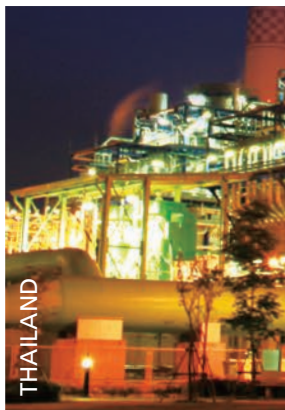
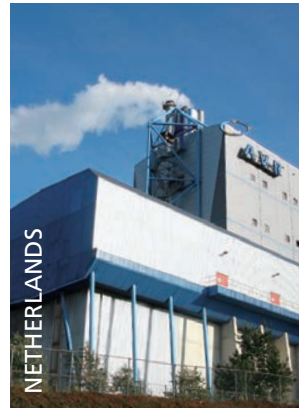
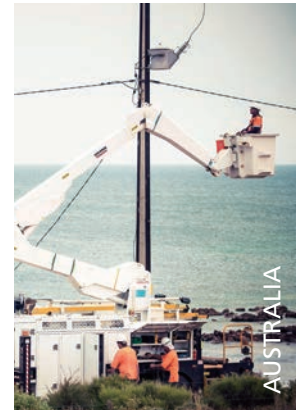
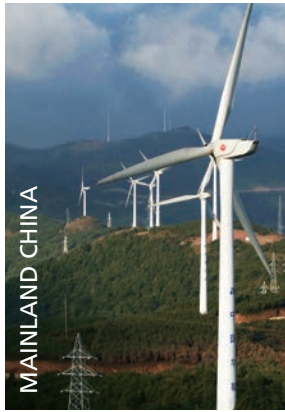


CEO's Report



Power Assets currently serves approximately 16 million customers across four continents, and has interests in over 10,600 MW of power generation assets and 450,000 km of power and gas networks.

Power Assets' vision is to deliver steady growth and long-term value for shareholders through secure and diversified operations around the world while delivering excellence in reliability and customer services. This approach enabled the Group to once again deliver annual earnings growth of 15% combined with new heights in customer satisfaction across all its operating companies.

On 29 January 2014, Power Assets completed the spin-off of the Hong Kong electricity business operated by The Hongkong Electric Company, Limited (HK Electric) so that it can focus on the development of its power facilities and energy projects businesses outside Hong Kong. Following the divestment, the Group has a holding of 49.9% in HKEI, which is now an associate.

The Group's largest markets outside Hong Kong, featuring stable and transparent regulatory environments and mature market conditions, are the United Kingdom (UK) and Australia. The Group's portfolio also includes investments in mainland China, Thailand, Canada, New Zealand and the Netherlands, across power generation, transmission and distribution, sourced from coal, gas and renewable energy.

During the year, the Group continued to proactively identify and pursue high-potential opportunities for long-term stable growth. In this context, Power Assets acquired a 20% stake in AVR-Afvalverwerking B.V. (AVR), the largest energy-from-waste player in the Netherlands, which brings with its strong fundamentals, established and efficient technology, a focus on sustainable energy and a rich pipeline of customers and suppliers.

An important development during the year was the implementation of a new regulatory regime in the UK. This Revenue = Incentives + Innovation + Outputs (RIIO) framework emphasises cost control and innovation. The Group welcomes the new framework, which incentivises investment and innovation to deliver a sustainable energy network, as well as value for money. In response to these new regulations, the Group's UK companies will begin operating to a new set of performance, emissions and budgetary targets.

Fuel prices were uncertain globally during the year. The Group's transmission and distribution businesses remained relatively insulated from fuel price fluctuations, and its generation businesses in Thailand and the UK were also shielded from fuel risks due to their pricing models.

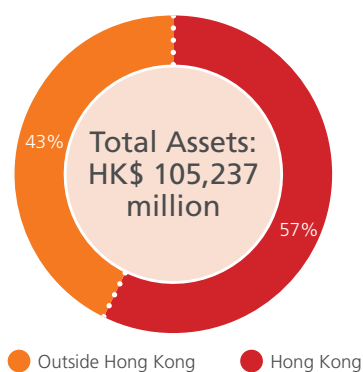
Effective integration of new operating companies is fundamental to the success of the Group's growth strategy. Following any new acquisition, the Group has established processes that maintain each operating company's unique ethos and practices while incorporating Power Assets' uncompromising approach to power supply reliability, operational efficiency and customer service excellence. The Group has a strong leadership team and is well placed to take advantage of key opportunities globally.

During the year, HK Electric's 2014-2018 Development Plan was approved by the HKSAR Government, under which the company's net tariffs are expected to remain unchanged until the end 2018 barring unforeseen circumstances. Following the Mid-Term Review of the Scheme of Control Agreement, which also took place during the year, HK Electric is going to establish an Energy Efficiency Fund to assist with the improvement of electrical infrastructure in old buildings.

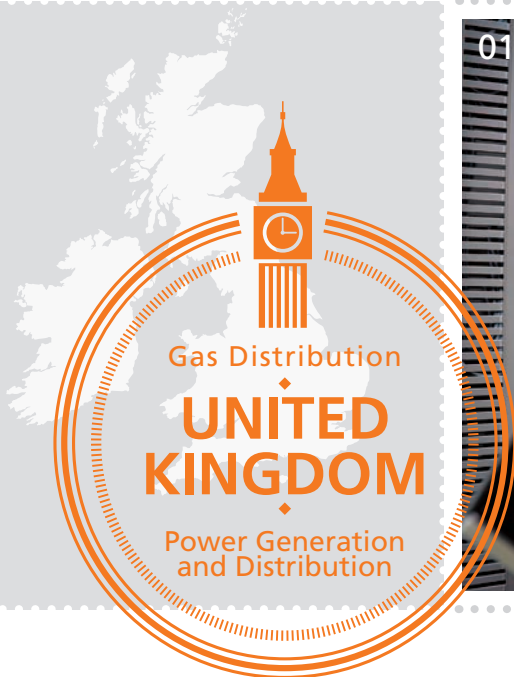
HK Electric maintained its world-leading supply reliability and customer service performance, while maintaining efforts to reduce its own carbon footprint. The company also persisted with initiatives to increase renewable energy generation, including expanding its solar power system and making good progress with plans for the proposed offshore wind farm.

