港燈電力投資
HK Electric Investments

HK Electric Investments

(as constituted pursuant to a deed of trust on 1 January 2014 under the laws of Hong Kong, the trustee of which is HK Electric Investments Manager Limited)

and

HK Electric Investments Limited

(a company incorporated in the Cayman Islands with limited liability)

Stock Code: 02638



GLOBAL OFFERING

OF SHARE STAPLED UNITS

Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and Joint Sponsors (In alphabetical order)

Goldman Sachs

HSBC

Co-lead Managers (In alphabetical order)

ANZ BARCLAYS BNP PARIBAS CORPORATE & INVESTMENT BANKING BOC INTERNATIONAL citi

CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK DBS MIZUHO Morgan Stanley Scotiabank

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

港燈電力投資
HK Electric Investments

GLOBAL OFFERING OF SHARE STAPLED UNITS

to be jointly issued by

HK ELECTRIC INVESTMENTS

港燈電力投資

(As constituted pursuant to a deed of trust on 1 January 2014 under the laws of Hong Kong, the trustee of which is HK Electric Investments Manager Limited)

and

HK ELECTRIC INVESTMENTS LIMITED

港燈電力投資有限公司

(Incorporated in the Cayman Islands with limited liability)

Number of Offer Share Stapled Units under the Global Offering	**:**	**4,426,900,000 Share Stapled Units (subject to the Over-allotment Option)**
Number of Hong Kong Offer Share Stapled Units	**:**	**221,345,000 Share Stapled Units (subject to reallocation)**
Number of International Offer Share Stapled Units	**:**	**4,205,555,000 Share Stapled Units (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$6.30 per Offer Share Stapled Unit plus brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Stock Code	**:**	**02638**

Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and Joint Sponsors
(in alphabetical order)

Goldman Sachs　　HSBC

Co-lead Managers
(in alphabetical order)

ANZ　BARCLAYS　BNP PARIBAS CORPORATE & INVESTMENT BANKING　BOC INTERNATIONAL　citi

CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK　DBS　MIZUHO　Morgan Stanley　Scotiabank

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in *"Appendix VIII — Documents Delivered to the Registrar of Companies and Available for Inspection — Documents Delivered to the Registrar of Companies"*, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement among the Joint Global Coordinators (on behalf of the Underwriters), Quickview, the Trustee-Manager and the Company on the Price Determination Date, which is expected to be on or about 22 January 2014 and, in any event, not later than 28 January 2014. The Offer Price will not be more than HK$6.30 per Offer Share Stapled Unit and is expected to be not less than HK$5.45 per Offer Share Stapled Unit, unless otherwise announced.

The Offer Share Stapled Units have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that Offer Share Stapled Units may be offered, sold or delivered (a) in the United States solely to QIBs pursuant to an exemption from registration under the U.S. Securities Act or (b) outside the United States in offshore transactions in reliance on Regulation S.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in *"Risk Factors"*. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in *"Underwriting"*.

16 January 2014

IMPORTANT

HK Electric Investments and the Company will be relying on Section 9A of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and will be issuing (a) the **WHITE** and **YELLOW** Application Forms without them being accompanied by a printed prospectus and (b) the **BLUE** Application Forms to the Qualifying PAH Shareholders without them being accompanied by a printed prospectus, unless the relevant Qualifying PAH Shareholders have elected to receive corporate communications in printed form under PAH's corporate communications policy or have not been asked to elect the means of receiving PAH's corporate communications, in which case the printed prospectus will be despatched to them separately. The contents of the printed prospectus are identical to the electronic form of the prospectus which can be accessed and downloaded from the websites of the Company at **www.hkei.hk** and the Stock Exchange at **www.hkexnews.hk** under the *"HKExnews > Listed Company Information > Latest Listed Company Information"* section.

Members of the public and Qualifying PAH Shareholders may obtain a copy of the printed prospectus, free of charge, upon request during normal business hours from 9:00 a.m. on Thursday, 16 January 2014 until 12:00 noon on Tuesday, 21 January 2014 at the following locations:

1. any of the following branches of the receiving banks for the Hong Kong Public Offering:

   (a) **The Hongkong and Shanghai Banking Corporation Limited**

	Branch Name	Address
Hong Kong Island	Hong Kong Office	Level 3, 1 Queen's Road Central
	Hopewell Centre Branch	Shops 2A, 2/F, Hopewell Centre, 183 Queen's Road East, Wan Chai
Kowloon	Mong Kok Branch	Basement & U/G, 673 Nathan Road, Mong Kok
	Tsim Sha Tsui Branch	Basement & 1/F, 82-84 Nathan Road, Tsim Sha Tsui
	Kowloon City Branch	1/F, 18 Fuk Lo Tsun Road, Kowloon City
	238 Nathan Road Branch	Shop No. 1, 1/F, 238 Nathan Road
New Territories	Discovery Park Branch	Shop 3D, Level 1 & Upper Level 1, Discovery Park Shopping Centre, 398 Castle Peak Road, Tsuen Wan

(b) **Bank of China (Hong Kong) Limited**

	Branch Name	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Sheung Wan Branch	252 Des Voeux Road Central
	Chai Wan Branch	Block B, Walton Estate, 341-343 Chai Wan Road, Chai Wan
	Taikoo Shing Branch	Shop G1006, Hoi Sing Mansion, Taikoo Shing
Kowloon	Humphrey's Avenue Branch	4-4A Humphrey's Avenue, Tsim Sha Tsui
	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom
	East Point City Branch	Shop 101, East Point City, Tseung Kwan O
	Wong Tai Sin Branch	Shop G13, Wong Tai Sin Plaza, Wong Tai Sin
	Wang Kwun Road Branch	Unit G1, Nan Fung Commercial Centre, Wang Kwun Road, Kowloon Bay
New Territories	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza Phase II

(c) **DBS Bank (Hong Kong) Limited**

	Branch Name	Address
Hong Kong Island	Quarry Bay Branch	Shop A, G/F, 1063 King's Road, Quarry Bay
	United Centre Branch	Shops 1015-1018, 1/F, United Centre, 95 Queensway, Admiralty
	North Point Branch	G/F, 391 King's Road, North Point
	Causeway Bay Branch	427-429 Hennessy Road, Causeway Bay
Kowloon	Mongkok Branch	G/F, Wofoo Commercial Building, 574-576 Nathan Road, Mongkok
	Hoi Yuen Road Branch	Unit 2, G/F, Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong
New Territories	Yuen Long Branch	G/F, 1-5 Tai Tong Road, Yuen Long
	Shatin Plaza Branch	Shop 47 & 48, Level 1, Shatin Plaza, 21-27 Sha Tin Centre Street, Shatin
	Tsuen Wan Branch	G/F, 23 Chung On Street, Tsuen Wan
	Ma On Shan Branch	Shop 205-206, Level 2, Ma On Shan Plaza, Ma On Shan

2. any of the following offices of the Joint Global Coordinators:

   (a) **Goldman Sachs (Asia) L.L.C.**, at 68th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong; and

   (b) **The Hongkong and Shanghai Banking Corporation Limited**, at Level 15, 1 Queen's Road Central, Hong Kong; and

3. the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong.

Details of where printed prospectuses may be obtained will be displayed prominently at every branch of The Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited and DBS Bank (Hong Kong) Limited where WHITE Application Forms are distributed.

During normal business hours from 9:00 a.m. on Thursday, 16 January 2014 until 12:00 noon on Tuesday, 21 January 2014, at least three copies of the printed prospectus will be available for inspection at every location where the **WHITE** and **YELLOW** Application Forms are distributed as set out in *"How to Apply for Hong Kong Offer Share Stapled Units and Reserved Share Stapled Units"*.

