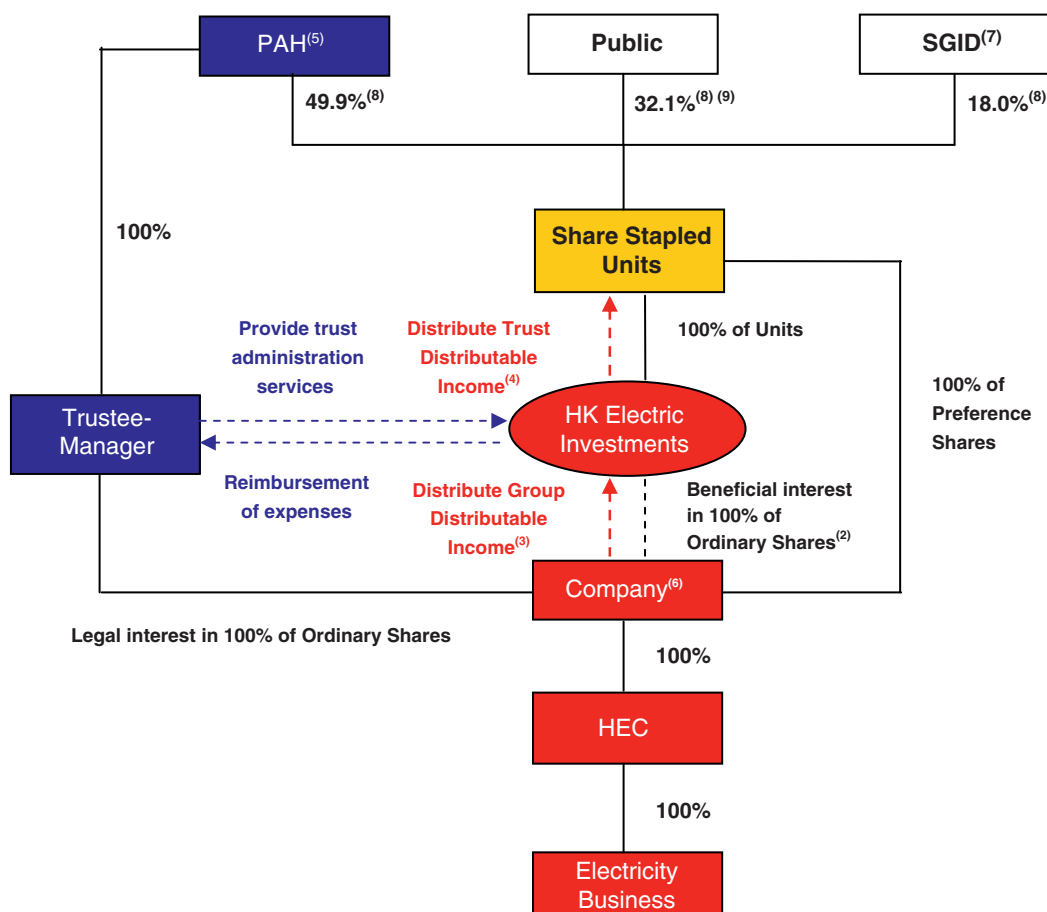


STRUCTURE AND ORGANISATION OF HK ELECTRIC INVESTMENTS AND THE COMPANY

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)⁽¹⁾:



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.

STRUCTURE AND ORGANISATION OF HK ELECTRIC INVESTMENTS AND THE COMPANY

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.

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.

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.

HK ELECTRIC INVESTMENTS AND THE COMPANY WILL BOTH BE LISTED ON THE STOCK EXCHANGE

HK Electric Investments and the Company will both be listed on the Stock Exchange and be “listed issuers” under the Listing Rules and, therefore, HK Electric Investments (including the Trustee-Manager) and the Company will be subject to the provisions of the Listing Rules.

In addition, the Share Stapled Units, HK Electric Investments, the Trustee-Manager and the Company will be subject to the provisions of the SFO and the Takeovers Code. Repurchases of Share Stapled Units (or their individual components) will not be permitted unless and until expressly permitted by relevant codes and guidelines which may be issued by the SFC from time to time.

STRUCTURE AND ORGANISATION OF HK ELECTRIC INVESTMENTS AND THE COMPANY

LISTING OF THE SHARE STAPLED UNITS, THE UNITS, THE ORDINARY SHARES AND THE PREFERENCE SHARES

The Share Stapled Units will be listed on the Stock Exchange. In addition, the Units, the Ordinary Shares and the Preference Shares will also be listed on the Stock Exchange. However, for so long as the Share Stapled Units are listed on the Stock Exchange, trading on the Stock Exchange will only take place in the form of Share Stapled Units and there will only be a single price quotation on the Stock Exchange for a Share Stapled Unit. No price quotations will be given for the individual components (Unit, beneficial interest in an Ordinary Share and Preference Share) of a Share Stapled Unit.

