
2013 PROFIT ESTIMATE AND 2014 PROFIT FORECAST

Statements contained in this section that are not historical facts may be forward-looking statements. Such statements are based on the assumptions set out in this section. 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. Investors are cautioned not to place undue reliance on these forward-looking statements that speak only as at the date of this prospectus. See “Forward-looking Statements” and “Risk Factors” for further information.

None of the Trustee-Manager, the Company or any of the Relevant Persons guarantees the performance of the Trust Group, the payment of any distributions or any particular return on the Share Stapled Units.

The 2013 Profit Estimate and the 2014 Profit Forecast have been prepared on the bases, assumptions and estimates set out below and in accordance with HKFRS and are consistent in all material respects with the accounting policies adopted in the Accountants’ Report as set out in “Appendix I — Accountants’ Report”. These individual bases, assumptions and estimates should not be viewed as individual forecasts but form part of the overall bases, assumptions and estimates used in arriving at the 2013 Profit Estimate and the 2014 Profit Forecast and have not been reported on individually by the Joint Sponsors or the Reporting Accountants.

The 2013 Profit Estimate and the 2014 Profit Forecast should be read with the letters set out in “Appendix III — 2013 Profit Estimate and 2014 Profit Forecast” and the bases and assumptions set out below.

2013 PROFIT ESTIMATE

On the bases set out below and in the absence of unforeseen circumstances, the 2013 Profit Estimate is as follows:

Estimated consolidated profit attributable to the equity shareholders
of HEC for the financial year ended 31 December 2013 Not less than HK\$5,180.0 million

Bases for Determining the 2013 Profit Estimate

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 (i) the audited consolidated results of the Operating Group for the nine months ended 30 September 2013, (ii) the unaudited consolidated results of the Operating Group based on the management accounts for the two months ended 30 November 2013 and (iii) an estimate of the consolidated results of the Operating Group for the remaining one month ended 31 December 2013. The 2013 Profit Estimate has been prepared on the basis of the accounting policies adopted by the Operating Group as set out in “Appendix I — Accountants’ Report”.

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2014 PROFIT FORECAST

On the bases and assumptions set out below and in the absence of unforeseen circumstances, the 2014 Profit Forecast is as follows:

Forecast consolidated profit attributable to the Holders of Share
Stapled Units for period from the Listing Date to 31 December
2014. Not less than HK\$2,765.8 million

Bases and Assumptions for Determining the 2014 Profit Forecast

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.

The Directors have also made the following assumptions:

- the Trust Group's operations, results and financial condition will not be materially and adversely affected by any of the risks set out in "*Risk Factors*";
- there will be no material change in the existing government policies, political, legal, fiscal, market or economic conditions in Hong Kong or any other country or territory which are otherwise material to the Trust Group's business;
- there will be no change in the legislation, regulations or rules in Hong Kong, or any other country or territory which materially and adversely affects the Trust Group's business;
- there will be no force majeure events, unforeseeable factors or unforeseeable reasons that are beyond the control of the Trust Group, including the occurrence of wars, military incidents, natural disasters, catastrophes (such as floods and typhoons), epidemics (including SARS or H1N1 or H5N1 influenza) or serious accidents;
- there will be no equity capital raising during the financial year ending 31 December 2014, other than the equity capital raising pursuant to the Global Offering;
- interest rates will not differ materially from those presently prevailing;
- the Trust Group will continue with its policy of using derivative financial instruments solely for managing interest rate and foreign currency risks and not for speculative purposes;
- there will be no material change in the bases or applicable rates of taxation or any disallowance of tax assets in Hong Kong or in any of the countries in which any member of the Trust Group is incorporated or operates;
- the Scheme of Control and all leases and licences of the Trust Group that are necessary and/or desirable in order for the Trust Group to operate, are legally valid, binding and enforceable and will be performed in accordance with their terms;

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- there will be no interruptions in the supplies of fuel, labour disputes or commercial litigation;
- the accounting policies to be adopted by the Trust Group will be consistent in all material respects with the accounting policies adopted by the Operating Group as set out in “*Appendix I — Accountants’ Report*”;
- the Acquisition will be accounted for using the purchase method of accounting in the consolidated financial statements of the Trust Group;
- there are no material adverse changes to the Trust Group’s business or assets at any time during the period from the Listing Date to 31 December 2014; and
- there will be no material change in the physical condition of the Trust Group’s assets.

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 the 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 the 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 the historical amounts at which such assets and liabilities were previously stated. 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 CGU (i.e., the HEC cash generating unit) 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.

Sensitivity Analysis

The 2014 Profit Forecast included in this section is based on a number of assumptions which are set out above and are subject to a number of risks set out in “*Risk Factors*”. Prospective investors should be aware that future events cannot be predicted with any certainty and deviations from the figures forecast and projected in this prospectus are to be expected.

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In order to assist prospective investors in assessing the impact of some but not all assumptions on the 2014 Profit Forecast, the table below demonstrates the sensitivity of the consolidated profit attributable to the Holders of Share Stapled Units to changes in the interest rate assumption. The sensitivity illustrations are based exclusively on movements in the forecast consolidated profit resulting from movements in interest rates and are not profit forecasts for the purposes of the Listing Rules or any other purpose and accordingly, have not been reported on by the Joint Sponsors or the Reporting Accountants.

Prospective investors should be aware that the sensitivity analysis is not intended to be exhaustive and is limited in scope in that not all principal assumptions or other assumptions which are relevant to the figures forecast in this prospectus have been examined or reviewed in this sensitivity analysis.

Care should be taken in interpreting the sensitivity analysis since it treats the movement in the interest rate in isolation whereas, in practice, the movement in the interest rate could be inter-dependent on movements in other variables. The effects of these movements may offset or compound each other. Accordingly, the effect on the 2014 Profit Forecast presented for the interest rate sensitivity is not intended to indicate the likely range of outcomes with respect to such sensitivity and the actual variation could exceed the ranges shown below. No attempt is made to identify the cause of any potential variation or to identify or quantify any consequential or related changes or variations in other items.

	Increase in floating rate component of the interest rates in respect of our indebtedness by				
	0.25%	0.5%	0.75%	1.00%	1.25%
Change in the consolidated profit attributable to the Holders of Share Stapled Units (HK\$ million)					
For the period from the Listing Date to 31 December 2014	(92.0)	(184.0)	(275.9)	(367.9)	(459.8)