of HEC for the year by total assets and multiplying the result by 100%.
- (4) Return on equity is calculated by dividing profit attributable to the equity shareholders of HEC for the year by total equity and multiplying the result by 100%. Total equity comprises share capital, reserves and loan capital.

### Selected Items from the Unaudited Pro Forma Statements of Assets and Liabilities of the Trust Group

The following sets out selected items from the unaudited pro forma statement of assets and liabilities of the Trust Group as at 30 September 2013 extracted or derived from “Appendix II — Unaudited Pro Forma Financial Information”. This should be read together with “Appendix II — Unaudited Pro Forma Financial Information”.

	Maximum Offer Price	Minimum Offer Price
	(HK\$ in millions except percentages)	
Total assets . . . . .	117,928	110,531
Total liabilities		
Bank loans due after one year <sup>(1)</sup> . . . . .	(37,000)	(37,000)
Debt upfront fee . . . . .	333	333
MTNs . . . . .	(11,519)	(11,519)
Other liabilities . . . . .	<u>(15,020)</u>	<u>(15,020)</u>
	(63,206)	(63,206)
Net assets attributable to Holders of Share Stapled Units . . . . .	<u>54,722</u>	<u>47,325</u>
Pro forma gearing ratios:		
Net debt-to-net assets ratio <sup>(2)</sup> . . . . .	85%	99%
Net debt-to-total assets ratio <sup>(3)</sup> . . . . .	40%	42%

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## SUMMARY

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*Notes:*

- (1) Representing the loans drawn under the Company Loan Facility and the HEC Loan Facility assuming (i) the Listing and completion of the Acquisition had taken place as at 30 September 2013 and (ii) the repayment in full of the Inter-company Loans as at 30 September 2013.
- (2) Net debt-to-net assets ratio is calculated by dividing the pro forma net debt by net assets (which is the net assets attributable to holders of Share Stapled Units extracted from the unaudited pro forma statement of assets and liabilities of the Trust Group), and then multiplying the resulting value by 100%.
- (3) Net debt-to-total assets ratio is calculated by dividing the pro forma net debt by total assets, and then multiplying the resulting value by 100%.

### SCHEME OF CONTROL LINE ITEMS

See “*Financial Information — Scheme of Control*” for detailed information of the Scheme of Control data from FY2003 to FY2012.

### 2013 PROFIT ESTIMATE AND 2014 PROFIT FORECAST

On the bases and assumptions set out in “*2013 Profit Estimate and 2014 Profit Forecast*” and in the absence of unforeseen circumstances, the 2013 Profit Estimate and the 2014 Profit Forecast are as follows:

Estimated consolidated profit attributable to the equity shareholders of HEC for the financial year ended 31 December 2013 <sup>(1)</sup> .....	Not less than HK\$5,180.0 million
Forecast consolidated profit attributable to the Holders of Share Stapled Units for period from the Listing Date to 31 December 2014 <sup>(2)</sup> .....	Not less than HK\$2,765.8 million

*Notes:*

- (1) HK Electric Investments and the Company were established and incorporated on 1 January 2014 and 23 September 2013, respectively. Neither HK Electric Investments nor the Company carried on or expects to carry on any business, nor will they have incurred any significant costs or expenses, from the dates of their respective establishment/incorporation until the date of completion of the Acquisition, which is the same date as the Listing Date. Accordingly, the 2013 Profit Estimate has been prepared based on the audited consolidated results of the Operating Group for the nine months ended 30 September 2013, the unaudited consolidated results of the Operating Group based on the management accounts for the two months ended 30 November 2013 and an estimate of the consolidated results of the Operating Group for the remaining one month ended 31 December 2013.
- (2) The 2014 Profit Forecast has been prepared based on the forecast of the consolidated results of the Trust Group for the period from the Listing Date to 31 December 2014. The 2014 Profit Forecast assumes that the anticipated Listing Date will be 29 January 2014 and will vary if the actual Listing Date is different.