Despatch of **BLUE** Application Forms to Qualifying PAH Shareholders on or before . . . . . Thursday, 16 January 2014

Hong Kong Public Offering and Preferential Offering commence and **WHITE** and **YELLOW** Application Forms available from . . . . . 9:00 a.m. on Thursday, 16 January 2014

Latest time for completing electronic applications under (i) the **White Form eIPO** service and (ii) Online Preferential Offering service (**Blue Form eIPO** service) through the designated website at **www.eipo.com.hk**[2] . . 11:30 a.m. on Tuesday, 21 January 2014

Application lists open[3]. . . . . 11:45 a.m. on Tuesday, 21 January 2014

Latest time for (a) lodging **WHITE**, **YELLOW** and **BLUE** Application Forms, (b) completing payment for (i) **White Form eIPO** applications and (ii) **Blue Form eIPO** applications by effecting Internet banking transfer(s) or PPS payment transfer(s) and (c) giving **electronic application instructions** to HKSCC . . . . . 12:00 noon on Tuesday, 21 January 2014

Application lists close[3] . . . . . 12:00 noon on Tuesday, 21 January 2014

Expected Price Determination Date . . . . . Wednesday, 22 January 2014

(1) Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the Preferential Offering and the basis of allocations of the Hong Kong Offer Share Stapled Units and the Reserved Share Stapled Units to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before . . . . . Tuesday, 28 January 2014

(2) Results of allocations in the Hong Kong Public Offering and the Preferential Offering to be available through a variety of channels as described in *"How to Apply for Hong Kong Offer Share Stapled Units and Reserved Share Stapled Units — Publication of Results"* from . . . . . Tuesday, 28 January 2014

(3) Announcement containing (1) and (2) above to be published on the websites of the Company and the Stock Exchange at **www.hkei.hk** and **www.hkexnews.hk** from . . . . . Tuesday, 28 January 2014

Despatch of Share Stapled Unit certificates and White Form e-Refund payment instructions/refund cheques on or before[4] . . . . . Tuesday, 28 January 2014

Dealings in the Share Stapled Units on the Stock Exchange expected to commence on . . . . . Wednesday, 29 January 2014

Notes:

(1) All dates and times refer to Hong Kong dates and times.

(2) You will not be permitted to submit your application under the **White Form eIPO** service or the **Blue Form eIPO** service through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning signal or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 21 January 2014, the application lists will not open and close on that day. Please see *"How to Apply for Hong Kong Offer Share Stapled Units and Reserved Share Stapled Units"* for further details.

(4) The Share Stapled Unit certificates will only become valid at 8:00 a.m. on the Listing Date, which is expected to be Wednesday, 29 January 2014, provided that the Global Offering has become unconditional in all respects at or before that time. Investors who trade Share Stapled Units on the basis of publicly available allocation details or prior to the receipt of the Share Stapled Unit certificates or prior to the Share Stapled Unit certificates becoming valid do so entirely at their own risk.

For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Share Stapled Units and Reserved Share Stapled Units, see *"Structure of the Global Offering"* and *"How to Apply for Hong Kong Offer Share Stapled Units and Reserved Share Stapled Units"*, respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, the Trustee-Manager and the Company will make an announcement as soon as practicable thereafter.

The **BLUE** Application Forms have been despatched to all Qualifying PAH Shareholders. In addition, Qualifying PAH Shareholders will receive a copy of this prospectus in the manner in which they have elected, or are deemed to have elected, to receive corporate communications under PAH's corporate communications policy.

If a Qualifying PAH Shareholder has elected to receive corporate communications from PAH in printed form under PAH's corporate communications policy or has not been asked to elect the means of receiving PAH's corporate communications, a printed copy of this prospectus in the elected language version(s) will be despatched to such Qualifying PAH Shareholder.

If a Qualifying PAH Shareholder has (a) elected to receive an electronic version of corporate communications or (b) is deemed to have consented to receiving the electronic form of corporate communications from PAH, an electronic version of this prospectus (which is identical to the printed prospectus) can be accessed and downloaded from the websites of the Company at **www.hkei.hk** and the Stock Exchange at **www.hkexnews.hk** under the section headed *"HKExnews > Listed Company Information > Latest Listed Company Information"*.

A Qualifying PAH Shareholder who has elected to receive or is deemed to have consented to receiving the electronic form of this prospectus may at any time request for a printed copy of this prospectus, free of charge, by sending a request in writing to PAH c/o Computershare Hong Kong Investor Services Limited or by email to PAH at mail@powerassets.com. PAH will promptly, upon request, send by ordinary post a printed copy of this prospectus to such Qualifying PAH Shareholder, free of charge, although such Qualifying PAH Shareholder may not receive that printed copy of this prospectus before the close of the Hong Kong Public Offering and the Preferential Offering.

Qualifying PAH Shareholders may also obtain a printed copy of this prospectus, free of charge, during normal business hours from any of the designated branches of the receiving banks and the designated offices of each of the Joint Global Coordinators as set out in *"How to Apply for Hong Kong Offer Share Stapled Units and Reserved Share Stapled Units"*.

Distribution of this prospectus and/or the **BLUE** Application Forms into any jurisdiction other than Hong Kong may be restricted by law. Persons into whose possession this prospectus and/or the **BLUE** Application Forms come (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, this prospectus should not be distributed, forwarded or transmitted in, into or from any of the Specified Territories with or without the **BLUE** Application Forms, except to Qualifying PAH Shareholders as specified in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. None of the Trustee-Manager, the Company or any of the Relevant Persons has authorised anyone to provide you with any information or to make any representation that is different from what is contained in this prospectus.

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SUMMARY

This summary is intended to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide whether to invest in the Offer Share Stapled Units. Some of the particular risks of investing in the Offer Share Stapled Units are set out in "Risk Factors" and you should read that section carefully before you decide to invest in the Offer Share Stapled Units.

Statements contained in this summary that are not historical facts may be forward-looking statements. Such statements are based on certain assumptions. While the Directors consider such assumptions to be reasonable, whether actual results will meet our expectations will depend on a number of risks and uncertainties over which we have no control. Under no circumstances should the inclusion of such information in this prospectus be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Trustee-Manager, the Company or any of the Relevant Persons or that these results will be achieved or are likely to be achieved.

OVERVIEW

Our Business

HK Electric Investments is the first fixed single investment trust in Hong Kong with a focus on the power industry. We are a vertically integrated power utility and our operations comprise the generation, transmission, distribution and supply of electricity to Hong Kong Island and Lamma Island. We are the sole electricity provider to Hong Kong Island and Lamma Island with an Electricity Supply Reliability Rating of above 99.999% in each year since 1997. Our principal operating subsidiary, HEC, which was incorporated in January 1889 and first commenced operations in 1890, is one of the world's longest established utility companies.

HEC's sole power generation facility is the Lamma Power Station which, as at 30 September 2013, had an aggregate installed capacity of approximately 3,737 MW. As at 30 September 2013, we provided electricity to approximately 568,000 registered customers on Hong Kong Island and Lamma Island.

Scheme of Control

Our operations are subject to the Scheme of Control entered into with the Hong Kong Government. The first Scheme of Control was entered into in 1980 for a term of 15 years beginning on 1 January 1979 and it was renewed in 1993 for a similar term until the end of 2008. The current Scheme of Control was entered into on 7 January 2008 for a term of ten years from 1 January 2009 to 31 December 2018, with an option for the Hong Kong Government to extend it for a further term of five years ending on 31 December 2023.

Under the terms of the Scheme of Control, we are entitled to full recovery of our total operating costs from our Gross Tariff Revenue, and a permitted level of earnings based principally on a return on HEC's capital investment in electricity generation, transmission and distribution assets. Subject to deduction of certain interest on borrowed capital for the financing of Fixed Assets and certain other deductions and adjustments, the Scheme of Control provides for a Permitted Return for each year equal to (i) 9.99% of the total value of our Average Net Fixed Assets other than those attributable to our Average Renewables Net Fixed Assets for that year and (ii) 11% of the total value of our Average Renewables Net Fixed Assets for that year.

The Scheme of Control requires that we maintain a Tariff Stabilisation Fund, the main purpose of which is to accumulate and provide funds to ameliorate tariff increases or facilitate tariff reductions where appropriate. In each year, where the Gross Tariff Revenue exceeds the Tariff Stabilisation Adjustments, the amount of such excess is transferred from our statement of profit or loss to the Tariff Stabilisation Fund. Conversely, when there is a deficiency, the amount of such deficiency is transferred from the Tariff Stabilisation Fund to our statement of profit or loss for that year, provided that the amount transferred may not exceed the balance of the Tariff Stabilisation Fund, which may not go into a deficit position. For further details regarding the Tariff Stabilisation Fund, see *"Scheme of Control and Regulatory Overview — Scheme of Control — Tariff Stabilisation Fund"* and *"Financial Information — Description of Key Consolidated Statements of Profit or Loss and Consolidated Statements of Comprehensive Income Line Items — Scheme of Control Transfers"*.