The company continued with its community outreach programmes, from educating children on renewable energy and the smart use of electricity to rendering support to the aged and under-privileged. Volunteerism flourished during the year with employees logging over 5,000 hours supporting various causes close to their hearts.

Despite the slow and uncertain recovery of the global economy, the Group has a positive outlook for its markets in 2014, and expects to grow revenues and profit. Power Assets will utilise the capital raised by spinning off the Hong Kong operations to seek out positive, secure opportunities to increase shareholder returns in Australia, Europe and North America through investments in generation, transmission and distribution.



CEO's Report – United Kingdom



With the strong economic recovery, our UK operations are well prepared to support the growth of a sustainable energy network for our existing and future consumers.

The UK is Power Assets' largest market outside Hong Kong. It maintained this status in 2013, contributing the largest share of the Group's overseas income across its four joint ventures in the country. The transparent regulatory environment and mature market present ideal conditions to fulfil the Group's aspirations of becoming a leading player in energy markets around the world.

The UK economy has shown strong recovery – its gross domestic product grew by 1.9% in 2013, its strongest rate since 2007. With this, our UK operations are well prepared to support the growth of a sustainable energy network for our existing and future consumers.

The regulatory regime governing electricity transmission, gas transmission and distribution networks in the UK was reset during the year. The new regulatory framework is known as the RIIO model, which stands for: Revenue = Incentives + Innovation + Outputs. RIIO's objective is to encourage investment to maintain reliability, while addressing demand variability and increasing the use of sustainable energy.

UK Power Networks, Wales and West Utilities and Northern Gas Networks Limited, with their efficient operations and strong records of innovation, are all favourably positioned to take advantage of the new RIIO framework to realise greater savings and returns.

UK Power Networks (UKPN)

UKPN owns, operates and manages three of the 14 regulated distribution networks in the UK – in London, the South East and the East of England – covering an area of 30,000km² and serving 8 million customers.

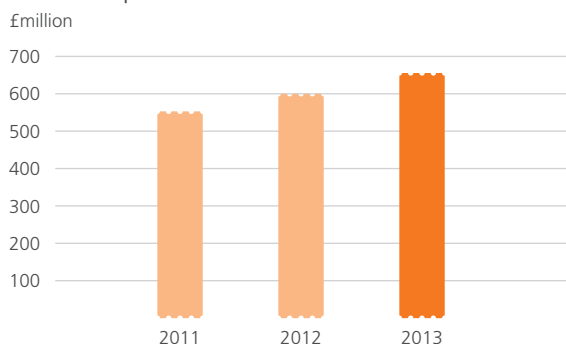
During 2013, UKPN continued 2012's strong performance. An important focus for the year was to maintain and improve operational performance in a number of key areas including customer service, power supply reliability, and efficiency.

Power Assets share
40%

Joined since
Oct 2010

As part of an overall strategy to improve its London distribution network, UKPN embarked on a major infrastructure project at the end of 2011 to install high voltage cables in tunnels between London's Finsbury Market and New Cross. The second phase of this project, involving the construction of a 2.6 km tunnel, was completed on schedule in 2013. UKPN also made progress with its strategic programme of investment in network improvements, investing over £650 million in its networks.

UKPN Capital Investment



Network performance in 2013 continued to be significantly ahead of the targets set by the Office of the Gas and Electricity Markets (Ofgem), with an average of 45 customer minutes lost due to power cuts generating incentive revenue in excess of £30 million.

During 2013, UKPN submitted its business plans for 2015-2023 to Ofgem under the regulator's RIIO framework, including details of proposed network improvement activity, performance targets and other operational parameters. The plans were well received by Ofgem.

UKPN made progress with its groundbreaking Low Carbon London project, overseeing a number of demonstrations and trials of a range of low carbon technologies on London's electricity distribution network. The company also implemented the Flexible Plug and Play project in Cambridgeshire, trialling new technologies and commercial arrangements to enable faster connection of renewable generation to UKPN's network.

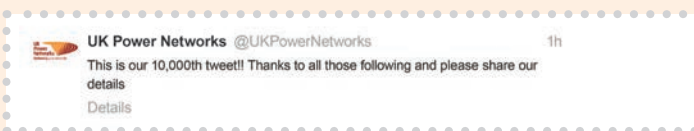
UKPN maintained its track record of strong customer service standards in 2013. 99% of new customer connections were completed within the target time set in the Guaranteed Standards of Performance, well above the regulator's target of 90%. E-channels of communication did particularly well during the year with the UKPN website receiving awards for customer service standards.

01. Creating a greener grid by enabling it to access more renewable energy is an important focus for UKPN.



Tweeting our way into consumers' hearts

UKPN achieved the milestone of posting its 10,000th tweet in May and by the end of the year this figure had risen to nearly 25,000. The business has a dedicated Twitter team that offers customers the option of getting in touch on social media 24 hours a day. More recently, UKPN has seen more customers making contact via Twitter than by phone for some fault events on the network. The success in using Twitter for customer service has attracted interest from similar companies in the UK and won praise at a national industry conference.