As we intend to replace our existing interest-free Inter-company Loans with interest-bearing bank loans, we anticipate that our interest expenses will significantly increase relative to previous years. In particular, the interest rates with respect to the interest bearing HEC Loan Facility and Company Loan Facility will be equal to (i) the sum of HIBOR and an interest margin (0.80% per annum) for amounts drawn in Hong Kong dollars, and (ii) the sum of LIBOR and an interest margin (0.80% per annum) for amounts drawn in United States dollars. In addition, upon completion of the Acquisition, the identifiable assets and liabilities of the Operating Group will be accounted for in the consolidated financial statements of the Trust Group at fair value using the purchase method of accounting in accordance with HKFRS, such that the fair value of these identifiable assets and liabilities will be significantly greater than



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## SUMMARY

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the historical amounts at which such assets and liabilities were previously stated. For an illustration regarding the estimated pro forma amount of fair value adjustments of fixed assets as at 30 September 2013, see note 6 of Section A of “*Appendix II — Unaudited Pro Forma Financial Information*”, which should be read together with Appendix II in its entirety. In addition, goodwill will be created and the amount of our depreciation and amortisation charges will also significantly increase. Such increases in our interest charges and depreciation and amortisation charges have been taken into account in the preparation of the 2014 Profit Forecast and will, in future years, continue to impact our profits and profit margins. On a year-on-year comparison, such increases in our interest charges and depreciation and amortisation charges account for the great majority of the reduction in the amount of the 2014 Profit Forecast (on an annualised basis) relative to the amounts of the profit attributable to the equity shareholders of HEC for FY2010, FY2011, FY2012 and the 2013 Profit Estimate. The goodwill that will be created as a result of the Acquisition may be subject to future impairment. If the carrying amount of the HEC cash generating unit (“**CGU**”) to which the goodwill arising on the Acquisition will be allocated exceeds the recoverable amount of the CGU after the Listing Date, there may be a reduction in the goodwill initially recognised as a result of the Acquisition. Any impairment of goodwill would impact our consolidated profit attributable to the Holders of Share Stapled Units. However, depreciation and amortisation charges and impairment of goodwill do not result in any cash outflows and form part of the Adjustments, the effects of which will be eliminated in calculating the Group Distributable Income and in calculating the amounts of the distributions to Registered Holders of Share Stapled Units commencing from the Listing Date. For further information, see “*Risk Factors — Risks Relating to Our Operations — Changes in interest rates, increases in depreciation and amortisation charges and impairment of goodwill may have a significant impact on our profits and results of operations*” and “*2013 Profit Estimate and 2014 Profit Forecast*”. For information regarding the sensitivity of the consolidated profit attributable to the Holders of Share Stapled Units to changes in the interest rate assumption, see “*2013 Profit Estimate and 2014 Profit Forecast — 2014 Profit Forecast — Sensitivity Analysis*”.

### DISTRIBUTIONS

#### Distribution Policy

##### *Trust Distributable Income*

The Trust Deed requires the Trustee-Manager (on behalf of HK Electric Investments) 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 (such as operating expenses of HK Electric Investments) (the “**Trust Distributable Income**”).

##### *Group Distributable Income*

The distributions received by the Trustee-Manager from the Company will be derived from the Group Distributable Income.

“**Group Distributable Income**” refers to the audited consolidated profit attributable to the Holders of Share Stapled Units for the relevant financial year or the relevant distribution period after:

- (a) eliminating the effects of the Adjustments;

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## SUMMARY

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- (b) (i) adding/(deducting) any net decrease/(increase) in the Fuel Clause Recovery Account asset, (ii) deducting any rebates made from the Rate Reduction Reserve, (iii) adding/(deducting) any net decrease/(increase) in other working capital items, (iv) deducting the actual amount of taxes paid and (v) deducting the actual amount of funding applied in respect of employee retirement benefit schemes;
- (c) deducting the actual amount of capital expenditure incurred;
- (d) deducting (i) the actual amount used to repay the principal amount of any debt and (ii) the actual amount used to pay any interest and financing fees (net of the actual amount of interest received); and
- (e) at the discretion of the Company Directors, deducting any amounts set aside (i) in respect of future capital expenditure or (ii) for the purpose of future debt service and/or compliance with covenants in any credit facility agreement.