Our Average Net Fixed Assets and Average Renewables Net Fixed Assets are in part dependent upon the level of our capital expenditure. The Scheme of Control provides for a Development Plan which sets out, among other things, our projected capital expenditure and projected Basic Tariff Rate for each of the five years covered under such Development Plan and is subject to discussion with the Hong Kong Government and approval by the Executive Council.

The 2014-2018 Development Plan, which covers the period from 1 January 2014 to 31 December 2018, was approved by the Executive Council on 10 December 2013. The 2014-2018 Development Plan provides for an estimated total investment of approximately HK$13.0 billion in new and existing capital projects over its five year term. Our approved capital expenditure under the 2014-2018 Development Plan includes investments in our power generation system (approximately HK$6.1 billion, inclusive of the estimated HK$3.0 billion in relation to the L10 Project), our transmission and distribution networks (approximately HK$5.3 billion) and our customer and corporate services development (approximately HK$1.6 billion). This estimated total capital expenditure of approximately HK$13.0 billion represents an increase of approximately 5.7% over the approved total capital expenditure of approximately HK$12.3 billion under the 2009-2013 Development Plan, and is expected to be funded by cash from our operating activities, bank loans and/or other debt markets fund raising activities. The estimated total capital expenditure as approved under the 2014-2018 Development Plan represents our continued commitment to provide a safe and reliable electricity supply to our customers.

As part of the approval of the 2014-2018 Development Plan, the projected Basic Tariff Rates for the five years from FY2014 to FY2018 were also approved by the Executive Council. The Basic Tariff Rate for FY2014 was determined on the basis of the approved projected Basic Tariff Rate for FY2014 under the 2014-2018 Development Plan. In comparison to FY2013, the Basic Tariff Rate for FY2014 will be increased by HK$0.071 per kWh, or approximately 7.5%, to HK$1.018 per kWh. However, such increase in the Basic Tariff Rate for FY2014 will be offset by a corresponding reduction of HK$0.071 per kWh in the Fuel Clause Charge such that the average net tariff charged to our customers for FY2014 will remain unchanged at HK$1.349 per kWh. Accordingly, we do not expect this will cause any material adverse impact on our tariff revenues for FY2014. For details relating to the projected Basic Tariff Rate for each of the years from FY2015 to FY2018, which was approved by the Executive Council on 10 December 2013 as part of the 2014-2018 Development Plan, see *" Scheme of Control and Regulatory Overview — Scheme of Control — Development Plan — 2014-2018 Development Plan"*.

The Scheme of Control also provides that each of HEC and the Hong Kong Government had the right during FY2013 and, if the term of the current Scheme of Control is extended until 2023, has the right during FY2018, to request modifications to the Scheme of Control. However, any modifications must be mutually agreed by the parties in writing before they take effect. In November 2013, as part of the 2013 interim review of the Scheme of Control, we agreed in principle with the Hong Kong Government to

implement six modifications to the Scheme of Control. Such modifications do not include any modification to the rates of Permitted Return. For further details relating to the 2013 interim review of the Scheme of Control, see *"Scheme of Control and Regulatory Overview — Scheme of Control — 2013 and 2018 Interim Reviews of the Scheme of Control"*.

If the Hong Kong Government does not exercise its option to extend the term of the current Scheme of Control for a further term of five years ending on 31 December 2023, under the current Scheme of Control we will, for the period from 1 January 2019 to 31 December 2023, through reasonable arrangements determined by the Hong Kong Government after consultation with us, continue to be entitled to earn from the market the same Permitted Return annually which we currently earn under the Scheme of Control (after recovery of tax and total operating costs and subject to deduction of certain interest on borrowed capital for the financing of Fixed Assets and other applicable deductions, with the assets to be taken into account for calculating the Permitted Return to include only assets that continue to be used in HEC's Electricity Related activities, and not to include any assets acquired or invested in after 31 December 2018 unless they have been reasonably and prudently purchased for use in HEC's Electricity Related activities and only if the purchase of such assets has been approved by the Hong Kong Government).

Objectives of HK Electric Investments and the Company

HK Electric Investments and the proposal for HK Electric Investments to issue Units to investors reflect the commercial objective to adopt a trust structure, within which a distribution policy based on the Group Distributable Income can be more clearly articulated and pursued, and within which the Group can more clearly signal its intention to focus principally on distributions and to differentiate itself from other listed issuers on that basis.

The objectives of HK Electric Investments and the Company are (a) to focus principally on the payment of distributions to the Holders of Share Stapled Units with a clearly expressed intention as to their respective distribution policies stated in the Trust Deed and the Company's Articles and (b) to provide the Holders of Share Stapled Units with stable distributions with the potential for sustainable long-term growth of such distributions.

Industry and Competition

There are currently only two suppliers of electricity in Hong Kong, being us and CLP Power. Although the relevant scheme of control agreements entered into by us and CLP Power separately with the Hong Kong Government do not define a licensed area for our operations or the operations of CLP Power, in practice, we are the only supplier of electricity to customers on Hong Kong Island and Lamma Island while CLP Power is the only supplier of electricity to customers in Kowloon, the New Territories, Lantau and most of the other outlying islands.

There are a number of unique local factors which make it difficult to introduce competition to the Hong Kong electricity market. They include an established customer base within a developed market, the lack of indigenous fuel supply, the scarcity of suitable land in Hong Kong to support the establishment of a new power utility company, the difficulties in building new transmission and distribution networks in a highly urbanised and congested city with existing underground utilities, as well as the significant upfront investment that would be required to build a competitive and efficient customer service infrastructure to participate in retail competition. For further details regarding the electricity industry in Hong Kong, see *"Industry Overview"*.

Selected Operating Statistics

Set out below are our selected operating statistics during the Track Record Period:

	FY2010	FY2011	FY2012	9M2013
Installed capacity (MW)				
Gas turbines and standby units	555	555	555	555
Coal-fired units	2,500	2,500	2,500	2,500
Gas-fired combined cycle unit	680	680	680	680
Wind turbine and photovoltaic system[1]	1	1	2	2
Total (MW)	**3,736**	**3,736**	**3,737**	**3,737**

	As at 31 December			As at 30 September
	2010	2011	2012	2013
Number of switching stations[2]	25	25	25	24
Number of zone substations[2]	27	27	27	27
Number of distribution substations[3]	3,710	3,741	3,755	3,770

	FY2010	FY2011	FY2012
System maximum demand[4] (MW)	2,510	2,498	2,494
Annual increase/(decrease) (%)	(1.1)	(0.5)	(0.2)
Annual load factor[5] (%)	55.8	55.9	56.6
Thermal efficiency[6] (%)	36.2	36.2	36.0
Plant availability[7] (%)	85.6	84.4	84.6
Capital expenditure[8] (HK$ million)	2,427	2,887	2,613

Notes:

(1) The 800 kW wind turbine was installed in September 2005. The 550 kW TFPV system was installed in July 2010 and its expansion to approximately 1 MW was completed in March 2013.

(2) Save for the Rumsey Street 132/11 kV zone substation, which is located within government premises, we are the registered owner of the properties on which our switching stations and zone substations are located.

(3) We are the registered owner of the properties on which 16 of our distribution substations are located. The interests in the properties on which the rest of our distribution substations are located are owned by third parties.

(4) "System maximum demand" refers to the highest electricity demand of our customers as a whole.

(5) "Annual load factor" refers to the ratio of average electricity demand to the system maximum demand.

(6) "Thermal efficiency" refers to the ratio of the electricity generated from a power plant to the fuel input.

(7) "Plant availability" refers to the percentage of time that a power plant is able to produce electricity by taking into account the outage hours of the generating units that are completely out of service.

(8) "Capital expenditure" refers to expenditure incurred for the acquisition and/or upgrading of our fixed assets, which generate future economic benefits to us.