Under the Trust Deed, each Unit must remain Linked to a specifically identified Ordinary Share and Stapled to a Preference Share and, subject to the exercise of the Exchange Right described below, “unbundling” of the Share Stapled Units is prohibited. Accordingly, subject to the exercise of the Exchange Right, investors can only deal in the Share Stapled Units on the Stock Exchange and are not permitted to deal in the individual components of the Share Stapled Units. Following the exercise of the Exchange Right and subject to the Stock Exchange’s prior approval, the Ordinary Shares will be separately traded on the Stock Exchange (and will have their own price quotation) and the Units and the Preference Shares would have been cancelled.

REASONS FOR ADOPTING THE SHARE STAPLED UNITS STRUCTURE

(a) HK Electric Investments and the Units

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. Investors in a trust typically subscribe for units, which represent undivided interests in the trust property.

(b) Beneficial Interests in the Specifically Identified Ordinary Shares

The Ordinary Shares confer rights to dividends and other distributions from the Company. The Ordinary Shares are the means by which HK Electric Investments owns the equity in the Company in trust for the Registered Holders of Units. The Ordinary Shares represent the entire economic interest derived from the Company, except in the case of the winding up of the Company or, if HK Electric Investments is terminated, a redemption of the Preference Shares on termination at their par value.

The rationale for having each Ordinary Share specifically identified and Linked to a Unit is that the Linking provisions result in the SFO (including, but not limited to, the provisions on the protection of investors) being applicable to the Units as derivatives of the underlying listed Ordinary Shares.

The Linking arrangement and the Exchange Right mean that, ultimately, investors in Share Stapled Units could, by passing an Extraordinary Resolution of Registered Holders of Units, terminate HK Electric Investments and exchange their Share Stapled Units for the underlying Ordinary Shares in a listed company (being the Company) on a one for one basis.

STRUCTURE AND ORGANISATION OF HK ELECTRIC INVESTMENTS AND THE COMPANY

(c) Preference Shares

The Preference Shares do not confer any rights to participate in any dividends, distributions or other payments being made by the Company, except in the case of the winding up of the Company or, if HK Electric Investments is terminated, the redemption of the Preference Shares on termination at their par value.

The rationale for including the Preference Shares as components of the Share Stapled Units and adopting the Stapling structure is to ensure 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). The application of certain provisions of the SFO to the Units on an independent basis might otherwise be arguable.

(d) Trustee-Manager's Specific and Limited Role

With a view to seeking to ensure that investors in the Share Stapled Units have equivalent investor protections under the existing legal framework in Hong Kong to those available to shareholders in a company listed on the Stock Exchange, 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.

ADVANTAGES AND DISADVANTAGES OF ADOPTING THE SHARE STAPLED UNITS STRUCTURE

A listing of the Electricity Business in the form of the Share Stapled Units structure described in this prospectus is expected to align its cash flow generating characteristic with the appropriate investor base that favours a clearly expressed distribution policy and pure-play investments.

The Directors believe that HK Electric Investments provides a structure within which a distribution policy based on the Group Distributable Income and the Trust Distributable Income can be more clearly articulated and pursued, and within which the Trust Group can more clearly signal its intention to focus principally on distributions and to differentiate itself from other listed issuers on that basis. The Directors also believe that the overall arrangements (including the Directors' dual roles as directors of the Trustee-Manager and the Company, the requirement for amounts to be held in segregated accounts pending distribution to investors and the requirement to announce and explain any future change to the distribution policy) will impose additional rigour and discipline regarding the implementation of the stated distribution policy.

The disadvantages of adopting the Share Stapled Units structure include the following:

- (a) It is a relatively new structure and there have only been two other transactions in the Hong Kong market that involved the listing and sale of stapled securities similar to the Share Stapled Units. Although considerable efforts have been made to ensure that Holders of Share Stapled Units would have the benefit of investor protections which are equivalent to those enjoyed by shareholders of companies listed on the Stock Exchange, there is no assurance that the courts would interpret the application of the relevant investor protection legislation to the Share Stapled Units structure in the same manner.

STRUCTURE AND ORGANISATION OF HK ELECTRIC INVESTMENTS AND THE COMPANY

- (b) There are administration costs associated with HK Electric Investments, primarily as a result of the requirement that HK Electric Investments, the Company and the Trustee-Manager prepare and publish financial statements. However, these additional administration costs are not significant, having regard to the specific and limited role of the Trustee-Manager, and the Directors believe that the additional administration costs are outweighed by the benefits that are expected to accrue to the Holders of Share Stapled Units in terms of the expected higher distributions as generally compared to dividends that are distributed from accounting profit.
- (c) HK Electric Investments may be terminated in certain circumstances. The procedures which would apply on the termination of HK Electric Investments are set out in “*Appendix IV — Trust Deed — Termination of HK Electric Investments*”. In summary, upon such termination, the Registered Holders of Share Stapled Units will be entitled to have the Ordinary Shares which are Linked to the Units held by them (as components of their Share Stapled Units) distributed to them *in specie*.