The Trust Deed and the Company's Articles state the current intention of the Company Directors to declare and distribute 100% of the Group Distributable Income for (a) the period from the Listing Date to 31 December 2014 and (b) each financial year thereafter. In addition, subject to compliance with all applicable laws of the Cayman Islands and the Company's Articles, the Company Directors may declare and distribute such additional amounts as the Company Directors in their discretion determine.

The above distribution policy is a statement of the current intention of the Company Directors only. It is not a legally binding obligation of the Company Directors, the Company, the Trustee-Manager or HK Electric Investments and is subject to change.

The distributions received by the Trustee-Manager from the Company (after deducting the operating expenses of HK Electric Investments) will be used to fund distributions in respect of the Share Stapled Units to be made by the Trustee-Manager (on behalf of HK Electric Investments).

The Trustee-Manager will make distributions to the Holders of Share Stapled Units in Hong Kong dollars on a semi-annual basis from the interim and final distributions to be made by the Company to the Trustee-Manager. The Trustee-Manager will pay the interim distribution within four months after 30 June and the final distribution within six months after 31 December of each year.

If the distribution policy were to be changed in the future, the Trustee-Manager and the Company will issue an announcement describing the relevant change.

### **Expected Distributions for the Period from the Listing Date to 31 December 2014**

The Directors expect that, based on the assumptions relating to the 2014 Profit Forecast as set out in "2013 Profit Estimate and 2014 Profit Forecast" and in the absence of unforeseen circumstances, the total distributions to be declared and paid to the Holders of Share Stapled Units for the period from the Listing Date to 31 December 2014 will not be less than HK\$3,217.7 million. Such distributions are calculated based on (a) the expected Group Distributable Income for the period from the Listing Date to 31 December 2014, which is calculated from the 2014 Profit Forecast and (b) the assumption that the anticipated Listing Date will be 29 January 2014 and will vary if the actual Listing Date is different.

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## SUMMARY

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### Statement of Distributions

	<u>Based on the Minimum Offer Price of HK\$5.45</u>	<u>Based on the Maximum Offer Price of HK\$6.30</u>
	<u>Listing Date to 31 December 2014</u>	<u>Listing Date to 31 December 2014</u>
Expected distributions to the Holders of Share Stapled Units (HK\$) <sup>(1)</sup> .....	3,217.7 million	3,217.7 million
DPU (HK cents) <sup>(2)</sup> .....	36.41	36.41
Annualised distributions to the Holders of Share Stapled Units (HK\$) <sup>(3)</sup> .....	3,485.0 million	3,485.0 million
Annualised DPU (HK cents) <sup>(2)(4)</sup> .....	39.44	39.44
Annualised distribution yield <sup>(4)(5)</sup> .....	7.237%	6.260%

*Notes:*

- (1) Please see “— Expected Distributions for the Period from the Listing Date to 31 December 2014” above for further details on how the expected distributions have been calculated.
- (2) Assumes that 8,836,200,000 Share Stapled Units will be in issue for the entire period from the Listing Date to 31 December 2014.
- (3) The annualised distributions are calculated by annualising the expected distributions to the Holders of Share Stapled Units for the period from the Listing Date to 31 December 2014.
- (4) The annualised DPU is calculated based on the annualised distributions to the Holders of Share Stapled Units divided by the number of Share Stapled Units that will be in issue. The annualised distribution yield is calculated from the annualised DPU.
- (5) The annualised distribution yield is calculated based on the Minimum Offer Price and the Maximum Offer Price. Such yield will vary for investors who purchase Share Stapled Units in the secondary market at a market price that differs from the Minimum Offer Price and the Maximum Offer Price or for investors who do not hold the Share Stapled Units for the entire period from the Listing Date to 31 December 2014.

### DIVIDEND POLICY

During FY2010, FY2011, FY2012, 9M2012 and 9M2013, dividends of HK\$5,519.1 million, HK\$5,005.7 million, HK\$3,760.9 million, HK\$3,760.9 million and HK\$4,615.6 million, respectively, were paid by HEC to PAH. See “Distributions” for further details on the distribution policy of HK Electric Investments and the Company following the Listing. Interim dividends of HK\$4,865.2 million were declared by HEC to PAH in respect of profit attributable to the equity shareholders of HEC from 1 January 2013 to 30 November 2013. To the extent that they are not paid to PAH before completion of the Acquisition, dividends so declared shall form part of the Inter-company Loans and are expected to be settled by HEC on or before the fifth business day following the Listing Date.

