

The information set out in this appendix does not form part of the Accountants' Report issued by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of HK Electric Investments and the Company, as set out in "Appendix I — Accountants' Report", and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with "Financial Information" and the financial information included in "Appendix I — Accountants' Report".

A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES

The following sets out, for illustrative purposes only, an unaudited pro forma statement of assets and liabilities of the Trust Group showing how the Reorganisation and the Global Offering might have affected the financial position of the Trust Group as if the Reorganisation and the Global Offering had taken place on 30 September 2013 based on the Maximum Offer Price and the Minimum Offer Price.

These unaudited pro forma statements of assets and liabilities have been prepared based on the unaudited balance sheet of HK Electric Investments (the "Trust"), the Company and the subsidiaries of the Company as at 30 September 2013, and assuming the completion of the Reorganisation, the issuance of the Share Stapled Units pursuant to the Global Offering, the draw down of new bank loans of HK\$28,300 million by the Operating Group and of HK\$8,700 million by the Company, the settlement of the Acquisition Consideration by cash and the issuance of the Consideration Share Stapled Units and the repayment of Inter-company Loans of HK\$26,579 million had taken place on 30 September 2013.

These unaudited pro forma statements of assets and liabilities have been prepared for illustrative purposes only and, because of their nature, do not purport to represent what the assets and liabilities of the Trust Group would actually have been as at 30 September 2013 or to give a true picture of the financial position of the Trust Group following the completion of the Reorganisation and the Global Offering.

Unaudited Pro forma Statement of Assets and Liabilities of the Trust Group (Based on Maximum Offer Price of HK\$6.30)

	The Trust, the Company and the subsidiaries of the Company as at 30 September 2013	Pro forma adjustments			Notes	Unaudited pro-forma statement of assets and liabilities of the Trust Group
		Operating Group as at 30 September 2013	Others			
			HK\$'million (Note 4)	HK\$'million		
	HK\$'million (Note 1)	HK\$'million (Note 4)	HK\$'million			HK\$'million
Non-current assets						
Fixed assets	—	48,942	22,655	6		71,597
Goodwill	—	—	41,412	6		41,412
Employee retirement benefit scheme assets	—	470	—			470
Derivative financial instruments	—	300	—			300
	—	49,712	64,067			113,779

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION

	The Trust, the Company and the subsidiaries of the Company as at 30 September 2013	Pro forma adjustments			Unaudited pro-forma statement of assets and liabilities of the Trust Group
		Operating Group as at 30 September 2013	Others	Notes	
Current assets					
Inventories	—	990	—		990
Trade and other receivables	34	1,669	(34)	3(ii)(c)	1,675
			6	9	
Amounts due from fellow subsidiaries	—	6	(6)	9	—
Cash and bank balances	—	8	27,052	2	1,484
			(27,052)	3(ii)(b)	
			8,513	3(ii)(c)	
			(8,503)	3(ii)(c)	
			28,045	5	
			(26,579)	5	
	34	2,673	1,442		4,149
Current liabilities					
Current portion of bank loans	—	(792)	792	5	—
Bank overdrafts - unsecured	—	(6)	—		(6)
Trade and other payables	(34)	(1,931)	34	3(ii)(c)	(1,931)
Fuel Clause Recovery Account	—	(2)	—		(2)
Current taxation	—	(913)	—		(913)
	(34)	(3,644)	826		(2,852)
Net current (liabilities)/assets	—	(971)	2,268		1,297
Total assets less current liabilities	—	48,741	66,335		115,076
Non-current liabilities					
Loan from ultimate holding company	—	(13,266)	13,266	5	—
Bank loans	—	(1,500)	1,500	5	(36,667)
			(28,045)	5	
			(8,622)	3(ii)(c)	
Medium term notes	—	(11,519)	—		(11,519)
Customers' deposits	—	(1,881)	—		(1,881)
Deferred tax liabilities	—	(5,943)	(3,738)	6	(9,681)
Employee retirement benefit scheme liabilities	—	(413)	—		(413)
	—	(34,522)	(25,639)		(60,161)
Tariff Stabilisation Fund	—	(190)	—		(190)
Rate Reduction Reserve	—	(3)	—		(3)
Net assets attributable to holders of Share Stapled Units	—	14,026	40,696		54,722
Net asset value per Share Stapled Unit				8	HK\$6.19