THE COMPANY

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 September 2013. Following the completion of the Reorganisation and the Global Offering, the Company will become the holding company of the Electricity Business.

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. Further information in relation to the rights conferred by the Preference Shares, and the reason for including the Preference Shares as components of the Share Stapled Units, are set out below in “*— Rights Conferred by the Preference Shares*”.

The intention of the Directors is that the Group will only engage in the generation, transmission, distribution and supply of electricity in Hong Kong which is regulated by the Scheme of Control. Having regard to the developments in the power industry, the Directors do not consider it practicable, nor in the interests of Holders of Share Stapled Units, to expressly restrict the scope of the Company’s business activities in its Memorandum and Articles of Association to the Electricity Business. Accordingly, the Company’s Memorandum and Articles of Association, as is customary for a Cayman Islands incorporated company having its securities listed on the Stock Exchange, provides that the Company’s scope of business activities is unlimited. Having regard to that, investors in the Share Stapled Units should note that the Memorandum and Articles of Association of the Company do not restrict its business activities to the Electricity Business only and that the Company has the legal capacity to engage in other types of businesses if such other businesses are in the interests of the Holders of Share Stapled Units as a whole.

STRUCTURE AND ORGANISATION OF HK ELECTRIC INVESTMENTS AND THE COMPANY

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 the 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 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. A detailed description of the provisions of the Trust Deed is set out in *“Appendix IV — Trust Deed”*.

Trust Property Held in Segregated Accounts

All Trust Property will be held in segregated accounts controlled jointly by the Trustee-Manager and the Company. Further information in relation to the segregated accounts is set out in *“Appendix IV — Trust Deed — Segregated Accounts”*.

Scope of Activities

The scope of activities of HK Electric Investments specified in the Trust Deed is essentially limited to investing in the Company, and the powers, authorities and rights of the Trustee-Manager conferred by the Trust Deed are commensurately limited.

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.

The Trustee-Manager and Its Specific Role

The Trustee-Manager, HK Electric Investments Manager Limited, was incorporated in Hong Kong under the Companies Ordinance on 25 September 2013. It has an issued and paid-up share capital of HK\$1.00 and is an indirect wholly-owned subsidiary of PAH.

The Trust Deed provides that for as long as the Trustee-Manager acts as the trustee-manager of HK Electric Investments, it must remain a wholly-owned subsidiary of PAH.

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.

STRUCTURE AND ORGANISATION OF HK ELECTRIC INVESTMENTS AND THE COMPANY

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. Those provisions are described in “Appendix IV — Trust Deed — Appointment, Removal or Resignation of the Trustee-Manager”.

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.

Entrenchment of Critical Features of the Share Stapled Units Structure in the Trust Deed

The critical features of the Share Stapled Units structure are entrenched in the Trust Deed, as described in detail in “Appendix IV — Trust Deed — Modification of the Trust Deed”.

RIGHTS CONFERRED BY THE PREFERENCE SHARES

The Preference Shares do not confer any rights to participate in any dividends, distributions or other payments to be made by the Company, except in the case of the winding up of the Company or their redemption upon the termination of HK Electric Investments.

On a winding up of the Company, each registered holder of a Preference Share is entitled to be paid, from the assets available for distribution among the Shareholders, an amount equal to the Offer Price per Preference Share before any distribution of those assets is made in respect of the Ordinary Shares. Thereafter, the balance of such assets will be distributed among the holders of the Preference Shares and the Ordinary Shares *pari passu* as if the same constituted one class of shares (in proportion to the number of Shares held by them, respectively).

On the termination of HK Electric Investments, the Company is required to redeem each Preference Share at a redemption price equal to the par value of the Preference Share.

DISTRIBUTIONS TO BE MADE IN RESPECT OF THE UNITS AND DISTRIBUTION POLICY

While HK Electric Investments remains in effect, the Trustee-Manager (on behalf of HK Electric Investments) will distribute to Holders of Share Stapled Units all dividends, distributions and other payments received by the Trustee-Manager from the Company, which are derived from the Group, after deduction of all amounts permitted to be deducted or paid under the Trust Deed (such as operating expenses of HK Electric Investments). Please refer to “Distributions” for further details of the distribution policy of HK Electric Investments and the Company.

STRUCTURE AND ORGANISATION OF HK ELECTRIC INVESTMENTS AND THE COMPANY

EXCHANGE RIGHT

The Trust Deed includes an Exchange Right for the benefit of the 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.