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## SUMMARY

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After the consolidated financial statements of the Operating Group for FY2013 and for the period from 1 January 2014 up to the Completion Date have been prepared and audited to determine the profit for such periods, Treasure Business will procure that a further interim dividend in respect of the remaining part of such profit up to the Completion Date is declared by HEC to Treasure Business and Treasure Business will then pay to PAH the same amount by no later than 30 April 2014. The amount of such further interim dividend will be determined solely based on the audited profit attributable to the equity shareholders of HEC for the period up to the Completion Date and should not be considered in the context of the 2014 Profit Forecast, which represents the forecast profit of the Trust Group for the period from the Listing Date to 31 December 2014 and takes into account increases in interest charges and depreciation and amortisation charges and is therefore not capable of being extrapolated for comparison (see *“2013 Profit Estimate and 2014 Profit Forecast”* for information regarding the 2014 Profit Forecast). Furthermore, our electricity-related business and the number of units of electricity we are able to sell are affected by the supply of and demand for our electricity, which are subject to weather conditions and seasonality. See *“Risk Factors — Risks Relating to Our Operations — Our electricity sales and operating results may fluctuate on a seasonal basis and may be negatively affected by changes in weather conditions and seasonality”*. The payment of such further interim dividend will be funded from cash generated from the operations of HEC. The Company will publicly disclose the amount of such further interim dividend in respect of profit attributable to the equity shareholders of HEC in an announcement.

### USE OF PROCEEDS

The net proceeds from the Global Offering which HK Electric Investments and the Company will receive, assuming an Offer Price of HK\$5.88 (being the mid-point of the Offer Price Range), will be approximately HK\$25,249.3 million, after deducting the estimated underwriting commissions and incentive fees (assuming the full payment of the discretionary incentive fee) in relation to the Global Offering payable by HK Electric Investments and the Company.

All of the net proceeds from the Global Offering which HK Electric Investments and the Company will receive will be used to pay PAH for partial settlement of the consideration for the Acquisition.

As the Over-allotment Option will be granted by Quickview, and not HK Electric Investments and the Company, HK Electric Investments and the Company will not receive any proceeds from any exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised in full and assuming an Offer Price of HK\$5.88 (being the mid-point of the Offer Price Range), the net proceeds which Quickview will receive from such exercise will be approximately HK\$3,787.4 million, after deducting the estimated underwriting commissions and incentive fees (assuming the full payment of the discretionary incentive fee) in relation to the Global Offering payable by Quickview.

### LITIGATION

As a major power utility, we are involved in legal proceedings from time to time, which arise in our ordinary course of business, such as third party damage to our underground cables. In addition, on 1 October 2012, a passenger catamaran collided with one of our passenger launches near Lamma Island. The collision resulted in loss of life and injuries and led to inquiry, litigation and claims. For further information, see *“Business — Legal and Regulatory Matters — Litigation, Claims and Arbitration”*.

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## SUMMARY

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### RECENT DEVELOPMENTS

An agreement in principle was reached with the Hong Kong Government on the 2013 interim review of the Scheme of Control in November 2013 and the 2014-2018 Development Plan was approved by the Executive Council in December 2013. For further information, see “*Scheme of Control and Regulatory Overview*”.

As far as the Directors are aware, there have not been any material changes in the general economic and market conditions in Hong Kong or the industry in which we operate that materially and adversely affected our business operations or financial condition since 30 September 2013 and up to the date of this prospectus.

The Directors confirm that, having performed reasonable due diligence on the Trust Group, there has been no material adverse change in the Trust Group’s financial or trading position or prospects since 30 September 2013 up to the date of this prospectus.

### LISTING EXPENSES

Total expenses (excluding underwriting commissions and any incentive fees) expected to be incurred in relation to the Listing are HK\$109.1 million, of which approximately HK\$18.0 million is expected to be charged to the consolidated statement of profit or loss of the Trust Group and approximately HK\$91.1 million is expected to be charged to equity of the Trust Group in FY2014. The Company and the Trustee-Manager incurred insignificant expenses relating to the Listing during the Track Record Period.