Battling a big storm

On 28 October, St Jude, the strongest storm to hit the South East of England in the last ten years, caused power interruptions to over 900,000 customers across UKPN's East of England and South East of England networks. More than 300,000 customers had power restored within three minutes through automated switching on the network. Over 98.5% of the customers impacted had power restored within four days. UKPN deployed more than six times the normal number of engineers and field staff in anticipation of the storm.

On the evening of 23 December and the early hours of Christmas Eve, UKPN's South East England network again suffered a significant wind storm resulting in over 350,000 customers needing to have their power restored. UKPN's staff worked tirelessly over the Christmas period to ensure over 95% of affected customers had power restored by Christmas Day and the rest by the end of the Christmas week.

CEO's Report – United Kingdom

Northern Gas Networks Limited (NGN)

NGN runs the North of England Gas Distribution Network, one of the eight distribution networks in the UK. It supplies gas to 2.66 million customers with 37,000 km of gas distribution pipelines transporting about 13% of the UK's gas.

Power Assets share
41.29%

Joined since
Jun 2005

NGN's focus for the year was to build on its eight-year track record of strong improvements in operational performance. These efforts were largely successful with Ofgem ranking the company as the most efficient gas distribution network in the UK for the seventh consecutive year in its most recent benchmarking exercise in 2011/12.

During 2013, NGN invested £35.5 million in capital expenditure projects for network improvements and IT infrastructure. This included investment in a network extension programme launched in 2009 to contribute to the alleviation of fuel poverty in the areas it serves. NGN also continued to invest in a large-scale mains replacement programme to improve the future reliability and safety of the network, decommissioning over 500 km of old iron mains.

NGN met, and in many cases exceeded, all mandatory operational targets and Licence Standards of Service for the regulatory year ended 31 March 2013.

With a "safety at the centre of our operations" ethos, NGN was again recognised by the UK's Health and Safety Executive as one of the best performing networks in terms of safety.

In 2013, NGN adopted a sophisticated set of customer service standards, focusing on customer satisfaction for the timeliness of complaint management with the introduction of a challenging target called "60 in 60", which promises to resolve 60% of customer complaints within 60 minutes of receipt.

NGN remains well placed to deliver strong operational and financial performance in 2013 and beyond through targeted cost reductions and improved service levels, whilst taking advantage of opportunities afforded by incentives available under the RIIO settlement terms for the new regulatory period.

Wales and West Utilities (WWU)

WWU is a gas distribution business with 35,000 km of gas distribution pipelines covering Wales and the South West of England. The company covers one-sixth of the UK, serving 2.5 million customers in a mix of urban and rural areas.

Power Assets share
30%

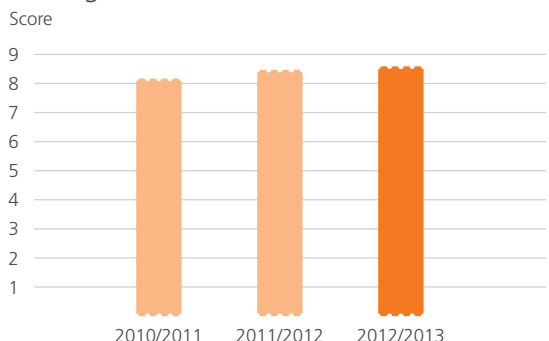
Joined since
Oct 2012

During the year WWU recorded an encouraging increase in gas throughput. The company was awarded over one-third of Ofgem's annual Discretionary Reward Scheme fund in 2013 in recognition of its best practice initiatives, including taking gas connections into rural areas, developing strategic and community partnerships, processing waste, and raising awareness of carbon monoxide.

WWU also delivered a strong performance in customer service during the year. Results of an independent customer satisfaction survey conducted in September 2013 by the Institute of Customer Service (ICS) rated WWU's customer satisfaction levels at 85.6%. This was considerably higher than not only the utility sector average of 71%, but also the average of 77.9% across all ICS member companies in all sectors including retail, automotive and tourism. During December 2013, WWU was subject to a week-long audit by the ICS where over 50 members of staff were interviewed in a bid to achieve the ICS customer Service Accreditation. A "strong recommendation" has been made to the ICS board by the auditor, who was impressed by the company's customer focused culture and quality of staff.



WWU Overall Customer Satisfaction Scores for Ofgem Gas Distribution Price Control



Following the successful delivery of the mains replacement programme from 2008 to 2013 through the Western Gas Alliance, WWU secured a new contract with its strategic alliance partners Amec plc and Morrison Utility Services Ltd for an additional five years, an important win for the company in continuing to deliver its replacement obligations.

During the year, WWU invested £70 million in capital projects aimed at enhancing its network infrastructure, fleet of vehicles, IT, and depot acquisitions, against which contributions of £10 million were received. In addition, WWU made steady progress with its ongoing mains replacement programme, in line with regulatory directives to replace metallic mains in proximity to dwellings. Spending on replacements in the year amounted to £77 million.

In 2013, WWU installed 2,260 connections to fuel-poor families as part of its community support initiative.

With the five-year extension of the mains replacement Western Gas Alliance contract and enhanced infrastructure in place as a result of investments made over the year, WWU is well placed to maintain its track record of strong performance in 2014.



Seabank Power Limited (SPL)

SPL is an electricity-generating company located near Bristol in the UK. SPL operates two combined-cycle gas turbine generation units running on natural gas with an aggregate capacity of approximately 1,140 MW.