KEY RISKS AND UNCERTAINTIES

There are certain risks and uncertainties in investing in HK Electric Investments and the Company. These risks and uncertainties can be categorised into (a) key regulatory risks relating to our overall business, (b) risks relating to the amount and stability of the distributions, (c) risks relating to our coal-fired, gas-fired and oil-fired power businesses, (d) risks relating to our wind power and solar power businesses, (e) risks relating to our operations, (f) risks relating to the structure of HK Electric Investments and the Company and (g) other risks relating to an investment in the Share Stapled Units. In particular:

(i) Our operations are subject to the Scheme of Control

The Scheme of Control is due to expire at the end of 2018 (subject to an option for the Hong Kong Government to extend it for a further term of five years ending on 31 December 2023) and there is no assurance that the Scheme of Control will be renewed on terms that are commercially favourable to us or at all, or that it will not subject us to tighter tariff caps, a lower Permitted Return, or reduced or eliminated financial incentives and/or other limitations, any of which could materially and adversely affect our business, financial condition, results of operations and prospects.

(ii) There is no assurance that the terms of future Development Plans will be similar to or more favourable than the current terms

Each Development Plan sets out, among other things, the projected Basic Tariff Rate and our projected capital expenditure for each of the five years covered under such Development Plan. Should the terms of future Development Plans become less favourable to us, our projected Basic Tariff Rate, targeted installed capacity and projected capital expenditures could be impacted.

(iii) Distributions to the Holders of Share Stapled Units may not be stable

The Trustee-Manager will rely on the receipt of dividends, distributions and other amounts from the Company to make distributions (on behalf of HK Electric Investments) to the Holders of Share Stapled Units. The ability of members of the Group to pay dividends, make distributions, repay shareholder loans or make loans or other payments to their holding companies and, in the case of the Company, to the Trustee-Manager, are dependent on a number of factors, including business, financial condition, results of operations and cash flows of the Group, our Net Return under the Scheme of Control and the operation of the Fuel Clause Recovery Account. Accordingly, there is no assurance as to the ability of the Trustee-Manager to pay or maintain distributions in respect of the Share Stapled Units or that such distributions will be stable or that the level of distributions will increase over time.

Other Key Risks

Other key risks include the following:

- HEC's credit ratings may be subject to change. HEC's credit rating may be reduced as a result of the increases in the amounts of debt (including the HEC Loan Facility), interest payments or capital expenditures;

- changes in the structure and regulation of the power industry in Hong Kong may materially and adversely affect us;

- changes to the Hong Kong Government's fuel mix policy or the Air Pollution Control Ordinance may adversely affect the level of our capital expenditures and our future electricity generation capacity; and

- changes in the volatility of coal, natural gas and ultra low sulphur diesel oil prices may materially and adversely affect us and we may encounter difficulties in immediately passing on sudden or significant increases in such prices to our customers.

As an investment in the Share Stapled Units is meant to produce returns over the long-term, you should not expect to obtain short-term gains. You should be aware that the price of the Share Stapled Units, the distributions and the income from them, may rise or fall and may not fully reflect the value of the underlying net assets attributable to them. You should note that you may not get back your original investment cost and that you may not receive any distributions. You should refer to the risk factors set out in *"Risk Factors"* before deciding to invest in the Offer Share Stapled Units.

COMPETITIVE STRENGTHS

We believe that our strong market position in the electricity market in Hong Kong is a result of our competitive strengths which are set out below:

- we have a favourable business profile governed by the well-established Scheme of Control entered into with the Hong Kong Government;

- we are a vertically integrated operator with a captive customer base;

- we are a well-established local brand and with a long-term relationship with customers;

- we have an established supply reliability and operational excellence;

- our tariff levels are competitive with other developed markets;

- we have a strong and experienced management team; and

- we have a track record of prudent financial performance.

BUSINESS STRATEGIES

We aim to continue our excellence in supply reliability, provision of world-class customer service, dedication to greener energy and constructive and on-going dialogue with our stakeholders to deliver a sustainable and optimal performance for the Holders of Share Stapled Units, our customers and the environment. The following are our key business strategies:

- to maintain world-class supply reliability;

- to provide outstanding customer services;

- to continue focusing on greener energy;

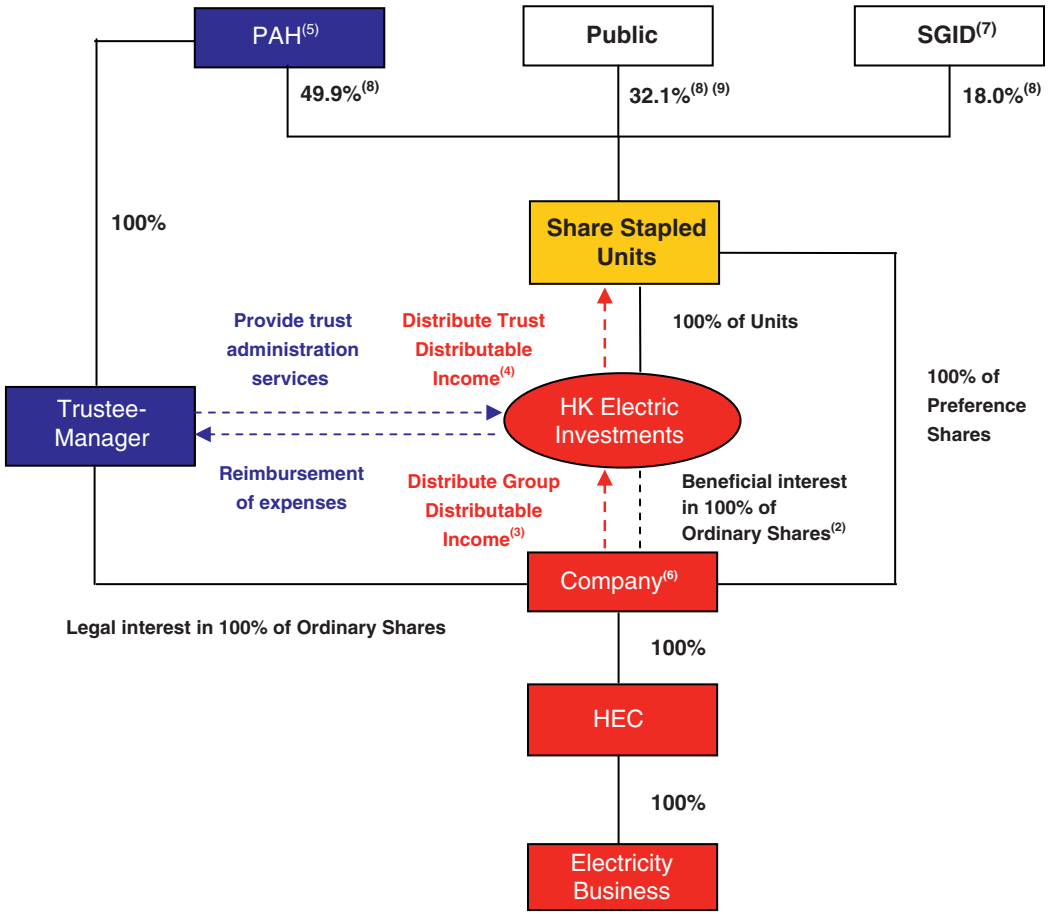
- to engage with the community and stakeholders; and

- to strive for prudent financial and operational management and deliver sustainable returns to the Holders of Share Stapled Units.

STRUCTURE OF THE TRUST GROUP AND THE SHARE STAPLED UNITS

Structure of the Trust Group

The chart below illustrates a simplified version of the structure of the Trust Group immediately following the completion of the Reorganisation and the Global Offering (assuming that the Over-allotment Option is not exercised)[1]:



Notes:

(1) With the exception of the beneficial interest in 100% of the Ordinary Shares held by the Holders of Share Stapled Units, all dotted lines indicate a contractual relationship between the entities or distribution or funds flow and continuous lines indicate an interest in shares (or, in the case of HK Electric Investments, an interest in the Units) or ownership in the Electricity Business.

(2) As HK Electric Investments is not a separate legal entity, all of the Trust Property, being the assets of HK Electric Investments, will be held by the Trustee-Manager for the benefit of the Registered Holders of Units. Subject to the exercise of the Exchange Right, all of the issued Ordinary Shares must be registered in the Principal Register of Members in the name of the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments).

(3) The current intention of the Company Directors is to declare a dividend of and distribute 100% of the Group Distributable Income for (a) the period from the Listing Date to 31 December 2014 and (b) each financial year thereafter. Please see *"Distributions"* for further details.

(4) Under the Trust Deed, the Trustee-Manager (on behalf of HK Electric Investments) is required to declare a dividend of and distribute 100% of the Trust Distributable Income. Please see *"Distributions"* for further details.