Unaudited Pro forma Statement of Assets and Liabilities of the Trust Group (Based on Minimum Offer Price of HK\$5.45)

	The Trust, the Company and the subsidiaries of the Company as at 30 September 2013	Pro forma adjustments			Notes	Unaudited pro-forma statement of assets and liabilities of the Trust Group
		Operating Group as at 30 September 2013	Others			
Non-current assets						
Fixed assets	—	48,942	22,655	6		71,597
Goodwill	—	—	34,015	6		34,015
Employee retirement benefit scheme assets	—	470	—			470
Derivative financial instruments	—	300	—			300
	—	49,712	56,670			106,382
Current assets						
Inventories	—	990	—			990
Trade and other receivables	34	1,669	(34)	3(ii)(c)		1,675
			6	9		
Amounts due from fellow subsidiaries	—	6	(6)	9		—
Cash and bank balances	—	8	23,403	2		1,484
			(23,403)	3(ii)(b)		
			8,513	3(ii)(c)		
			(8,503)	3(ii)(c)		
			28,045	5		
			(26,579)	5		
	34	2,673	1,442			4,149
Current liabilities						
Current portion of bank loans	—	(792)	792	5		—
Bank overdrafts - unsecured	—	(6)	—			(6)
Trade and other payables	(34)	(1,931)	34	3(ii)(c)		(1,931)
Fuel Clause Recovery Account	—	(2)	—			(2)
Current taxation	—	(913)	—			(913)
	(34)	(3,644)	826			(2,852)
Net current (liabilities)/assets	—	(971)	2,268			1,297
Total assets less current liabilities	—	48,741	58,938			107,679

	The Trust, the Company and the subsidiaries of the Company as at 30 September 2013	Pro forma adjustments			Notes	Unaudited pro-forma statement of assets and liabilities of the Trust Group
		Operating Group as at 30 September 2013	Others			
			HK\$'million (Note 1)	HK\$'million (Note 4)		
Non-current liabilities						
Loan from ultimate holding company	—	(13,266)	13,266	5	—	
Bank loans	—	(1,500)	1,500	5	(36,667)	
			(28,045)	5		
			(8,622)	3(ii)(c)		
Medium term notes	—	(11,519)	—		(11,519)	
Customers' deposits.	—	(1,881)	—		(1,881)	
Deferred tax liabilities.	—	(5,943)	(3,738)	6	(9,681)	
Employee retirement benefit scheme liabilities	—	(413)	—		(413)	
	—	(34,522)	(25,639)		(60,161)	
Tariff Stabilisation Fund.	—	(190)	—		(190)	
Rate Reduction Reserve	—	(3)	—		(3)	
Net assets attributable to holders of Share Stapled Units	—	14,026	33,299		47,325	
Net asset value per Share Stapled Unit				8	HK\$5.36	

Notes:

- The Trust, the Company and the subsidiaries of the Company (excluding the Operating Group) have not carried on any business since the date of their respective establishment and incorporation and are not expected to carry on any business up to the date of completion of the Acquisition which is the same date on the date of the Listing as disclosed in note 1(a) to Section B and Section D in "Appendix I — Accountants' Report" in this prospectus. The Company and its subsidiaries do not have any material assets or liabilities as at 30 September 2013 and will have incurred an insignificant amount of expenses in connection with the Acquisition and the Listing up to the date of the Listing.
- The adjustment represents the net proceeds from the issuance of 4,426,900,000 Share Stapled Units from the Global Offering based on the Maximum Offer Price and the Minimum Offer Price of HK\$6.30 per Share Stapled Unit and HK\$5.45 per Share Stapled Unit respectively (being the gross proceeds less underwriting commissions and incentive fees (assuming the full payment of the discretionary incentive fee) payable to the Underwriters under the Underwriting Agreements).
- The following adjustments reflect the transfer of the Company and its wholly owned subsidiaries into the Trust and the acquisition of the Operating Group assuming the transactions had taken place on 30 September 2013:
 - The Trustee-Manager (in its capacity as trustee-manager of the Trust) and Quickview Limited ("Quickview"), a wholly owned subsidiary of PAH, entered into a sale and purchase agreement pursuant to which Quickview transferred one Ordinary Share in the Company held by it to the Trustee-Manager (in its capacity as trustee-manager of the Trust) in consideration for HK\$0.0005 which was satisfied by the Trust by issuing to Quickview one Unit linked to that Ordinary Share held by the Trustee-Manager and Stapled to the one Preference Share held by Quickview to form one Share Stapled Unit.