Power Assets share
25%

Joined since
Jun 2010

During the year under review, SPL's generation output was low due to subdued power demand in response to customer preferences caused by the differential between high gas prices and low coal prices. Despite the lower power demand, SPL's earnings were protected by the revenue regime under the power purchase agreement. Availability was in line with targets. The lower utilisation of the plant in response to customer directives meant that operating costs were also lower.

With the European Union's Large Combustion Plants Directive coming into force, coal-fired plants that cannot meet the stringent emissions directive are expected to shut down in the coming years. SPL and Scottish and Southern Energy, its 50% shareholder, are in the process of securing public input before submitting a planning application to expand the Seabank plant with two additional combined cycle turbines.



- 02. NGN replaces old mains on a regular basis to maintain reliability standards.
- 03. Two employees at work atop a WWU gas holder – the company's gas distribution networks cover one-sixth of the UK.
- 04. SPL's cooling towers use treated sewage instead of fresh water.



TOA's transmission link came into operation. SAPN has secured a large contract from National Broadband Network Co. CitiPower and Powercor maintained their standards of reliability, achieving network availability of 99.98% and 99.97% respectively.

In Australia, a number of important regulatory framework reviews were completed in 2012, affecting the way in which regulated revenues are established for network businesses. Through 2013, the Australian Energy Regulator consulted on and developed a range of regulatory guidelines including new approaches to setting an appropriate overall rate of return, determining expenditure allowances, promoting efficient expenditure, and new processes to encourage stakeholder engagement.

The Group's associated companies in Australia are in the process of planning for the 2015-2020 regulatory period, which will commence on 1 July 2015.

Transmission Operations Australia (TOA)

TOA is a 50/50 joint venture established by Power Assets and Cheung Kong Infrastructure Holdings Limited to construct, own and operate a power transmission link in Victoria, which transports renewable energy from wind turbines at the 130 MW Mt. Mercer Wind Farm to Victoria's power grid. TOA has signed a 25-year off-take agreement with the wind farm, which helps deliver long-term stable returns.

Power Assets share

50%

Joined since

Jul 2012

During 2013, TOA completed its project connecting the 130 MW Mt. Mercer Wind Farm to the National Electricity Market's transmission system in Victoria. The construction of the Elaine Terminal Station and 21 km of 132 kV transmission lines was achieved on schedule and without injury within a very tight timeframe of 14 months.

During the year, TOA crystallised its own operating systems including new asset management processes, systems and standards. The company completed all the statutory certification and registration processes needed for its operations.

TOA's transmission link came into operation when Mt. Mercer Wind Farm began to generate electricity in November 2013.



SA Power Networks (SAPN)

SAPN is South Australia's sole electricity distributor with about 840,000 customers served by a network of 88,000 km.

Severe storms affected both unit sales and reliability during the year. The System Average Interruption Duration Index rose to 202 minutes against a target of 179 minutes. This increased Guaranteed Service Level payments for duration and frequency of interruptions for 2013. SAPN received approval from the Australian Energy Regulator to recover from customers the substantially increased cost of controlling the extraordinary vegetation growth around SAPN's network installations that took place when the drought in 2010-2011 ended.

SAPN has secured a large contract from National Broadband Network (NBN) Co. to construct a fibre-optic cable network that will connect 300,000 residents to the broadband network. The contract is for an initial three-year term, covering construction of overhead and underground parts of the local and distribution network for NBN and will employ up to 400 people.

Despite the severe weather, SAPN performed well on customer service. For the second year in a row, the company received a favourable award under the Service Performance Scheme. A new set of customer service strategy guidelines for 2014-2020 is under development, based on insights gathered through research, and engagement activities with employees and customers.

SAPN continued to upgrade its network data communications system to a platform that will enable real-time alerts, response and management of unplanned outages. The project will be completed in the first quarter of 2014.

01. Technicians connect the Mt. Mercer wind farm to the Victoria power grid.
02. SAPN staff keep members of the community up-to-date with the company's work outside the Burnside substation.
03. Sharing ideas at Powercor's Ardeer Depot.

Power Assets share
27.93%

Joined since
Jan 2000

CitiPower and Powercor Australia

CitiPower owns and operates the distribution network that delivers power to about 321,000 homes and businesses in Melbourne, and Central and Western Victoria. Powercor is the largest electricity distributor in Victoria, serving about 751,000 customers.

2013 saw a leadership team change and the implementation of a new business vision and strategy at CitiPower and Powercor.

The companies established five strategic pillars for future development: productivity and efficiency, network for the future, growth, stakeholder management, and regulatory optimisation. All stakeholders, including employees and customers, have responded positively to the new strategy.

In 2013, CitiPower and Powercor's customer bases expanded by 1.1% and 1.5% respectively. The two companies now serve over 1,070,000 business and home customers.

A new A\$13.7 million Powercor zone substation at Gisborne, Victoria, was opened in February 2013, enhancing the network's services to the area. CitiPower and Powercor's smart meter rollout project installed its one millionth meter in June 2013. The project was completed on time and on budget at the end of 2013.

CitiPower and Powercor maintained their standards of reliability, achieving network availability of 99.98% and 99.97% respectively. The companies also performed strongly on customer satisfaction with their combined customer satisfaction reaching the target level of 78%. They also recorded the lowest number of complaints to the Energy and Water Ombudsman of any Victorian electricity distributor.

CitiPower and Powercor were honoured in the prestigious innovation category of the 2013 Australian Business Awards.

Power Assets share
27.93%

Powercor
Joined since
Sep 2000

CitiPower
Joined since
Jul 2002



01



MAINLAND CHINA

Generation



The Group's mainland China businesses directed their efforts towards maintaining capacity utilisation and increasing efficiencies to deliver stable results.