Please refer to “*Appendix IV — Trust Deed — Quorum and Voting at Meetings of Registered Holders of Units*” for the manner in which a Registered Holder of Share Stapled Units can call for an extraordinary general meeting and move a resolution to exercise the Exchange Right.

FURTHER INFORMATION REGARDING THE RELATIONSHIP BETWEEN THE UNITS, THE ORDINARY SHARES AND THE PREFERENCE SHARES AND THE BENEFICIAL INTERESTS

Subject to the exercise of the Exchange Right, at all times:

- (a) the number of Units in issue must be equal to the number of Ordinary Shares in issue (and *vice versa*);
- (b) the number of Units in issue must also be equal to the number of Preference Shares in issue (and *vice versa*); and
- (c) the number of Ordinary Shares in issue must be equal to the number of Preference Shares in issue (and *vice versa*).

Linking Arrangements

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). Each Unit issued or to be issued by HK Electric Investments must be matched by and Linked to a specifically identified Ordinary Share issued or to be issued by the Company to the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments). The Trustee-Manager must not issue or sell any Units to any person unless an identical number of specifically identified Ordinary Shares are or have been issued by the Company to the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments) before, or at substantially the same time as, the issue or sale of the relevant Units. The Company must not issue or sell any Ordinary Shares unless the Ordinary Shares are specifically identified and issued to the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments) and an identical number of Units in respect of the relevant specifically identified Ordinary Shares are or will be issued by the Trustee-Manager.

STRUCTURE AND ORGANISATION OF HK ELECTRIC INVESTMENTS AND THE COMPANY

Each Unit confers on the Registered Holder of a Unit a beneficial interest, on and subject to the terms and conditions of the Trust Deed, in a specifically identified Ordinary Share registered in the Principal Register of Members in the name of the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments).

The Trustee-Manager will distribute the proceeds of any and all dividends, distributions and other payments to be made in respect of the specifically identified Ordinary Shares registered in the Principal Register of Members in the name of the Trustee-Manager to the Registered Holders of the relevant Units which are matched with and Linked to those specifically identified Ordinary Shares, upon and subject to the terms and conditions of the Trust Deed (including, without limitation, those terms and conditions permitting certain payments and other deductions to be made out of the Trust Property).

Each Share Stapled Unit may be exchanged for the specifically identified Ordinary Share which is matched with and Linked to the Unit which is a component of the relevant Share Stapled Unit, in accordance with the Trust Deed.

Stapling Arrangements

In addition to the requirements described above for each Unit to be matched by and Linked to a specifically identified Ordinary Share held by the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments), at all times, subject to an exercise of the Exchange Right:

- (a) each Unit issued or to be issued by the Trustee-Manager must be Stapled to a specifically identified Preference Share issued or to be issued by the Company;
- (b) the Trustee-Manager must not issue or sell any Units to any person unless an identical number of specifically identified Preference Shares are or have been issued by the Company and those Preference Shares are issued or transferred to the same persons to whom the Units are issued or sold (and registered in the Principal Register of Members or the Hong Kong Register of Members in the names of the same persons in which the Units are registered in the Units Register), in the ratio of one specifically identified Preference Share for each Unit and on the basis that each specifically identified Preference Share is Stapled to a Unit so that one may not be dealt with without the other; and
- (c) the Company must not issue or sell any Preference Shares unless the Preference Shares are to be Stapled to the Units as described above.

UNITS AND ORDINARY SHARES TO REMAIN LINKED AND UNITS AND PREFERENCE SHARES TO REMAIN STAPLED

Under the Trust Deed, the Trustee-Manager and the Company must ensure that, subject to the exercise of the Exchange Right, each Unit remains Linked to a specifically identified Ordinary Share registered in the Principal Register of Members in the name of the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments) and that each Unit remains Stapled to a specifically identified Preference Share.

The Trust Deed contains provisions prohibiting the Trustee-Manager and the Company from taking any action which would result in the Units and the Ordinary Shares ceasing to be Linked or in the Units and the Preference Shares ceasing to be Stapled or from refraining from doing any act required to maintain those relationships.

STRUCTURE AND ORGANISATION OF HK ELECTRIC INVESTMENTS AND THE COMPANY

The Trust Deed also contains detailed provisions requiring that Units and Shares may only be offered for subscription and issued by HK Electric Investments and the Company, and may only be transferred by their holders, in the form of Share Stapled Units and not in the forms of the individual components of Units, Ordinary Shares and Preference Shares.

The Trust Deed also provides that, subject to the exercise of the Exchange Right and the redemption of the Preference Shares upon the termination of HK Electric Investments, the Trustee-Manager must not consolidate, sub-divide, cancel, buy-back or redeem any Units and the Company must not consolidate, sub-divide, cancel, buy-back or redeem any Shares unless there is a corresponding consolidation, sub-division, cancellation, buy-back or redemption of the Units and of both the issued specifically identified Ordinary Shares which are Linked to the relevant Units and the issued specifically identified Preference Shares which are Stapled to the relevant Units.