(5) PAH's interest in the Share Stapled Units is held through Quickview, its wholly-owned subsidiary. PAH's interest in the Trustee-Manager is held through Sure Grade, its wholly-owned subsidiary.

(6) The Company's interest in HEC is held through Century Rank and Treasure Business, its wholly-owned subsidiaries.

(7) Pursuant to the SGID Agreement, SGID, a wholly-owned subsidiary of the State Grid Corporation of China, has agreed to subscribe at the Offer Price for Share Stapled Units representing 18.0% of the Share Stapled Units in issue immediately following the completion of the Reorganisation and the Global Offering. See *"Cornerstone Investors"* for further details. SGID's percentage holding of Share Stapled Units will not be affected by any exercise of the Over-allotment Option and will not count towards the public float of Share Stapled Units.

(8) Assuming the Over-allotment Option is exercised in full, the respective percentage holding of PAH, the public and SGID in the Share Stapled Units will be approximately 42.4%, 39.6% and 18.0%, respectively.

(9) The holding of Share Stapled Units by the public includes the 71,100,500 Share Stapled Units (representing approximately 0.8% of the total Share Stapled Units in issue immediately following the completion of the Reorganisation and the Global Offering and assuming an Offer Price of HK$5.45 (being the Minimum Offer Price)) to be subscribed for by OIF, a sovereign wealth fund of the Government of Oman, pursuant to the OIF Agreement. See "*Cornerstone Investors*" for further details.

Share Stapled Units

Subscribers under the Global Offering will subscribe for Share Stapled Units jointly issued by HK Electric Investments and the Company. Each Share Stapled Unit comprises three components:

(a) a Unit;

(b) a beneficial interest in a specifically identified Ordinary Share held by the Trustee-Manager, which is "Linked" to the Unit; and

(c) a specifically identified Preference Share which is "Stapled" to the Unit.

Meaning of "Linked"

All of the issued Ordinary Shares must be held by the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments). Each Unit issued by the Trustee-Manager must correspond with a specifically identified Ordinary Share held by the Trustee-Manager and confer a beneficial interest in that specifically identified Ordinary Share such that a transfer of a Unit is effective to transfer the beneficial interest in the Ordinary Share. The Trust Deed characterises this relationship as each Unit being "Linked" to a specifically identified Ordinary Share held by the Trustee-Manager. The Linking provisions result in the SFO (including, but not limited to, provisions on protection of investors) being applicable to the Units as derivatives of the underlying listed Ordinary Shares.

Meaning of "Stapled"

Each Unit issued by the Trustee-Manager must be attached or "Stapled" to a specifically identified Preference Share, with the Preference Share to be held by the Unitholder (along with the Unit) as full legal and beneficial owner, so that one cannot be traded without the other. The Trust Deed characterises this relationship as each Unit being "Stapled" to a specifically identified Preference Share. The Stapling structure ensures that the Share Stapled Units (and, thereby, HK Electric Investments, including the Trustee-Manager, and the Company) are clearly subject to all the provisions of the SFO (including, but not limited to, the provisions on the protection of investors).

Numbers of Units, Ordinary Shares and Preference Shares Must Be the Same

Under the Trust Deed and the Company's Articles, the number of Ordinary Shares and Preference Shares in issue must be the same at all times and must also, in each case, be equal to the number of Units in issue.

Listing and Trading of the Share Stapled Units

The Share Stapled Units will be listed and traded on the Stock Exchange and there will only be a single price quotation on the Stock Exchange for a Share Stapled Unit.

The Company

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and following the completion of the Reorganisation and the Global Offering, the Company will become the holding company of the Electricity Business.

The Company has two classes of shares:

(a) Ordinary Shares, which confer voting rights at general meetings of Shareholders (one vote per Ordinary Share) and rights to dividends and distributions from the Company; and

(b) Preference Shares, which also confer voting rights at general meetings of Shareholders (one vote per Preference Share), but have no rights to any dividends, distributions or other payments from the Company, except in the case of the winding up of the Company or their redemption upon the termination of HK Electric Investments.

HK Electric Investments and the Trustee-Manager

General

HK Electric Investments is a fixed single investment trust, meaning that HK Electric Investments may only invest in the securities and other interests in a single entity, being the Company, and that HK Electric Investments will confer on Registered Holders of Units a beneficial interest in specifically identifiable property (being the Ordinary Shares) held by HK Electric Investments.

HK Electric Investments is constituted by a Hong Kong law governed trust deed entered into between the Trustee-Manager and the Company. Under the Trust Deed, the Trustee-Manager has been appointed as the trustee and manager of HK Electric Investments.

The Trustee-Manager and Its Specific Role

The Trustee-Manager, HK Electric Investments Manager Limited, is incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of PAH. The Trustee-Manager has legal ownership of the assets of HK Electric Investments and has declared, under the Trust Deed, that it will hold those assets on trust for the Registered Holders of Units. All Trust Property will be held in segregated accounts controlled jointly by the Trustee-Manager and the Company.

The Trustee-Manager has a specific and limited role, which is to administer HK Electric Investments. The Trustee-Manager is not actively involved in the management of the Electricity Business, which is owned and managed by the Group.

No Fees Payable to the Trustee-Manager

The costs and expenses of administering HK Electric Investments may be deducted from the Trust Property but, commensurate with its specific and limited role, the Trustee-Manager will not receive any fee for administering HK Electric Investments.

Removal and Replacement of the Trustee-Manager

The Trust Deed provides that the Trustee-Manager may be removed and replaced by an Ordinary Resolution of Registered Holders of Units. The Trust Deed contains detailed provisions relating to the resignation, removal and replacement of the Trustee-Manager.

Trustee-Manager Board

The Trust Deed requires that the Trustee-Manager Directors shall at all times comprise the same individuals who serve as the Company Directors. In addition, no person shall serve as a Trustee-Manager Director unless he also serves as a Company Director at the same time and no person shall serve as a Company Director unless he also serves as a Trustee-Manager Director at the same time.

No Debt

In accordance with the Trust Deed, HK Electric Investments is not permitted to incur debt. However, there is no restriction on the ability of the Company or any of its subsidiaries to incur debt.

Exchange Right

The Trust Deed includes an Exchange Right for the benefit of Registered Holders of Share Stapled Units. By passing an Extraordinary Resolution of Registered Holders of Units, Registered Holders of Share Stapled Units may require that all (but not part only) of the Share Stapled Units in issue be exchanged (on a one for one basis) for the underlying Ordinary Shares held by the Trustee-Manager that are Linked to the Units being exchanged.

If the Exchange Right is exercised, HK Electric Investments and the Trust Deed would terminate, the Units and Preference Shares would be exchanged with the Trustee-Manager and cancelled pursuant to the exercise of the Exchange Right and the former Registered Holders of Share Stapled Units would become the holders of an equal number of listed Ordinary Shares, which would, subject to the prior approval of the Stock Exchange, be tradeable on the Stock Exchange on an independent basis.

Meetings of Holders of Share Stapled Units Held on a Combined Basis

If a meeting of Registered Holders of Units is convened, a meeting of Shareholders must also be convened and *vice versa*. The Trust Deed provides that meetings of Registered Holders of Units and Shareholders shall be held on a combined basis as a single meeting and characterised as a meeting of Registered Holders of Share Stapled Units. If that is not possible under the relevant laws and regulations, the meetings shall be held separately but consecutively (with the meeting of Shareholders being held immediately after the meeting of Registered Holders of Units).

Notices of Meetings and Other Documents

Holders of Share Stapled Units will receive notices of meetings, financial statements and other publications in respect of both HK Electric Investments and the Company.

Voting at Meetings

A Registered Holder of a Share Stapled Unit shall cast a single vote in respect of that Share Stapled Unit, which shall serve as a vote in respect of both the Unit and the Preference Share Stapled to the Unit.

The Trustee-Manager may only exercise the voting rights conferred by the Ordinary Shares held by it in accordance with the directions of the holders of the Units which are Linked to those Ordinary Shares.