Power Assets' businesses in mainland China are focused on power generation. As part of the Group's two-fold commitment to environmentally sustainable development and assured shareholder returns, it has invested in two wind farms on the mainland. It has also invested in two coal-fired plants in Zhuhai and one in Siping.

The mainland China power market was challenging in 2013. Growth in the electricity market remained marginal and abundant hydroelectric power transported from western China lowered the demand for electricity from coal-fired plants.

In response to these challenging market conditions, the Group's mainland China businesses directed their efforts towards maintaining capacity utilisation and increasing efficiencies to deliver stable results. An equipment upgrade programme in the power plants is underway to ensure compliance with new, stricter environmental targets that will come into force in 2014.

Dali and Laoting Wind Farms

The 48 MW wind farm in Dali, Yunnan province, and 49.5 MW wind farm in Laoting, Hebei province, have been operational since 2009. The projects are eligible to generate carbon credits.

In 2013, the two wind farms operated smoothly and sold a total of 200 GWh of electricity and reduced carbon emissions by approximately 193,700 tonnes.

Both wind farms continued to invest in equipment for improving reliability and operational efficiencies. Retrofits of surge arresters at the Dali wind farm and cable joints at the Laoting wind farm were conducted in 2013 to enhance reliability.

Power Assets share

45%

Dali

Joined since

Dec 2007

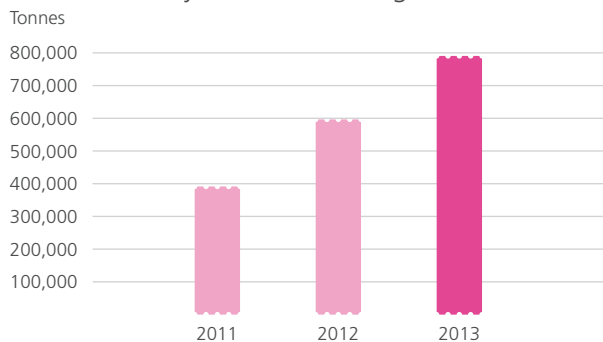
Laoting

Joined since

Jun 2008



Cumulative Carbon Emission Reduction Contributed by Dali and Laoting Wind Farms



Zhuhai, Jinwan and Siping Power Stations

The 1,400 MW Zhuhai Power Plant and the 1,200 MW Jinwan Power Plant are both coal-fired generation plants located in Guangdong Province. The 200 MW Siping Cogeneration Plant is situated in Jilin Province.

Power Assets share

45%

Joined since

Apr 2009

During the year the Zhuhai Power Plant maintained power output at 2012 levels. The total electricity sold in 2013 remained in line with the Operational and Offtake Contract, despite the over-supply conditions prevailing in Guangdong Province.



To meet the new National Environmental Protection standards on emissions of nitrogen oxides (NOx) that will come into effect in 2014, selective catalytic reduction systems and low NOx burners were installed at the Zhuhai plant. The plant's electrostatic precipitators were upgraded to a precipitator/filter bag hybrid system, while the flue gas desulphurisation equipment was also upgraded.

Jinwan Power Plant experienced a decrease in units of electricity sold due to the prevailing over-supply conditions, but recorded higher sales of steam. Jinwan's on-grid electricity tariff has been adjusted downwards by RMB 0.019/kWh from RMB 0.506/kWh to RMB 0.487/kWh, with effect from 25 September 2013. These impacts on 2013 earnings were partly compensated for by savings on coal costs as a result of weaker coal prices.

Investments were made at the Jinwan Power Plant to ensure compliance with the new National Environmental Protection standards that will come into force in 2014. De-nitrification plants were installed in 2013. Unit 4's flue gas desulphurisation equipment has been upgraded and Unit 3's will be upgraded in the first half of 2014. A wet electrostatic precipitator will also be constructed in 2014.

Jinwan Power Plant received multiple awards for information technology (IT) excellence in 2013. The Guangdong Provincial Economic and Information Technology Commission cited the plant as a Demonstration Project for IT Industrial Integration. The China Federation of IT Promotion presented the plant with the Outstanding IT Solution for China Power – Full-Life Cycle Production Materials Management award.

Siping Cogeneration Plant has been successful in maintaining satisfactory electricity and heat sales as per the Offtake Contract and Operational Contract, despite over-supply conditions that have lowered the utilisation of coal-fired power plants in the region.

Operational performance of all three generating units at Siping Cogeneration Plant was stable in 2013. Installation of a new low NOx burner was also completed.

01. Checking equipment at the Dali wind farm to ensure optimal performance.
02. An aerial view of the Zhuhai and Jinwan Power Plants that supply power to the Guangdong province in mainland China.
03. A routine overhaul in progress at the Jinwan Power Plant.

CEO's Report – Netherlands, New Zealand, Canada, Thailand



Energy-from-Waste
NETHERLANDS



The acquisition of AVR in the Netherlands is strategically advantageous for Power Assets, both as its first investment on the European mainland and as an attractive diversification of the Group's investment portfolio into the energy-from-waste field.

AVR-Afvalverwerking B.V. (AVR)

As one of the largest producers of sustainable electricity in the Netherlands, AVR operates energy-from-waste power plants in Rozenburg and Duiven, with an energy-from-waste capacity of 1,700 kilotonnes per annum. It is the country's market leader, commanding a 22% market share of the waste processing industry and delivering stable revenue streams through long-term contracts for gate fees for processing waste as well as off-take for energy generated.