MEETINGS OF HOLDERS OF SHARE STAPLED UNITS AND NOTICES OF MEETINGS AND OTHER DOCUMENTS

Meetings to be 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 (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).

Resolution(s) to be Proposed at Meetings

In relation to a Meeting of Registered Holders of Share Stapled Units, to the extent practicable, a single resolution shall be proposed to approve the matter to be considered by the Registered Holders of Units and the Shareholders, which resolution shall be characterised as a resolution of the Registered Holders of Share Stapled Units and shall serve as both a resolution of Registered Holders of Units and a resolution of Shareholders.

In relation to meetings of Registered Holders of Units and Shareholders to be held separately but consecutively, to the extent practicable, the same or a substantially similar resolution (with any modifications which are necessary or desirable to reflect the manner in which the matter being considered affects HK Electric Investments or the Company differently) shall be proposed for consideration at each meeting.

Voting at Meetings

In relation to both Meetings of Registered Holders of Share Stapled Units and meetings of Registered Holders of Units and Shareholders to be held separately but consecutively, 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.

STRUCTURE AND ORGANISATION OF HK ELECTRIC INVESTMENTS AND THE COMPANY

In respect of each individual Share Stapled Unit, the voting rights conferred by the Unit and the voting rights conferred by the Preference Share Stapled to the Unit can only be exercised in the same way (either for or against) in respect of a single resolution proposed at a Meeting of Registered Holders of Share Stapled Units or (as the case may be) the resolutions of Registered Holders of Units and Shareholders dealing with the same, or substantially the same, matter.

Further details of these arrangements are set out in “*Appendix IV — Trust Deed — Co-ordination of Meetings of Registered Holders of Units and Shareholders*”.

Votes Conferred by the Ordinary Shares Held by the Trustee-Manager

The Trust Deed provides that the Trustee-Manager shall only exercise the voting rights conferred by the Ordinary Shares held by it in respect of a resolution proposed at a meeting of Shareholders (whether held on a combined basis or separately), in accordance with the directions of the holders of the Units which are Linked to those Ordinary Shares. These voting directions are given to the Trustee-Manager by the Registered Holders of Units exercising the voting rights conferred by the Units held by them. The Trustee-Manager is required to exercise the voting rights conferred by the Ordinary Shares Linked to those Units in the same way. Further details of these arrangements are set out in “*Appendix IV — Trust Deed — Requirements for the Exercise by the Trustee-Manager of the Voting Rights Conferred by the Ordinary Shares*”.

Summary

Accordingly, as a result of the arrangements described above, a holder of a Share Stapled Unit will be entitled to exercise the following voting rights conferred by the Share Stapled Unit:

- (a) a vote of the Unit which is a component of the Share Stapled Unit, at meetings of Registered Holders of Units convened and held in accordance with the provisions of the Trust Deed; and
- (b) two votes at meetings of Shareholders convened and held in accordance with the provisions of the Company’s Articles and the Trust Deed. Those votes are:
 - (i) a vote in respect of the Preference Share which is Stapled to the Unit and registered in the name of the Registered Holder of the Share Stapled Unit; and
 - (ii) a vote in respect of the Ordinary Share which is Linked to the Unit and registered in the name of the Trustee-Manager. The vote conferred by the Ordinary Share which is Linked to the Unit is exercised by the Registered Holder of the Share Stapled Unit giving a direction to the Trustee-Manager to vote that Ordinary Share at meetings of Shareholders.

ANNOUNCEMENTS, CIRCULARS AND OTHER DOCUMENTS

The Trust Deed requires that the Trustee-Manager and the Company ensure that Registered Holders of Share Stapled Units are sent all circulars and other documents required to be issued to Shareholders and/or Registered Holders of Units for any reason.

STRUCTURE AND ORGANISATION OF HK ELECTRIC INVESTMENTS AND THE COMPANY

The Trustee-Manager and the Company are also required to inform Registered Holders of Share Stapled Units by way of announcement as soon as reasonably practicable of any inside information (as defined in the SFO) in relation to HK Electric Investments and/or the Company as required by the SFO and any other information required to be disclosed pursuant to the Listing Rules or other relevant laws and regulations.

FINANCIAL STATEMENTS AND REPORTS

Registered Holders of Share Stapled Units will be provided with:

- (a) annual reports and audited consolidated financial statements of HK Electric Investments and the Company and the annual audited financial statements of the Trustee-Manager;
- (b) semi-annual reports and unaudited consolidated financial statements of HK Electric Investments and the Company and the semi-annual unaudited financial statements of the Trustee-Manager; and
- (c) preliminary announcements of results of HK Electric Investments, the Company and the Trustee-Manager and other reports, circulars and information required to be provided under the Listing Rules and other relevant laws and regulations,

within the applicable time periods prescribed by the Listing Rules and other relevant laws and regulations.