SUMMARY OF SELECTED FINANCIAL INFORMATION

The consolidated financial information included in the Accountants' Report is prepared for the Operating Group and not the Trust Group. Neither HK Electric Investments nor the Company carried on, or expect to carry on, any business from the dates of their respective establishment/incorporation until the date of completion of the Acquisition, which is the same date as the Listing Date, except for incurring certain insignificant costs relating to the Acquisition and the Listing, and neither HK Electric Investments nor the Company had any material assets or liabilities or revenue or expenses during the Track Record Period. Accordingly, we have used the consolidated financial information of the Operating Group below for the purpose of undertaking an analysis of the financial information of the Trust Group during the Track Record Period.

Summary Consolidated Statements of Profit or Loss and Consolidated Statements of Comprehensive Income

The following table sets out selected items in our consolidated statements of profit or loss and consolidated statements of comprehensive income for the periods indicated:

	FY2010	FY2011	FY2012	9M2012 (unaudited)	9M2013
			(HK$ in millions)		
Turnover	10,363.0	10,184.8	10,399.6	8,061.5	7,885.5
Standard fuel costs	(1,776.0)	(1,783.4)	(1,805.6)	(1,404.4)	(1,360.8)
Direct costs	(2,159.2)	(2,239.4)	(2,347.2)	(1,729.1)	(1,822.2)
	6,427.8	6,162.0	6,246.8	4,928.0	4,702.4
Other revenue and other net income	34.2	50.4	32.1	26.0	22.4
Other operating costs	(734.4)	(639.9)	(652.0)	(458.7)	(520.8)
Finance costs	(112.9)	(249.2)	(264.9)	(190.6)	(214.6)
Profit before taxation	5,614.7	5,323.4	5,362.0	4,304.8	3,989.4
Income tax	(936.1)	(888.9)	(890.9)	(715.2)	(660.7)
Profit after taxation	4,678.7	4,434.5	4,471.1	3,589.6	3,328.7
Scheme of Control transfers (to)/from:					
Tariff Stabilisation Fund	(58.2)	46.1	72.0	(152.3)	235.0
Rate Reduction Reserve	(0.9)	(1.0)	(1.4)	(1.1)	(0.4)
Profit attributable to the equity shareholders of HEC	4,619.5	4,479.5	4,541.7	3,436.1	3,563.3
Other comprehensive income/(losses) for the year/period, net of tax	394.3	(726.8)	13.3	(149.7)	590.1
Total comprehensive income for the year/period attributable to the equity shareholders of HEC	5,013.8	3,752.8	4,555.0	3,286.5	4,153.4

Summary Consolidated Balance Sheets

The following table sets out selected items in the consolidated balance sheets as at the dates indicated:

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	(HK$ in millions)			
Non-current assets	48,793.3	49,551.8	50,207.0	49,712.5
Current assets	2,444.9	3,257.8	3,130.3	2,672.6
Total assets	51,238.2	52,809.6	53,337.3	52,385.1
Non-current liabilities[(1)]	(34,502.8)	(35,709.9)	(30,891.9)	(34,715.0)
Current liabilities	(1,787.9)	(3,405.2)	(7,956.8)	(3,643.7)
Net current assets/(liabilities)	657.0	(147.4)	(4,826.5)	(971.1)
Total liabilities	(36,290.7)	(39,115.1)	(38,848.7)	(38,358.7)
Net assets	14,947.4	13,694.5	14,488.6	14,026.4
Total equity	14,947.4	13,694.5	14,488.6	14,026.4

Note:

(1) Included in our non-current liabilities are the amounts contained in the Tariff Stabilisation Fund and the Rate Reduction Reserve. For further information, see our consolidated balance sheets in section A of *"Appendix I — Accountants' Report"*.

We recorded net current assets of HK$657.0 million as at 31 December 2010 and net current liabilities of HK$147.4 million, HK$4,826.5 million and HK$971.1 million as at 31 December 2011 and 2012 and 30 September 2013, respectively. Our net current liabilities position as at 31 December 2011 primarily reflected (i) the increase in our trade and other payables and (ii) the increase in the current portion of our MTNs in accordance with their repayment schedules. During 2012, certain bank loans that were previously classified as non-current became due within one year in accordance with their repayment schedules and hence were classified as current liabilities. Our net current liabilities position as at 30 September 2013 primarily reflected a decrease in the current portion of our bank loans. The current portion of our bank loans decreased from HK$5,310.5 million as at 31 December 2012 to HK$792.0 million as at 30 September 2013, primarily due to repayment in accordance with their repayment schedules, funded by (i) amounts made available through a drawdown of facilities with maturity dates beyond one year and (ii) additional amounts made available from the loan from our ultimate holding company. During the Track Record Period, we maintained a relatively stable level of total borrowings (comprising MTNs, bank loans, bank overdrafts and loan from our ultimate holding company) of HK$25,778.5 million, HK$27,308.0 million, HK$27,209.3 million and HK$27,082.5 million as at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively. During the same periods, the balance of loan capital received from PAH was HK$8,845.0 million and was accounted for as part of our equity. Our net current liabilities position is also a result of our centralised cash fund management, under which we transferred substantially all of our cash and bank balances to our then holding company. Upon Listing, we will handle our cash fund management independently.

As at 30 November 2013, we had total committed, undrawn bank facilities of HK$2,300 million with maturity dates ranging from 31 July 2015 to 3 August 2015. For information regarding the material covenants and undertakings and material events of default contained in our bank loans held during the Track Record Period, see *"Financial Information — Indebtedness — Bank Loans"*.

Settlement of the Acquisition Consideration

On the Completion Date (which is the same date as the Listing Date), we expect to settle the Acquisition Consideration through:

- the issuance of the Consideration Share Stapled Units to Quickview, at the direction of PAH;
- the payment to PAH of the net proceeds from the Global Offering (being the gross proceeds less underwriting commissions and any incentive fees in relation to the Global Offering payable by HK Electric Investments and the Company); and
- as to the balance, through the issuance of the Promissory Note by Treasure Business in favour of PAH.

Disbursement of the Proceeds from the Loan Facilities

In preparation for the Reorganisation and the Acquisition, we have obtained the HEC Loan Facility and the Company Loan Facility, which together total approximately HK$37,000.0 million.

On or before the fifth business day following the Listing Date, we intend to utilise the proceeds of the HEC Loan Facility of approximately HK$28,300.0 million in the following manner:

- approximately HK$27,445.3 million will be applied towards repayment in full of all amounts outstanding under the Inter-company Loans, comprising (i) HK$18,600.3 million outstanding under various loans and advances from PAH and (ii) HK$8,845.0 million of outstanding loan capital;
- approximately HK$600.0 million will be applied towards payment of capital expenditure incurred or expected to be incurred by HEC up to the Listing Date but unpaid as of such date; and
- approximately HK$254.7 million will be applied towards payment of a front end fee in respect of the HEC Loan Facility.

On or before the fifth business day following the Listing Date, we intend to utilise the proceeds of the Company Loan Facility of approximately HK$8,700.0 million in the following manner:

- approximately HK$8,502.6 million will be applied towards redemption of the Promissory Note to be issued by Treasure Business in favour of PAH;
- approximately HK$109.1 million will be applied towards payment of various costs and expenses relating to the Global Offering which are to be borne by the Company;
- approximately HK$10.0 million will be applied towards funding working capital requirements of the Company and its subsidiaries; and
- approximately HK$78.3 million will be applied towards payment of a front end fee in respect of the Company Loan Facility.

Amounts to be drawn under the HEC Loan Facility and the Company Loan Facility will be repayable after more than one year and will thus be recorded as non-current liabilities. Neither the HEC Loan Facility nor the Company Loan Facility will be guaranteed by PAH.

In addition, as at and from the Listing Date to 31 December 2014 (being the period covered by the 2014 Profit Forecast), we expect to have in place at least HK$500.0 million of committed and available banking facilities, which we can draw to fund the Group's general working capital.

Immediately following the redemption of the Promissory Note as set out above, we expect our total outstanding borrowings to amount to approximately HK$48,328.5 million. As a result of the foregoing, and together with retained cash generated from our operations, we expect to have a net current asset position upon Listing.

