

# HK Electric Investments Manager Limited

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 1. General information

The Company was incorporated in Hong Kong under the Companies Ordinance on 25 September 2013 and is an indirect wholly-owned subsidiary of Power Assets Holdings Limited, which is incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited and traded in the form of American Depositary Receipts on the OTC Markets Group Inc. in the United States. The address of the registered office and the principal place of business of the Company is Hongkong Electric Centre, 44 Kennedy Road, Hong Kong.

The principal activity of the Company is administering HK Electric Investments (the "Trust"), in its capacity as trustee-manager of the Trust. The Trust was constituted as a trust on 1 January 2014 by a Hong Kong law governed Trust Deed entered into between the Company, as the trustee-manager of the Trust, and HK Electric Investments Limited.

The costs and expenses of administering the Trust may be deducted from all property and rights of any kind whatsoever which are held on trust for the registered holders of units of the Trust but, commensurate with its specific and limited role, the Company will not receive any fee for administering the Trust.

No comparative financial information is shown as this is the first set of financial statements of the Company since its date of incorporation.

### 2. Significant accounting policies

#### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations promulgated by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Company is set out below.

The Company has not applied any new standard or amendment that is not effective for the current accounting period.

#### (b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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### 2. Significant accounting policies (continued)

#### (c) Cash flow statement

The Company did not have any cash flows during the current period nor did it have any cash or cash equivalents at any point throughout the current period.

#### (d) Related parties

- (i) A person or a close member of that person's family is related to the Company if that person:
  - (a) has control or joint control over the Company;
  - (b) has significant influence over the Company; or
  - (c) is a member of the key management personnel of the Company or the Company's parent.
- (ii) An entity is related to the Company if any of the following conditions apply:
  - (a) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (c) Both entities are joint ventures of the same third party.
  - (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (e) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
  - (f) The entity is controlled or jointly controlled by a person identified in 2(d)(i).
  - (g) A person identified in 2(d)(i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

### 3. Profit before taxation

Auditor's remuneration of \$50,000 and all other preliminary expenses of \$4,800 of the Company have been borne by the ultimate controlling party, which has waived its right of recovery thereof.

Except for the above, the Company did not incur any administrative expenses during the period.

### 4. Income tax

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company did not have any assessable profits during the period.

### 5. Directors' emoluments

No fees or other emoluments were paid or payable by the Company to the Directors during the period.

## 6. Amount due from immediate holding company

Amount due from immediate holding company is unsecured, interest-free and repayable on demand.

## 7. Share capital

	2013	
	Number of shares	Nominal value \$
<b>Authorised:</b>		
Ordinary shares of \$1 each		
Beginning and end of the period	1,000,000	1,000,000
<b>Issued and fully paid:</b>		
Ordinary shares of \$1 each		
Issuance of one ordinary share on the date of incorporation	1	1

## 8. Capital management

The primary objectives of the Company when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for the sole shareholder and benefits for other stakeholders. As the Company is part of a larger group, the Company's sources of additional capital and policies for distribution of excess capital may also be affected by the group's capital management objectives.

The Company defines "capital" as including all components of equity. The Company actively and regularly reviews and manages its capital structure to support its future capital requirements and operations. The Company has a specific and limited role to administer the Trust. All its capital requirements are fully supported by the ultimate holding company.

The Company was not subject to externally imposed capital requirements during the period.

## 9. Immediate and ultimate controlling parties

At 31 December 2013, the Directors consider the immediate and ultimate holding companies of the Company to be Sure Grade Limited and Power Assets Holdings Limited, which are incorporated in the British Virgin Islands and Hong Kong, respectively.

## 10. Financial risk management

The Company was not exposed to any significant credit, liquidity, interest rate and currency risks in the normal course of its business during the period.

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### 11. Material related party transactions

Except for the transactions and balances disclosed elsewhere in the financial statements, the Company did not enter into material related party transactions.

### 12. Post balance sheet events

On 1 January 2014, the Trust was constituted as a trust by a Hong Kong law governed Trust Deed entered into between the Company, as the trustee-manager of the Trust, and HK Electric Investments Limited.

The Company has a specific and limited role, which is to administer the Trust under the Trust Deed.

### 13. Possible impact of amendments, new standards and interpretations issued but not yet effective for the period ended 31 December 2013

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the period ended 31 December 2013 and which have not been adopted in these financial statements. The Company is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Company's results of operations and financial position.