The Trustee-Manager and the Company will prepare and publish the annual and semi-annual reports referred to above in the form of a combined document, which will be sent to Registered Holders of Share Stapled Units within the applicable time period prescribed by the Listing Rules.

Further information in relation to the financial statements and reports to be provided to Registered Holders of Share Stapled Units is set out in *“Appendix IV — Trust Deed — Financial Statements and Reports”*.

APPLICATION OF THE TAKEOVERS CODE

The Share Stapled Units confer voting rights exercisable at general meetings of the Company. Upon completion of the Global Offering, the Company will be a public company in Hong Kong with a primary listing of its equity securities on the Stock Exchange. Accordingly, the Takeovers Code applies in full in respect of the Share Stapled Units.

Therefore, subject to the granting of a waiver by the Executive Director of the Corporate Finance Division of the SFC, when:

- (a) any person acquires, whether by a series of transactions over a period of time or not, 30% or more of the Share Stapled Units;
- (b) two or more persons are acting in concert, and they collectively hold less than 30% of the Share Stapled Units in issue, and any one or more of them acquires Share Stapled Units and such acquisition has the effect of increasing their collective holding of Share Stapled Units to 30% or more of the Share Stapled Units in issue;

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- (c) any person holds not less than 30%, but not more than 50%, of the Share Stapled Units in issue and that person acquires additional Share Stapled Units and such acquisition has the effect of increasing that person's holding of Share Stapled Units by more than 2% from the lowest percentage holding of that person in the 12 month period ending on and inclusive of the date of the relevant acquisition; or
- (d) two or more persons are acting in concert, and they collectively hold not less than 30%, but not more than 50%, of the Share Stapled Units in issue, and any one or more of them acquires additional Share Stapled Units and such acquisition has the effect of increasing their collective holding of Share Stapled Units by more than 2% from the lowest collective percentage holding of such persons in the 12 month period ending on and inclusive of the date of the relevant acquisition,

that person is required to extend offers, on the basis set out in Rule 26 of the Takeovers Code, to all other Holders of Share Stapled Units. When an offer is made, for example, a mandatory general offer under Rule 26 of the Takeovers Code or a voluntary general offer under the Takeovers Code (including a partial offer), it would need to be made on the basis that the securities offered to be purchased would be the Share Stapled Units (and any Convertible Instruments outstanding at the relevant time) and that the offeree under the Takeovers Code would be the Company.

All the other provisions of the Takeovers Code which are applicable to public companies in Hong Kong with a primary listing on the Stock Exchange are equally applicable in respect of the Share Stapled Units, as voting rights in respect of the Company, and in respect of any Convertible Instruments.

Under the Trust Deed, the Trustee-Manager is not permitted to accept any offer to sell the Ordinary Shares which are held by the Trustee-Manager or to otherwise dispose of those Ordinary Shares. Any offer made under the Takeovers Code in respect of the Share Stapled Units must be made, and may only be accepted, in respect of the Share Stapled Units and any Convertible Instruments outstanding at the relevant time. The Trust Deed provides that an offer under the Takeovers Code cannot be made, or accepted by the Trustee-Manager, only in respect of the Ordinary Shares held by the Trustee-Manager.

HK Electric Investments is not permitted to make an offer under the Takeovers Code for the securities of another entity because that would exceed the scope of its specific and limited role and power. However, the Company is permitted to make an offer under the Takeovers Code for the securities of another entity and, if such an offer were to be made, the Company would be the offeror for the purposes of the Takeovers Code.

Except for the repurchase or redemption of the Preference Shares in the event of the exercise of the Exchange Right or the termination of HK Electric Investments, the Trustee-Manager is prohibited under the Trust Deed from repurchasing or redeeming any Share Stapled Units on behalf of HK Electric Investments unless and until expressly permitted to do so by relevant codes and guidelines issued by the SFC from time to time and only with the agreement of the Company and in circumstances where the Company repurchases or redeems the Ordinary Shares and the Preference Shares included in any Share Stapled Units to be repurchased or redeemed.

Under the Trust Deed, Holders of Share Stapled Units have no right to demand for the repurchase or redemption of their Share Stapled Units.