Summary Cash Flow Statements

The following table sets out a summary of the net cash flow and the cash and cash equivalents as at and for the periods indicated:

	FY2010	FY2011	FY2012	9M2012 (unaudited)	9M2013
	(HK$ in millions)				
Net cash generated from operating activities	6,616.3	6,437.8	6,689.7	5,409.8	5,934.6
Net cash used in investing activities	(2,283.6)	(2,531.7)	(2,675.7)	(2,132.5)	(1,583.0)
Net cash used in financing activities	(4,410.8)	(3,889.4)	(4,036.1)	(3,274.6)	(4,351.5)
(Decrease)/increase in cash and cash equivalents	(78.1)	16.8	(22.1)	2.8	0.1

	As at 31 December			As at 30 September	
	2010	2011	2012	2012 (unaudited)	2013
	(HK$ in millions)				
Cash and cash equivalents					
Cash and bank balances	8.7	23.8	7.6	26.6	7.8
Bank overdraft - unsecured	(1.7)	—	(5.9)	—	(6.0)
	7.0	23.8	1.7	26.6	1.8

Selected Key Financial Ratios

The following table sets out selected key financial ratios for the periods indicated:

	For the year ended and as at 31 December			For the nine months ended and as at 30 September	
	2010	2011	2012	2012	2013
Net debt-to-net assets ratio[1]	84.2%	115.0%	113.7%	126.4%	98.4%
Net debt-to-total assets ratio[2]	24.6%	29.8%	30.9%	31.5%	26.4%
Return on assets[3]	9.0%	8.5%	8.5%	N/A	N/A
Return on equity[4]	30.9%	32.7%	31.3%	N/A	N/A

Notes:

(1) Net debt-to-net assets ratio is calculated by dividing net debt by net assets and multiplying the result by 100%. Net debt represents our interest-bearing borrowings less cash and bank balances, with interest-bearing borrowings comprising bank loans, MTNs and unsecured bank overdrafts.

(2) Net debt-to-total assets ratio is calculated by dividing net debt by total assets and multiplying the result by 100%.

(3) Return on assets is calculated by dividing profit attributable to the equity shareholders of HEC for the year by total assets and multiplying the result by 100%.

(4) Return on equity is calculated by dividing profit attributable to the equity shareholders of HEC for the year by total equity and multiplying the result by 100%. Total equity comprises share capital, reserves and loan capital.

Selected Items from the Unaudited Pro Forma Statements of Assets and Liabilities of the Trust Group

The following sets out selected items from the unaudited pro forma statement of assets and liabilities of the Trust Group as at 30 September 2013 extracted or derived from *"Appendix II — Unaudited Pro Forma Financial Information"*. This should be read together with *"Appendix II — Unaudited Pro Forma Financial Information"*.

	Maximum Offer Price	Minimum Offer Price
	(HK$ in millions except percentages)	
Total assets	117,928	110,531
Total liabilities		
Bank loans due after one year[1]	(37,000)	(37,000)
Debt upfront fee	333	333
MTNs	(11,519)	(11,519)
Other liabilities	(15,020)	(15,020)
	(63,206)	(63,206)
Net assets attributable to Holders of Share Stapled Units	54,722	47,325
Pro forma gearing ratios:		
Net debt-to-net assets ratio[2]	85%	99%
Net debt-to-total assets ratio[3]	40%	42%

Notes:

(1) Representing the loans drawn under the Company Loan Facility and the HEC Loan Facility assuming (i) the Listing and completion of the Acquisition had taken place as at 30 September 2013 and (ii) the repayment in full of the Inter-company Loans as at 30 September 2013.

(2) Net debt-to-net assets ratio is calculated by dividing the pro forma net debt by net assets (which is 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), and then multiplying the resulting value by 100%.

(3) Net debt-to-total assets ratio is calculated by dividing the pro forma net debt by total assets, and then multiplying the resulting value by 100%.

SCHEME OF CONTROL LINE ITEMS

See *"Financial Information — Scheme of Control"* for detailed information of the Scheme of Control data from FY2003 to FY2012.

2013 PROFIT ESTIMATE AND 2014 PROFIT FORECAST

On the bases and assumptions set out in *"2013 Profit Estimate and 2014 Profit Forecast"* and in the absence of unforeseen circumstances, the 2013 Profit Estimate and the 2014 Profit Forecast are as follows:

Estimated consolidated profit attributable to the equity shareholders of HEC for the financial year ended 31 December 2013[(1)] . . . . . Not less than HK$5,180.0 million

Forecast consolidated profit attributable to the Holders of Share Stapled Units for period from the Listing Date to 31 December 2014[(2)] . . . . . Not less than HK$2,765.8 million

Notes:

(1) HK Electric Investments and the Company were established and incorporated on 1 January 2014 and 23 September 2013, respectively. Neither HK Electric Investments nor the Company carried on or expects to carry on any business, nor will they have incurred any significant costs or expenses, from the dates of their respective establishment/incorporation until the date of completion of the Acquisition, which is the same date as the Listing Date. Accordingly, the 2013 Profit Estimate has been prepared based on the audited consolidated results of the Operating Group for the nine months ended 30 September 2013, the unaudited consolidated results of the Operating Group based on the management accounts for the two months ended 30 November 2013 and an estimate of the consolidated results of the Operating Group for the remaining one month ended 31 December 2013.

(2) The 2014 Profit Forecast has been prepared based on the forecast of the consolidated results of the Trust Group for the period from the Listing Date to 31 December 2014. The 2014 Profit Forecast assumes that the anticipated Listing Date will be 29 January 2014 and will vary if the actual Listing Date is different.

As we intend to replace our existing interest-free Inter-company Loans with interest-bearing bank loans, we anticipate that our interest expenses will significantly increase relative to previous years. In particular, the interest rates with respect to the interest bearing HEC Loan Facility and Company Loan Facility will be equal to (i) the sum of HIBOR and an interest margin (0.80% per annum) for amounts drawn in Hong Kong dollars, and (ii) the sum of LIBOR and an interest margin (0.80% per annum) for amounts drawn in United States dollars. In addition, upon 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 HKFRS, such that the fair value of these identifiable assets and liabilities will be significantly greater than

the historical amounts at which such assets and liabilities were previously stated. For an illustration regarding the estimated pro forma amount of fair value adjustments of fixed assets as at 30 September 2013, see note 6 of Section A of *"Appendix II — Unaudited Pro Forma Financial Information"*, which should be read together with Appendix II in its entirety. In addition, goodwill will be created and the amount of our depreciation and amortisation charges will also significantly increase. Such increases in our interest charges and depreciation and amortisation charges have been taken into account in the preparation of the 2014 Profit Forecast and will, in future years, continue to impact our profits and profit margins. On a year-on-year comparison, such increases in our interest charges and depreciation and amortisation charges account for the great majority of the reduction in the amount of the 2014 Profit Forecast (on an annualised basis) relative to the amounts of the profit attributable to the equity shareholders of HEC for FY2010, FY2011, FY2012 and the 2013 Profit Estimate. The goodwill that will be created as a result of the Acquisition may be subject to future impairment. If the carrying amount of the HEC cash generating unit ("**CGU**") to which the goodwill arising on the Acquisition will be allocated exceeds the recoverable amount of the CGU after the Listing Date, there may be a reduction in the goodwill initially recognised as a result of the Acquisition. Any impairment of goodwill would impact our consolidated profit attributable to the Holders of Share Stapled Units. However, depreciation and amortisation charges and impairment of goodwill do not result in any cash outflows and form part of the Adjustments, the effects of which will be eliminated in calculating the Group Distributable Income and in calculating the amounts of the distributions to Registered Holders of Share Stapled Units commencing from the Listing Date. For further information, see *"Risk Factors — Risks Relating to Our Operations — Changes in interest rates, increases in depreciation and amortisation charges and impairment of goodwill may have a significant impact on our profits and results of operations"* and *"2013 Profit Estimate and 2014 Profit Forecast"*. For information regarding the sensitivity of the consolidated profit attributable to the Holders of Share Stapled Units to changes in the interest rate assumption, see *"2013 Profit Estimate and 2014 Profit Forecast — 2014 Profit Forecast — Sensitivity Analysis"*.

DISTRIBUTIONS

Distribution Policy

Trust Distributable Income

The Trust Deed requires the Trustee-Manager (on behalf of HK Electric Investments) to distribute 100% of the dividends, distributions and other amounts received by the Trustee-Manager in respect of the Ordinary Shares from the Company, after deduction of all amounts permitted to be deducted or paid under the Trust Deed (such as operating expenses of HK Electric Investments) (the "**Trust Distributable Income**").