Power Assets share

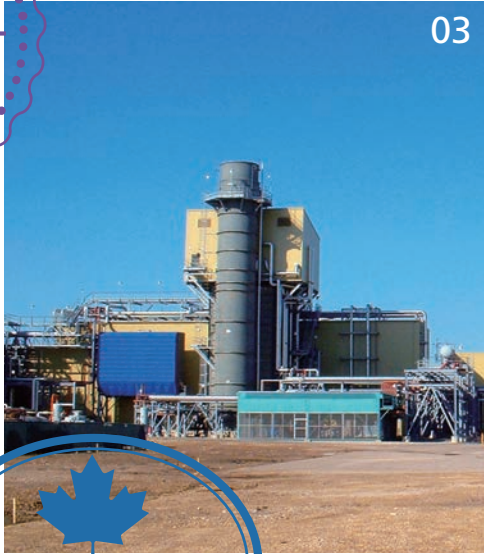
20%

Joined since

Aug 2013

Power Assets took an important step forward in the production of sustainable energy with the acquisition of AVR in the Netherlands in 2013. This acquisition is strategically advantageous for Power Assets on many levels, both as its first investment on the European mainland and as an attractive diversification of the Group's investment portfolio into the energy-from-waste field.

AVR's sites in Rozenburg and Duiven are suppliers of sustainable energy – steam, heat, and electricity – through incinerating household and industrial waste. It also processes industrial wastewater; converts paper sludge into green energy and Topcrete (cement-like binding agent); and composts green waste. In line with the focus on sustainability, by-products of the incineration process are used in road construction and steel manufacture.



AVR's wide range of clients includes companies in the process engineering (water), agriculture, retail, concrete and cement industries. It also services waste service providers and municipalities, grid operators and energy companies. With the Rozenburg site in the Port of Rotterdam area and the Duiven site near the German border, AVR is in geographically advantageous locations to process waste from other European countries. In 2013, AVR converted more than 500,000 tonnes of waste from the UK, Ireland, Italy, Belgium and Germany into energy.

AVR completed several strategic capital improvement projects in 2013 in pursuit of its vision to become a supplier of sustainable energy with the highest possible energy yields and a "zero waste" process. Following these projects, the company is scheduled to supply heat to more than 150,000 households from 2015, making AVR one of the top three suppliers of district heating in the Netherlands.

AVR performed well on quality and safety, meeting stringent Dutch quality, safety and environmental requirements. It underwent regular inspections by the relevant agencies to ensure that it is operating within the guidelines set for safe and environmentally friendly operations.

During the year, AVR played an active role in the community by promoting renewable energy initiatives. The company ran an inspirational charity initiative, donating money to charity for each perfect day (no accidents, no emissions, full production) realised at the plant.

03

04

Apart from stable and well-proven technology, AVR also has a well-established supply chain. It has a secure portfolio of long-term contracts assuring sufficient waste volumes to operate its plants successfully until at least 2019. Two long-term operating subsidies for the production of renewable energy protect it from energy price fluctuations. With these strong fundamentals in place, the company's contribution to the Power Assets portfolio is expected to remain strong in 2014 and beyond.

05



01. Waste treatment plant in Rozenburg operated by AVR.
02. WELL engineers inspect communications facilities at the Haywards electrical substation.
03. Canadian Power supplies electricity to Ontario, Alberta and Saskatchewan in Canada.
04. The Ratchaburi power plant meets local and international standards for air and noise emissions and wastewater discharge.
05. AVR's Rozenburg plant processes waste from the UK, Ireland and other European countries in addition to local waste.

CEO's Report – Netherlands, New Zealand, Canada, Thailand

Wellington Electricity (WELL)

WELL is New Zealand's fourth largest electricity distribution network serving 165,000 residential, commercial and industrial customers in the Wellington, Porirua and Hutt Valley regions. WELL's network length extends to 4,600 km.

Power Assets share
50%

Joined since
Jul 2008

In the wake of a spate of natural disasters that struck Wellington in 2013, WELL's electricity sales for the year were slightly lower than 2012. However, increased tariffs following a regulatory price reset helped WELL record higher revenues than in 2012.

Two earthquakes and a number of severe wind and lightning storms hit the region in 2013. In particular, in June, the worst storm in 45 years hit Wellington. Wind gusts with speeds of up to 200 km/h caused widespread damage to properties and infrastructure in the region. WELL and its contractors restored electricity within 48 hours to 97% of affected premises.

While dealing with the impact these severe weather conditions had on the network, WELL took the opportunity to test and improve its response and recovery systems, and train staff on engagement and improved communication with the community during supply restoration.

WELL places great emphasis on health and safety. Safety breakfasts and safety seminars were arranged to convey work safety messages to employees and contractors. An employee received a Best Paper Award from the Electricity Engineers Association National Conference for a paper discussing "Infrastructure Resilience and Emergency Response".

07



Canadian Power Holdings Inc (Canadian Power)

Power Assets holds a 50% interest in Canadian Power Holdings Inc, an electricity generation business in Canada. Canadian Power in turn owns the Meridian Cogeneration Plant and has a 49.99% share of TransAlta Cogeneration. Meridian is a 220 MW cogeneration gas-fired plant in Saskatchewan. TransAlta Cogeneration operates five power plants in Ontario and Alberta, which have a combined capacity of 1,142 MW.

Power Assets share
50%

Joined since
Dec 2007

In 2013, the Meridian plant generated the same level of electricity and sold more steam compared to 2012.

During 2013, Meridian benefited from enhanced performance as a result of major overhauls of its gas turbines completed in 2012. The plant focused on delivering excellent reliability and industry-leading customer service standards to both its primary customers – SaskPower and Husky Energy. Meridian has energy sales contracts extending to 2025 with both SaskPower and Husky Energy.

During the year, the five power plants of TransAlta Cogeneration recorded slightly lower output than the previous year. TransAlta Cogeneration successfully signed a new 20-year power supply agreement with the Ontario Power Authority for the Ottawa Cogeneration Plant, following the expiry of the previous agreement at the end of 2013.