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APPLICATION OF PART XV OF THE SFO

Divisions 2 to 4 of Part XV of the SFO impose duties to disclose certain “interests in shares” comprised in the “relevant share capital” of listed corporations and “short positions” in such shares on those who acquire or dispose of such interests (if they come to have or cease to have such interest of 5% or above (a “notifiable interest”) or if there is a change in “percentage level” or change in nature of such interest) and those who acquire or dispose of such short position (if they come to have or cease to have a short position of 1% or above or if there is a change in “percentage level” while having a notifiable interest). Similar disclosure obligations are placed on the directors and chief executives of listed corporations pursuant to Divisions 7 to 9 of Part XV of the SFO, with the disclosure obligations of directors or chief executives being more stringent. For example, directors or chief executives are required to make disclosures in relation to any interest in shares (but not limited to “relevant share capital”) of listed corporations and their associated corporations, and in respect of any acquisition or sale of shares or debentures of listed corporations and their associated corporations (without any threshold and not only when a change in “percentage level” of shares is involved). Part XV of the SFO also empowers a listed corporation and the Financial Secretary of Hong Kong to investigate those holding “interests in shares” or having “short positions” in shares.

The Share Stapled Units include shares in the “relevant share capital” of the Company and, accordingly, the duties to disclose interests in shares and short positions under Divisions 2 to 4 of Part XV of the SFO are applicable in respect of the Share Stapled Units. Similarly, the Share Stapled Units include “interests in shares” of the Company for the purpose of Divisions 7 to 9 of Part XV of the SFO and, accordingly, the disclosure obligations placed on directors and chief executives of listed corporations under Divisions 7 to 9 of Part XV of the SFO are equally applicable in respect of the Share Stapled Units.

By way of illustration, a person holding 5% of the Share Stapled Units in issue would be required to disclose an interest under Division 2 of Part XV of the SFO in 5% of the “relevant share capital” of the Company. Both the Ordinary Shares and the Preference Shares are “relevant share capital”. A person holding 5% of the Share Stapled Units in issue would have an interest in 5% of the Ordinary Shares Linked to the Units held by that person and 5% of the Preference Shares Stapled to the Units held by that person, which in aggregate represent 5% of the total number of issued voting Shares in the Company and, therefore, 5% of the “relevant share capital” of the Company.

The powers of the Company under Section 329 of Division 5 of Part XV of the SFO and the powers of the Financial Secretary of Hong Kong under Section 356 of Division 11 of Part XV of the SFO to investigate those holding interests in shares or having short positions are also both applicable in respect of the Share Stapled Units.

THE TRUSTEE ORDINANCE, COMMON LAW DUTIES OF TRUSTEES, REMEDIES FOR BREACH OF TRUST AND LIABILITY REGIME

Trustee Ordinance

The Trustee Ordinance governs all trusts created and governed by the laws of Hong Kong and is stated to apply in full to all trusts created in Hong Kong, unless the instrument creating the trust specifies otherwise. The Trust Deed constituting HK Electric Investments states that the Trustee Ordinance applies in full to HK Electric Investments, except that Parts IA, II and III of the Trustee Ordinance do not apply to HK Electric Investments.

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Part I and Parts IV to IX of, as well as the Schedules to, the Trustee Ordinance apply to HK Electric Investments and contain provisions relating to, among other things, the creation of a trust, the duties and powers of a trustee and beneficiaries, administration of a trust and the retirement, removal and appointment of a trustee.

Part IA of the Trustee Ordinance relating to the statutory duty of care of a trustee has been excluded from application to HK Electric Investments because the Trustee-Manager has a specific and limited role and its duties are specified in the Trust Deed.

Part II of the Trustee Ordinance has been excluded from application to HK Electric Investments because it confers on a trustee powers of investment that are wider than appropriate for HK Electric Investments, which is a fixed single investment trust which may invest in the securities of only one entity, namely, the Shares in the Company, and in respect of which the Trustee-Manager has a specific and limited role, which is to administer HK Electric Investments.

Part III of the Trustee Ordinance has also been excluded from application to HK Electric Investments because it confers on a trustee powers that are wider than those conferred on the Trustee-Manager under the Trust Deed and which would not be consistent with the specific and limited role of the Trustee-Manager. In addition, Part III of the Trustee Ordinance relates to personal representatives, which are not relevant to HK Electric Investments.

Common Law Duties of a Trustee

The obligations, duties and powers of a trustee when managing a trust vary depending on the nature of the trust. HK Electric Investments is a single fixed investment trust and the obligations, duties and powers of the Trustee-Manager are limited accordingly. Trustees' duties are usually categorised as being either "management" or "fiduciary", but they often overlap.

The Trustee-Manager's management duties under common law include, in relation to HK Electric Investments, (a) a duty on a new Trustee-Manager to acquaint itself with HK Electric Investments, (b) a duty to carry out and follow the Trust Deed, (c) a duty to treat Registered Holders of Units equally, (d) a duty to keep accounts and make the accounts and documents relating to HK Electric Investments available to Registered Holders of Units and (e) a duty to act honestly and reasonably in good faith for the best interest of all Registered Holders of Units.