- (ii) Pursuant to the Sale and Purchase Agreement entered into by PAH as vendor and Treasure Business Limited as purchaser, the Company and the Trustee-Manager, the consideration payable to PAH for the acquisition of the entire issued share capital of HEC will be settled by:
- (a) the issue of an aggregate of 4,409,299,999 Consideration Share Stapled Units to Quickview (at the direction of PAH) based on the Maximum Offer Price and the Minimum Offer Price of HK\$6.30 and HK\$5.45 per Share Stapled Unit which amounts to HK\$27,779 million and HK\$24,031 million, respectively;
 - (b) the net proceeds from the issue of the Offer Share Stapled Units pursuant to the Global Offering of approximately HK\$27,052 million and HK\$23,403 million from the issue of an aggregate of 4,426,900,000 Share Stapled Units pursuant to the Global Offering based on the Maximum Offer Price and the Minimum Offer Price of HK\$6.30 and HK\$5.45 per Share Stapled Unit, respectively (being the gross proceeds less underwriting commissions and incentive fees (assuming the full payment of the discretionary incentive fee) payable to the Underwriters under the Underwriting Agreements of approximately HK\$837 million based on the Maximum Offer Price and HK\$724 million based on the Minimum Offer Price); and
 - (c) the net proceeds of HK\$8,503 million, which represents the gross amount to be drawn down by the Company under the Company Loan Facility of HK\$8,700 million after deducting a front end fee payable in respect of the Company Loan Facility of HK\$78 million (or where United States dollars are drawn, its HK\$ equivalent at an exchange rate agreed by the parties to the Sale and Purchase Agreement), HK\$10 million which will be set aside for the working capital of the Company and its subsidiaries and HK\$109 million of which HK\$34 million had been incurred as at 30 September 2013, being the amount agreed as the costs and expenses of the Global Offering (excluding underwriting commissions and incentive fees payable to the Underwriters under the Underwriting Agreements).

4. The balances have been extracted from the financial information of the Operating Group as at 30 September 2013 as set out in the financial information of Section B of "Appendix I — Accountants' Report" in this prospectus.
5. The adjustment represents the draw down of a new bank loan of HK\$28,300 million after deducting a front end fee of HK\$255 million by the Operating Group for the repayment of the loan from PAH of HK\$26,579 million and payment of capital expenditure incurred or expected to be incurred by but not yet paid by the Operating Group as of the Listing Date.

The undistributed profits attributable to equity shareholders of HEC of HK\$2,176 million as at 30 September 2013 were declared as an interim dividend by HEC to PAH for the year ended 31 December 2013 but has not been paid.

The bank loans as at 30 September 2013 are repaid before the Acquisition using the advance from PAH which will form part of the loan from PAH.

As part of the transaction, the loan from PAH (including loan from PAH of HK\$13,266 million, advance from PAH for repayment of bank loans as at 30 September 2013 of HK\$2,292 million, loan capital of HK\$8,845 million and the interim dividend of HK\$2,176 million as set out above) will be repaid by the Operating Group to PAH.

6. 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 Hong Kong Financial Reporting Standard No. 3 (Revised), "Business Combinations".

For the purposes of preparing the unaudited pro forma financial information, the allocation of the purchase price is determined based on the directors' estimates of the fair value of the identifiable assets and liabilities of the Operating Group which existed as at 30 September 2013.

The actual fair values of the identifiable assets and liabilities of the Operating Group will be determined as of the acquisition date by an independent valuer. This may result in the allocation of the purchase price to other identified tangible and intangible assets and liabilities and/or goodwill in addition to fixed assets. Accordingly, the final allocation of the purchase price will likely result in an allocation which could differ materially from the treatment noted below.

