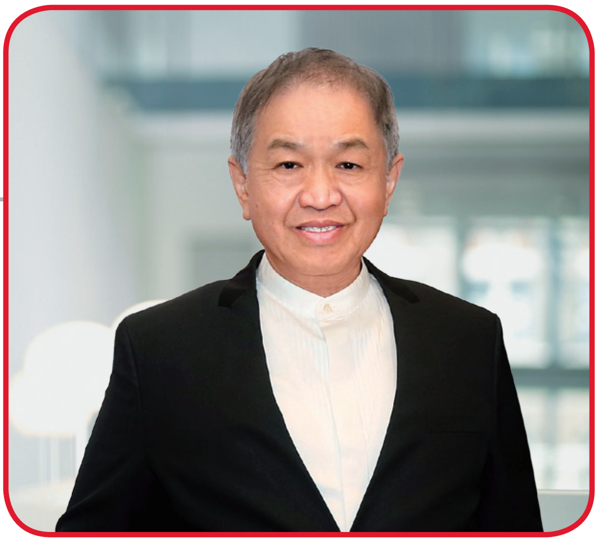
CHAIRMAN'S STATEMENT



In this inaugural year as in the past, we are delighted to have kept our pledge to provide customers with excellent services, as well as safe, reliable and clean energy at affordable tariffs. For HKEI's valued SSU holders, we delivered on our promise to pay out 100% of distributable income and for the community at large, we shared our support for increasing local gas-fired generation during a major public consultation on the future fuel mix for electricity generation.

Keeping our commitments

I am pleased to have the opportunity to present the first full-year annual results for HKEI, listed on the Stock Exchange of Hong Kong by way of Share Stapled Units (SSU) on 29 January 2014. HKEI, representing collectively HK Electric Investments and HK Electric Investments Limited, holds a 100% interest in the operating company HK Electric, one of the world's longest-running power companies.

Financial results and distributions

For the year ended 31 December 2014, HKEI's EBITDA was HK$7,698 million and audited profits attributable to SSU holders was HK$3,201 million.

From the listing date to 31 December 2014, the distributable income was HK$3,218 million, which met the expected distribution as stated in HKEI's listing prospectus, and will be distributed to SSU holders in its entirety.

The Board of the Trustee-Manager has declared a final distribution by the Trust of HK19.89 cents per SSU, payable on 10 March 2015 to SSU holders whose names appear on the Share Stapled Units Register on 27 February 2015. This, together with the interim distribution of HK16.53 cents per SSU, amounts to a total distribution of HK36.42 cents per SSU for the period.

Helping to shape Hong Kong's energy policy

A public consultation on the future fuel mix for Hong Kong's electricity generation took place between March and June 2014. In the consultation two alternative fuel mix options were proposed by the Government to improve local air quality and reduce carbon emissions for 2023 and beyond. There was enthusiastic participation by the public with over 80,000 responses made to the Environment Bureau.

Following in-depth analysis, study and extensive communication with our stakeholders, including SSU holders, customers, employees and the public, we submitted that Hong Kong's electricity should be generated locally, with the proportion of natural gas in the fuel mix increased to 60 per cent. This time-proven option will ensure a reliable supply of electricity and improving pollutants and carbon emission, while minimising tariff increases. We are delighted to understand from the Government that our preference for local generation is shared by the overwhelming majority of those who responded as it emerged as the mainstream opinion expressed during the consultation exercise.

Delivering excellence in all aspects

During the year HK Electric maintained its standards of excellence in supply reliability, while out-performing emissions targets, and achieving improvements in occupational safety and customer service standards for the Hong Kong community.

In 2014, electricity sales increased by 1.7% from 10,773 million kWh in 2013 to 10,955 million kWh, with increases in both commercial and domestic sales as a result of warmer weather during the second and third quarters of the year.

We strive to ensure our tariff is affordable and globally competitive. Net tariffs were frozen at their 2013 levels across the board, delivering on our promise made in December 2013 to keep tariffs unchanged for five years to 2018 barring unforeseen circumstances. Fuel prices were soft throughout the year sparing us the price volatility seen in recent years, and we were able to source both natural gas and coal, especially low-sulphur coal, at advantageous rates to the benefit of our customers.

HK Electric also commits to serve customers with world-class power provision. Through our proactive approach to network maintenance and modernisation, in 2014 we continued to attain a world-class supply reliability rating in excess of 99.999%, a record we have continuously held since 1997. Our quality of service was further demonstrated with our customers experiencing on average less than one minute of unplanned power interruption per customer per year for the 6th consecutive year. During the year under review our customer service performance met or surpassed all our 18 pledged service standards and the number of customer commendations we received has reached a record high.

We established a Smart Power Fund during the year with an initial injection of close to HK$5 million to assist owners of old residential buildings to carry out energy efficiency improvement works. The Fund is open for application until end 2018. So far it has approved six applications from owners' corporations.

Our employees have always been at the forefront of our initiatives to engage with the wider community and 2014 was no exception. Hundreds of employees participated in a range of initiatives supporting in particular the two causes we care most about: environmental awareness and caring for senior citizens.

Investing in Hong Kong's electricity future

During the year we moved forward with our HK$13 billion investment programme approved by the Government under the 2014-2018 Development Plan as we continue to provide a safe, reliable and affordable supply of electricity to our customers. We have commenced preparatory work for the construction of the new L10 gas-fired combined cycle generating unit, full implementation of which is pending written confirmation from the Government. This new generating unit will enable us to sustain our use of natural gas for electricity generation given the scheduled retirement of one gas-fired combined cycle unit in 2020.

In 2014, we out-performed statutory emissions targets and worked with the Government to establish even more stringent emissions caps for 2019.

The most important resource for future success is the leaders and engineers who will drive the future of the Group. During the year we invested in the recruitment, training and development of the next generation of HK Electric's engineering talent through the establishment of the HK Electric Institute. The Institute offers systematic and advanced power engineering training programmes for our employees.

Outlook

The energy sector in Hong Kong is evolving steadily to achieve ongoing improvements in emissions performance while maintaining reliability and affordability.

The Government is expected to conduct another round of public consultations later this year on the future of Hong Kong's electricity market. As with last year's consultation on the fuel mix, we will be participating actively and engaging extensively with our stakeholders as we chart the way forward.

We expect that the Government will publish new policies covering energy efficiency, climate change and the post-2018 electricity market by the end of 2015. Our track record of reliability, environmental performance and quality of services render us well positioned to meet the demands placed by regulatory changes. Our prudent financial management and strategic capital investment programme will enable us to address Hong Kong's energy needs while increasing SSU holder value in the long term.

We have the pleasure of four new Directors joining the Boards on 6 January 2015, including three from State Grid. State Grid has a 20% stake in HKEI and is the world's largest utility. On behalf of my fellow Board members I welcome our new Directors and am glad to see the Boards being strengthened by their presence.

This year marks the 125th year of HK Electric's operations since it powered the first electric street lamps in Hong Kong in 1890. With this proud heritage comes the confidence and a renewed commitment to remain as the region's premier provider of electricity at affordable rates. Our stellar track record is due to the efforts of our dedicated team of employees and loyal SSU holders, to whom I extend my heartfelt gratitude.

Fok Kin Ning, Canning
Chairman
Hong Kong, 10 February 2015