The Trustee-Manager's fiduciary duties under common law include, in relation to HK Electric Investments, (a) a duty not to purchase the Trust Property or to lend money to itself, (b) a duty not to profit by virtue of its role as trustee of HK Electric Investments, (c) a duty not to profit from confidential information regarding HK Electric Investments and (d) a duty not to put itself in a position where its interests conflict with its duties to the Registered Holders of Units.

Remedies for Breach

A Trustee-Manager which does not carry out its duties and obligations contained in the Trust Deed or as imposed by law will be in breach of trust and will be liable to the Registered Holders of Units. Generally, under the common law, when there is a breach of trust, the Trustee-Manager can be compelled to do something required by the terms of the trust (in this case, the terms of the Trust Deed) or prevented from doing something prohibited by the terms of the trust (in this case, the terms of the Trust Deed). The Trustee-Manager can also be required to restore the Trust Property that has been passed away in the breach, to provide value equivalent to the value of property passed away or to pay equitable

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compensation to HK Electric Investments to compensate the beneficiaries' loss. The Trustee-Manager may also be obliged to put HK Electric Investments' estate back to the same position it would have been in had the breach not occurred. However, under the common law, it may be difficult to establish a liability for breach of trust, as the Unitholders must prove that the Trust Property has incurred a loss and that the loss would not have occurred but for the breach. The Trustee-Manager may also be entitled to certain defences to breach of trust under the common law. These remedies would be enforced by making an application to the Hong Kong courts.

The Trust Deed limits the liability of the Trustee-Manager (including its directors, employees, servants, agents and delegates) in the absence of fraud, wilful default, negligence or breach of the Trust Deed. In addition, the Trust Deed provides that the Trustee-Manager and any of its directors, employees, servants, agents and delegates are entitled to be indemnified against any actions, costs, claims, damages, expenses, penalties or demands to which it or he/she may be put as the trustee-manager of HK Electric Investments (or as such a director, employee, servant, agent or delegate) so long as such action, cost, claim, damage, expense, penalty or demand is not occasioned by fraud, wilful default or negligence. As a result, the rights of HK Electric Investments and the Holders of Share Stapled Units to recover claims against the Trustee-Manager are limited.

Liability Regime

HK Electric Investments can only act through the Trustee-Manager. If the Trustee-Manager enters into a contract with a third party, the Trustee-Manager is liable under the contract to a potentially unlimited degree. Similarly, the Trustee-Manager can also be personally liable in tort for its or its agents' acts or omissions in connection with the administration of HK Electric Investments.

As a general principle, creditors and contractual counterparties of HK Electric Investments and other third parties have no direct access to the Trust Property because HK Electric Investments has no separate legal existence. The Trustee-Manager is entitled under the Trust Deed to an indemnity out of the Trust Property in respect of the Trustee-Manager's personal liability where a contract has been properly entered into during the administration of HK Electric Investments and within the powers conferred by the Trust Deed and in the absence of fraud, wilful default or negligence by the Trustee-Manager. Similarly, where the Trustee-Manager has acted within its powers under the Trust Deed, it will be entitled to an indemnity in respect of claims in tort by third parties, in the absence of fraud, wilful default or negligence on the part of the Trustee-Manager.

Creditors', other contractual counterparties' and other third parties' only means of access to the Trust Property is by subrogation to the Trustee-Manager's right to be indemnified out of the Trust Property in the circumstances described above.

KEY DIFFERENCES BETWEEN HK ELECTRIC INVESTMENTS AND OTHER COMMON FORMS OF TRUSTS

There are many types of trusts established for a variety of different purposes. Trusts may be listed or unlisted. The key distinguishing features of HK Electric Investments, as compared to other types of trusts are as follows:

- (a) HK Electric Investments is a fixed single investment trust and may only invest in securities and other interests in 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

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management of the Electricity Business, which is owned and managed by the Group. The trustees or managers of other trusts typically have wider powers of investment and would typically invest in and manage a portfolio of securities issued by different entities and/or other assets, albeit consistent with a stated investment theme or mandate.

- (b) While HK Electric Investments remains in effect, the Share Stapled Units cannot be repurchased or redeemed by HK Electric Investments or the Company unless and until specific regulations which expressly permit that are introduced by the SFC. The Holders of Share Stapled Units have no right to request the Trustee-Manager to repurchase or redeem their Share Stapled Units.
- (c) Any issue by HK Electric Investments and the Company of new Share Stapled Units on a non-*pro rata* basis requires prior approval by an Ordinary Resolution of Registered Holders of Units.
- (d) While HK Electric Investments is not permitted to incur any debt, the Trust Deed does not contain any restrictions on the ability of the Company or any of its subsidiaries to incur debt or any limit on the level of such indebtedness.