06



Ratchaburi Power Company Limited (RPCL)

RPCL operates a 2 x 700 MW gas-fired combined cycle power plant commissioned in 2008. The electricity generated is sold to the state owned Electricity Generating Authority of Thailand (EGAT) under a 25-year take-or-pay power purchase agreement.

During 2013, RPCL achieved the full contracted availability specified in its power purchase agreement and exceeded targets in thermal efficiency.

RPCL was commended by EGAT for operating reliably using diesel to provide sufficient reserve power during the nationwide natural gas outage in April 2013.

Power Assets share
25%

Joined since
Oct 2001

During the year, the plant met local and international standards for air and noise emissions and wastewater discharges. Ongoing investments were made to address statutory environmental requirements. A continuous emission monitoring system was installed at the plant in order to conduct an independent audit every six months.

Given its location in a flood-prone area, RPCL had over the years implemented a number of preventive measures including river water level monitoring and dyke strengthening to ensure that flooding does not affect operations. In 2013, RPCL completed the construction of a concrete flood wall around the 500 kV switch yard.

RPCL continued to contribute to the development of neighbouring communities through mobile clinics, scholarships and vocational training.

- 06. The fourth largest electricity distribution network in New Zealand, WELL is located in Petone, Wellington.
- 07. Canadian Power generates electricity at the Meridian Cogeneration Plant and TransAlta Cogeneration Plant.
- 08. An emergency drill in action at an RPCL oil tank; the plant has an exemplary health & safety record.
- 09. Through a child's eyes - Winning paintings on display following the 27-school RPCL Painting Contest.



CEO's Report – Hong Kong

01



Generation • Transmission

HONG KONG

Distribution • Supply

For 17 years since 1997, HK Electric has maintained a world-leading supply reliability record of over 99.999%.

The Hongkong Electric Company, Limited

The Hongkong Electric Company, Limited (HK Electric) is the Group's flagship operating company and one of Asia's best utility companies for operational excellence. HK Electric commenced operations when Hong Kong's first electric street lights were switched on in 1890 and today supplies power to over half a million customers on Hong Kong Island and Lamma Island.

Power Assets share

49.9%

(Since January 2014)

Year established

1889

For 17 years since 1997, HK Electric has maintained a world-leading supply reliability record of over 99.999%. With operations spanning power generation, transmission and distribution and supply of electricity, the company operates under a Scheme of Control Agreement with the HKSAR Government.

In 2013, the company's 2014-2018 Development Plan was submitted to and received approval from the government. Under the plan, HK Electric will maintain net tariffs at current levels while investing HK\$13 billion in capital expenditure over the next five years.

On 29 January 2014, HK Electric ceased to be a subsidiary of Power Assets as a result of a spin-off. Power Assets now has a 49.9% holding in HKEI, which has now become an associate of the Group.

Ensuring a sustainable fuel mix supplied from CSR-compliant sources

HK Electric generates power at the Lamma Power Station, which has a total installed capacity of 3,737 MW. As part of HK Electric's drive to reduce emissions, Lamma Power Station continued with efforts to increase the proportion of natural gas and cleaner fuels in its fuel mix.

Coal, sourced from Indonesia and Russia, continues to be the primary fuel for power generation while natural gas, sourced mainly from Australia and Qatar, constitutes over 30% of the fuel mix.

To make sure its fuel supply was readily available and of high quality, coal mines in Indonesia were audited during the year for their operations in coal mining, processing and storage, as well as ship-loading. These efforts helped to safeguard the quality and reliability of the coal supply to the power station. It also verified that these coal mines were continually undertaking corporate social responsibility measures with regard to the environmental, social and economic aspects of their operations.

Lamma Power Station continued to achieve and exceed benchmarks for emissions performance through the use of cleaner fuels and green energy sources. In 2013, emission levels of sulphur dioxide, nitrogen oxides and respirable suspended particulates were reduced by 10% to 31% from 2012, and remained below mandatory levels. Carbon dioxide was also reduced by 6% as compared with 2012.

Taking strides forward in renewable energy generation

HK Electric believes that energy generated from renewable resources is integral to a sustainable energy future. To achieve this vision, it has invested in bringing renewable energy technologies to Hong Kong.

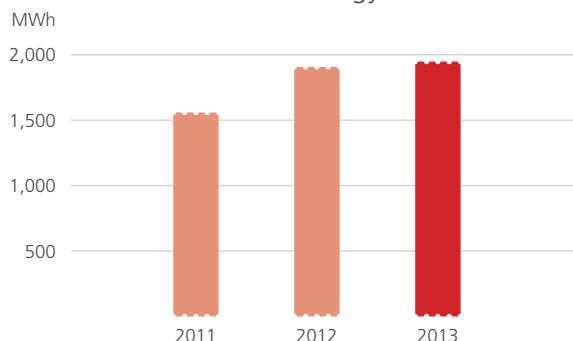
Lamma Winds, HK Electric's wind turbine on Lamma Island, generated 836,000 units of electricity in 2013. It has generated a total of 7,198,000 units of electricity and thereby contributed to the avoidance of 6,000 tonnes of carbon dioxide emissions since commissioning in 2006.

The capacity of Hong Kong's largest solar power system, located in the Lamma Power Station, was expanded to

1 MW in March 2013. The system now incorporates more than 8,600 thin-film photovoltaic modules and produces over 1.1 million units of green electricity annually. Since it was commissioned in July 2010, the system has generated more than 3 million units of electricity, offsetting 2,500 tonnes of carbon dioxide emissions.