	Based on Maximum Offer Price	Based on Minimum Offer Price
	HK\$'million	HK\$'million
Consideration for the Acquisition	63,334	55,937
Net assets acquired:		
Net asset value of Operating Group as at 30 September 2013	14,026	14,026
Repayment of loan capital by the Operating Group	(8,845)	(8,845)
Distribution of revenue reserves	(2,176)	(2,176)
Fair value adjustments to fixed assets	22,655	22,655
Deferred tax arising from fair value adjustments to fixed assets	(3,738)	(3,738)
Total fair value of net assets acquired	<u>21,922</u>	<u>21,922</u>
Goodwill arising on Acquisition	<u>41,412</u>	<u>34,015</u>

A significant increase in depreciation and amortisation is expected as a result of fair value adjustments to fixed assets. The deferred tax liability arising therefrom will reduce over time as the assets are depreciated and amortised, thereby reducing the income tax expense.

7. The Directors expect 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" in this prospectus.
8. The net asset value per Share Stapled Unit is arrived at on the basis of 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 based on the Maximum Offer Price and the Minimum Offer Price and on the basis that 8,836,200,000 Share Stapled Units are in issue upon completion of the transfers the Company and its wholly owned subsidiaries into the Trust, the acquisition of the Operating Group and the Global Offering.
9. The adjustment represents the reclassification of amounts due from fellow subsidiaries to trade and other receivables.
10. No adjustment has been made to reflect any trading result or any other transactions of the Trust Group entered into subsequent to 30 September 2013. Certain properties with net book value of HK\$33 million owned by the Operating Group were transferred to wholly-owned subsidiaries of PAH on 21 October 2013 at the estimated market value on that date.
11. Profits attributable to equity shareholders of HEC for the period from 1 October 2013 to 30 November 2013 of HK\$1,302 million were distributed to PAH by way of interim dividend, such that interim dividends totalling HK\$4,865 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.

B. REPORT FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of HK Electric Investments and the Company, for the purpose of incorporation in this prospectus.

REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**TO THE DIRECTORS OF HK ELECTRIC INVESTMENTS MANAGER LIMITED (IN ITS CAPACITY AS TRUSTEE-MANAGER OF HK ELECTRIC INVESTMENTS) AND HK ELECTRIC INVESTMENTS LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of HK Electric Investments (the “Trust”) and HK Electric Investments Limited (the “Company”) together with the subsidiaries of the Company upon completion of the reorganisation of the group (including the acquisition of The Hongkong Electric Company, Limited (“HEC”) in preparing for the listing (the “Reorganisation”), (collectively referred to as the “Trust Group”) by the directors of HK Electric Investments Manager Limited (in its capacity as Trustee-Manager of HK Electric Investments) (the “Trustee-Manager”) and the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 30 September 2013 and related notes as set out in Part A of Appendix II to the prospectus dated 16 January 2014 (the “Prospectus”) issued by the Trust and the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the Reorganisation and the proposed offering of the share stapled units of the Trust and the Company (the “Global Offering”) on the Trust Group’s financial position as at 30 September 2013 as if the Reorganisation and the Global Offering had taken place at 30 September 2013. As part of this process, the historical information about the Trust, the Company and the subsidiaries of the Company as at 30 September 2013 has been extracted by the Directors from Sections B and D of the Accountants’ Report as set out in Appendix I to the Prospectus.

Directors’ Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the Trust Group as if the events had occurred or transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 30 September 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Trust Group, the events or transactions in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the share stapled units by the Trust and the Company, the application of those net proceeds, or whether such use will actually take place as described in the section headed “Use of Proceeds” in the Prospectus.

Opinion

In our opinion:

- a) the pro forma financial information has been properly compiled on the basis stated;
- b) such basis is consistent with the accounting policies expected to be adopted by the Trust Group, which are consistent in all material respects with the accounting policies adopted by the Operating Group as set out in Appendix I of the Prospectus; and
- c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG

Certified Public Accountants

8th Floor, Prince’s Building

10 Chater Road

Central, Hong Kong

16 January 2014