

COMBINED REPORT OF THE DIRECTORS

The Boards have pleasure in submitting the first full year annual report together with the audited consolidated financial statements of the Trust and the Company for the year ended 31 December 2014 (the consolidated financial statements of the Trust and the Company are presented together and referred to as the "consolidated financial statements of the Trust and of the Company").

The Trustee-Manager Board also presents the audited financial statements of the Trustee-Manager for the year ended 31 December 2014.

Principal Activities

The Trust was constituted as a trust on 1 January 2014 pursuant to the Trust Deed and is a fixed single investment trust, with its activities being limited to investing in securities and other interests in the Company.

The principal activity of the Company is investment holding, whilst the principal activities of the Group are the generation and supply of electricity in Hong Kong Island and Lamma Island. Particulars of the Company's subsidiaries are set out in note 18 to the consolidated financial statements of the Trust and of the Company.

The Trustee-Manager, an indirect wholly-owned subsidiary of Power Assets, has a specific and limited role to administer the Trust. The Trustee-Manager is not actively engaged in running the business managed by the Trust Group.

Financial Statements

The results of the Trust Group and the Group for the year ended 31 December 2014 and the state of affairs of the Company, the Trust Group and the Group as at that date are set out in the consolidated financial statements of the Trust and of the Company on pages 54 to 115.

The results of the Trustee-Manager for the year ended 31 December 2014 and the state of affairs of the Trustee-Manager as at that date are set out in the financial statements of the Trustee-Manager on pages 117 to 124.

Dividends and Distributions

Distributable Income

Total distributable income and distributable income per Share Stapled Unit are set out in note 13 to the consolidated financial statements of the Trust and of the Company.

Distribution per Share Stapled Unit

The Trustee-Manager Board has declared a final distribution by the Trust of HK19.89 cents per Share Stapled Unit in respect of the period from the Listing Date to 31 December 2014, payable on 10 March 2015 to Holders of Share Stapled Units whose names appear on the Share Stapled Units Register on 27 February 2015. In order to enable

the Trust to pay that distribution, the Company Board has declared the payment of a second interim dividend in lieu of a final dividend in respect of the Company's ordinary shares held by the Trustee-Manager, of HK19.89 cents per ordinary share in respect of the same period. This, together with the interim distribution of HK16.53 cents per Share Stapled Unit, brings the total distribution to HK36.42 cents per Share Stapled Unit for the period from the Listing Date to 31 December 2014 representing 100% payout of distributable income per Share Stapled Unit.

The Trustee-Manager Board does not recommend the payment of a final dividend for the year ended 31 December 2014 to Sure Grade Limited, the sole shareholder of the Trustee-Manager.

Share Capital and Share Stapled Units

Share Capital

Details of the movements in share capital of the Company during the year are set out in note 29(b) to the consolidated financial statements of the Trust and of the Company.

On 1 January 2014, resolutions of the Company were passed to change the share capital structure of the Company by increasing the authorised share capital of the Company to HK\$20 million, with 20,000,000,000 shares of HK\$0.0005 each designated as ordinary shares and the remaining 20,000,000,000 shares of HK\$0.0005 each designated as preference shares, in each case with the rights, preferences, privileges and restrictions as set out in the Company's amended and restated memorandum and articles of association.

Details of the share capital of the Trustee-Manager are set out in note 8 to the financial statements of the Trustee-Manager. There was no movement during the year.

Share Stapled Units

Upon the Listing Date, a total of 8,836,200,000 Share Stapled Units were issued, and the same number of ordinary shares and preference shares were issued by the Company linked and stapled respectively to the same number of units issued by the Trust. There have been no new Share Stapled Units, and hence no ordinary shares, preference shares or units, issued thereafter, up to the date of this report.

Reserves

Movements in the reserves of the Company during the year are set out in note 29(a) to the consolidated financial statements of the Trust and of the Company, whilst movements in the reserves of the Trust Group and the Group are set out in the consolidated statement of changes in equity of the Trust and of the Company on page 58.

The statement of changes in equity of the Trustee-Manager during the year is set out on page 119.



Charitable Donations

Charitable donations made by the Trust Group (of which the Group forms part) during the year amounted to HK\$1 million.

Fixed Assets

Additions of fixed assets for the year for the Trust Group (excluding the addition of fixed assets from the acquisition of HK Electric) amounted to HK\$2,167 million. The movements in fixed assets during the year are set out in note 15 to the consolidated financial statements of the Trust and of the Company.

Major Customers and Suppliers

Sales to the five largest customers combined was less than 30% of the Trust Group's total turnover for the year ended 31 December 2014.

Purchases from the largest supplier of revenue items for the year represented 42.2% of the Trust Group's total purchases of revenue items, and purchases from the five largest suppliers combined accounted for 72.5% of the Trust Group's total purchases of revenue items for the year ended 31 December 2014.

At no time during the year have the Directors, their associates or any Holders of Share Stapled Units (which to the knowledge of the Boards own more than 5% of the issued Share Stapled Units) had any interest in the above major customers and suppliers.

Directors

The Directors of the Trustee-Manager and the Company in office during the year ended 31 December 2014 were Mr. Fok Kin Ning, Canning, Mr. Li Tzar Kuoi, Victor (appointed on 28 November 2014), Mr. Tso Kai Sum (resigned on 28 November 2014 to reduce his business activities), Mr. Wan Chi Tin, Mr. Ronald Joseph Arculli, Mr. Chan Loi Shun, Mr. Cheng Cho Ying, Francis, Mrs. Chow Woo Mo Fong, Susan (resigned on 28 November 2014 due to other commitments), Mr. Fong Chi Wai, Alex, Mr. Lee Lan Yee, Francis, Mr. George Colin Magnus, Mr. Donald Jeffrey Roberts and Mr. Yuen Sui See. Mrs. Chow Woo Mo Fong, Susan was appointed as the Alternate Director to Mr. Fok Kin Ning, Canning on 28 November 2014.

On 6 January 2015, Mr. Du Zhigang, Mr. Jiang Xiaojun, Mr. Kwan Kai Cheong and Mr. Shan Shewu were appointed as Directors of the Trustee-Manager and the Company.

Arrangement to Purchase Share Stapled Units, Shares or Debentures

At no time during the year was the Trustee-Manager or the Company or any of their subsidiaries a party to any arrangement that enables the Directors to acquire benefits by means of the acquisition of Share Stapled Units, or shares in, or debentures of, the Trustee-Manager, the Company or any other body corporate.

Purchase, Sale or Redemption of Share Stapled Units

Pursuant to the Trust Deed, the Holders of Share Stapled Units have no right to demand for repurchase or redemption of their Share Stapled Units. Unless and until expressly permitted to do so by the relevant codes and guidelines issued by the Securities and Futures Commission from time to time, the Trustee-Manager shall not repurchase or redeem any Share Stapled Units on behalf of the Trust.

None of the Trust, the Trustee-Manager, the Company nor any of their subsidiaries purchased, sold or redeemed any of issued Share Stapled Units during the period from the Listing Date to 31 December 2014.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's amended and restated articles of association and the laws of the Cayman Islands which would oblige the Company to offer new Share Stapled Units on a pro-rata basis to existing Holders of Share Stapled Units.

On behalf of the Boards of
HK Electric Investments Manager Limited
and
HK Electric Investments Limited

Fok Kin Ning, Canning

Chairman
Hong Kong, 10 February 2015