During the year, staff from Lamma Power Station visited Power Assets' companies in the UK, Canada, Thailand and the Netherlands to share ideas, best practice and technical expertise.

HK Electric Renewable Energy Generation



Reliability records maintained

As a result of successful strategic investments made in people, processes, equipment and technologies, HK Electric operates one of the most modern transmission and distribution, and control systems in the world. A focus on network maintenance and upgrading ensures a robust network that is able to perform well in the inclement weather conditions that frequently affect Hong Kong.

A regular network reliability and operations review of the entire system was completed on schedule in 2013. This process, which involved thorough analysis of all HK Electric's transmission and distribution assets, and processes, concluded that HK Electric's systems and processes were performing well and all regulatory and legal requirements were being met. Enhancements recommended by the review will be implemented in the next few years.

HK Electric's transmission and distribution network is mostly underground, rendering it less susceptible to lightning and adverse weather conditions. The transmission network comprises primarily 275 kV and 132 kV underground and submarine cables, and only a few 132 kV overhead lines remain in use.

01. HK Electric's Lamma Power Station uses coal, natural gas and solar energy to generate electricity.
02. One of the reasons for HK Electric's world-leading supply reliability record is proactive inspection and maintenance.



CEO's Report – Hong Kong



HK Electric applied sophisticated cable diagnostic techniques to identify weak components in its 11 kV cable network for replacement. In 2013, it extended the installation of an advanced online partial discharge detection system from 275 kV and 132 kV switching stations to three zone substations.

Pledged service standards were surpassed as HK Electric continued to provide electricity to its 569,000 customers with supply reliability at over 99.999%. To put this into perspective, the electricity supply was interrupted for less than one minute per customer per year on average in the last five years.

Network expansion and improvement

In 2013, a range of network expansion and improvement measures were taken to ensure supply meets additional demand and to improve network quality.

A new 132/33 kV 50 MVA gas insulated transformer was commissioned and various transmission and distribution cables were diverted to support a major expansion of the MTR railway network with the West and South Island Lines on Hong Kong Island. A total of 38 new distribution substations were commissioned and 78.5 km of distribution cables were laid for new supplies and system improvements.

HK Electric is maintaining efforts to improve the power quality and reliability of the distribution network by replacing old types of 11 kV capacitor switches and paper insulated lead covered cables, and by progressively converting 11 kV substations of open-ring supply design to 22 kV substations of closed-ring supply design.



Intelligent systems for an intelligent network

HK Electric employs sophisticated computer solutions to control and run its energy and distribution management systems.

In 2013, HK Electric made several enhancements to its Energy Management System and Distribution Management Systems, such as the implementation of an automated solution for fault location and supply restoration for its 11 kV network. A blueprint design and implementation road map for the next generation of these systems with enhanced smart and green grid features was also developed during the year to address future sustainability requirements.

To improve communications, a state-of-the-art digital trunked radio system and secure IP-based data communication network for engineering applications at primary substations were rolled out during the year. A biennial review of the security of critical cyber assets was positive in its conclusions.

Customer service excellence

In 2013, HK Electric achieved its 18 pledged customer service standards for the 14th year in a row, with a strong performance on all key customer service metrics. Average customer satisfaction stood at 4.44 on a five-point scale, on par with previous years. The commitment to service excellence continues to yield prestigious customer service awards including the "Service Retailers of the Year – Grand Award" from the Hong Kong Retail Management Association and the "Mystery Caller Assessment Award – Best-in-Class Award" in the Government and Public Utilities sector from the Hong Kong Call Centre Association.

As part of efforts to improve responsiveness to the needs of business customers, particularly small-to-medium-sized enterprise (SME) customers, HK Electric launched a series of new services in the year to speed up applications for supply, and published a booklet on the *Smart Use of Electricity* to help SME customers understand more about energy efficiency and electricity safety. In recognition of its commitment to meeting the needs of commercial customers, HK Electric was named the “Best SME’s Partner” by the Hong Kong General Chamber of Small and Medium Business for the third year.

HK Electric’s customer liaison group continued to be an effective platform to facilitate two-way communication between the company and its customers. A focus group meeting was held during the year to gather customer views on payment methods and different tariff plans.

In addition to the iPhone App developed in 2011, an Android version of the HK Electric Low Carbon App was launched in 2013, allowing customers to complete service requests via electronic forms, report meter readings, receive low carbon recipes, and tips to promote energy saving, as well as ways for quality living through green electric appliances.



06

Electrifying performance in the kitchen

HK Electric’s Home Management Centre (HMC) was set up in 1976 with the aim of promoting electric cooking and modern living.

In 2013, HMC reached out to a cross-section of the Hong Kong community to share the benefits of electric cooking. Over 800 courses were conducted for more than 10,000 students. Cooking contests were held to reinforce the message of intelligent energy use through electric cooking.

HK Electric extended efforts to promote the principles of eco-friendly and electric cooking to restaurants, a priority customer segment. At HOFEX 2013, the largest food and hospitality tradeshow in the Asia-Pacific region, the company demonstrated advanced eco-electric commercial kitchen equipment and systems.



05

- 03. The 5.7-km Nam Fung - Parker Cable Tunnel in Hong Kong, completed in 1993, is one of the longest cable tunnels in the world.
- 04. HK Electric’s service standards, drawn up in 1993, have set the scene for its high levels of customer satisfaction.
- 05. A technician conducts a pre-installation check-up at an SME’s premises in Hong Kong.
- 06. Children celebrate the Mid-Autumn Festival at a mooncake making workshop at HK Electric’s Home Management Centre.

Tsai Chao Chung, Charles

Chief Executive Officer
Hong Kong, 25 February 2014