Group Distributable Income

The distributions received by the Trustee-Manager from the Company will be derived from the Group Distributable Income.

"**Group Distributable Income**" refers to the audited consolidated profit attributable to the Holders of Share Stapled Units for the relevant financial year or the relevant distribution period after:

(a) eliminating the effects of the Adjustments;

(b) (i) adding/(deducting) any net decrease/(increase) in the Fuel Clause Recovery Account asset, (ii) deducting any rebates made from the Rate Reduction Reserve, (iii) adding/(deducting) any net decrease/(increase) in other working capital items, (iv) deducting the actual amount of taxes paid and (v) deducting the actual amount of funding applied in respect of employee retirement benefit schemes;

(c) deducting the actual amount of capital expenditure incurred;

(d) deducting (i) the actual amount used to repay the principal amount of any debt and (ii) the actual amount used to pay any interest and financing fees (net of the actual amount of interest received); and

(e) at the discretion of the Company Directors, deducting any amounts set aside (i) in respect of future capital expenditure or (ii) for the purpose of future debt service and/or compliance with covenants in any credit facility agreement.

The Trust Deed and the Company's Articles state the current intention of the Company Directors to declare and distribute 100% of the Group Distributable Income for (a) the period from the Listing Date to 31 December 2014 and (b) each financial year thereafter. In addition, subject to compliance with all applicable laws of the Cayman Islands and the Company's Articles, the Company Directors may declare and distribute such additional amounts as the Company Directors in their discretion determine.

The above distribution policy is a statement of the current intention of the Company Directors only. It is not a legally binding obligation of the Company Directors, the Company, the Trustee-Manager or HK Electric Investments and is subject to change.

The distributions received by the Trustee-Manager from the Company (after deducting the operating expenses of HK Electric Investments) will be used to fund distributions in respect of the Share Stapled Units to be made by the Trustee-Manager (on behalf of HK Electric Investments).

The Trustee-Manager will make distributions to the Holders of Share Stapled Units in Hong Kong dollars on a semi-annual basis from the interim and final distributions to be made by the Company to the Trustee-Manager. The Trustee-Manager will pay the interim distribution within four months after 30 June and the final distribution within six months after 31 December of each year.

If the distribution policy were to be changed in the future, the Trustee-Manager and the Company will issue an announcement describing the relevant change.

Expected Distributions for the Period from the Listing Date to 31 December 2014

The Directors expect that, based on the assumptions relating to the 2014 Profit Forecast as set out in *"2013 Profit Estimate and 2014 Profit Forecast"* and in the absence of unforeseen circumstances, the total distributions to be declared and paid to the Holders of Share Stapled Units for the period from the Listing Date to 31 December 2014 will not be less than HK$3,217.7 million. Such distributions are calculated based on (a) the expected Group Distributable Income for the period from the Listing Date to 31 December 2014, which is calculated from the 2014 Profit Forecast and (b) the assumption that the anticipated Listing Date will be 29 January 2014 and will vary if the actual Listing Date is different.

Statement of Distributions

	Based on the Minimum Offer Price of HK$5.45	Based on the Maximum Offer Price of HK$6.30
	Listing Date to 31 December 2014	Listing Date to 31 December 2014
Expected distributions to the Holders of Share Stapled Units (HK$)[(1)]	3,217.7 million	3,217.7 million
DPU (HK cents)[(2)]	36.41	36.41
Annualised distributions to the Holders of Share Stapled Units (HK$)[(3)]	3,485.0 million	3,485.0 million
Annualised DPU (HK cents)[(2)(4)]	39.44	39.44
Annualised distribution yield[(4)(5)]	7.237%	6.260%

Notes:

(1) Please see *"— Expected Distributions for the Period from the Listing Date to 31 December 2014"* above for further details on how the expected distributions have been calculated.

(2) Assumes that 8,836,200,000 Share Stapled Units will be in issue for the entire period from the Listing Date to 31 December 2014.

(3) The annualised distributions are calculated by annualising the expected distributions to the Holders of Share Stapled Units for the period from the Listing Date to 31 December 2014.

(4) The annualised DPU is calculated based on the annualised distributions to the Holders of Share Stapled Units divided by the number of Share Stapled Units that will be in issue. The annualised distribution yield is calculated from the annualised DPU.

(5) The annualised distribution yield is calculated based on the Minimum Offer Price and the Maximum Offer Price. Such yield will vary for investors who purchase Share Stapled Units in the secondary market at a market price that differs from the Minimum Offer Price and the Maximum Offer Price or for investors who do not hold the Share Stapled Units for the entire period from the Listing Date to 31 December 2014.

DIVIDEND POLICY

During FY2010, FY2011, FY2012, 9M2012 and 9M2013, dividends of HK$5,519.1 million, HK$5,005.7 million, HK$3,760.9 million, HK$3,760.9 million and HK$4,615.6 million, respectively, were paid by HEC to PAH. See *"Distributions"* for further details on the distribution policy of HK Electric Investments and the Company following the Listing. Interim dividends of HK$4,865.2 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. To the extent that they are not paid to PAH before completion of the Acquisition, dividends so declared shall form part of the Inter-company Loans and are expected to be settled by HEC on or before the fifth business day following the Listing Date.

After the consolidated financial statements of the Operating Group for FY2013 and for the period from 1 January 2014 up to the Completion Date have been prepared and audited to determine the profit for such periods, Treasure Business will procure that a further interim dividend in respect of the remaining part of such profit up to the Completion Date is declared by HEC to Treasure Business and Treasure Business will then pay to PAH the same amount by no later than 30 April 2014. The amount of such further interim dividend will be determined solely based on the audited profit attributable to the equity shareholders of HEC for the period up to the Completion Date and should not be considered in the context of the 2014 Profit Forecast, which represents the forecast profit of the Trust Group for the period from the Listing Date to 31 December 2014 and takes into account increases in interest charges and depreciation and amortisation charges and is therefore not capable of being extrapolated for comparison (see *"2013 Profit Estimate and 2014 Profit Forecast"* for information regarding the 2014 Profit Forecast). Furthermore, our electricity-related business and the number of units of electricity we are able to sell are affected by the supply of and demand for our electricity, which are subject to weather conditions and seasonality. See *"Risk Factors — Risks Relating to Our Operations — Our electricity sales and operating results may fluctuate on a seasonal basis and may be negatively affected by changes in weather conditions and seasonality"*. The payment of such further interim dividend will be funded from cash generated from the operations of HEC. The Company will publicly disclose the amount of such further interim dividend in respect of profit attributable to the equity shareholders of HEC in an announcement.

USE OF PROCEEDS

The net proceeds from the Global Offering which HK Electric Investments and the Company will receive, assuming an Offer Price of HK$5.88 (being the mid-point of the Offer Price Range), will be approximately HK$25,249.3 million, after deducting the estimated underwriting commissions and incentive fees (assuming the full payment of the discretionary incentive fee) in relation to the Global Offering payable by HK Electric Investments and the Company.

All of the net proceeds from the Global Offering which HK Electric Investments and the Company will receive will be used to pay PAH for partial settlement of the consideration for the Acquisition.

As the Over-allotment Option will be granted by Quickview, and not HK Electric Investments and the Company, HK Electric Investments and the Company will not receive any proceeds from any exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised in full and assuming an Offer Price of HK$5.88 (being the mid-point of the Offer Price Range), the net proceeds which Quickview will receive from such exercise will be approximately HK$3,787.4 million, after deducting the estimated underwriting commissions and incentive fees (assuming the full payment of the discretionary incentive fee) in relation to the Global Offering payable by Quickview.

LITIGATION

As a major power utility, we are involved in legal proceedings from time to time, which arise in our ordinary course of business, such as third party damage to our underground cables. In addition, on 1 October 2012, a passenger catamaran collided with one of our passenger launches near Lamma Island. The collision resulted in loss of life and injuries and led to inquiry, litigation and claims. For further information, see *"Business — Legal and Regulatory Matters — Litigation, Claims and Arbitration"*.

RECENT DEVELOPMENTS

An agreement in principle was reached with the Hong Kong Government on the 2013 interim review of the Scheme of Control in November 2013 and the 2014-2018 Development Plan was approved by the Executive Council in December 2013. For further information, see *"Scheme of Control and Regulatory Overview"*.

As far as the Directors are aware, there have not been any material changes in the general economic and market conditions in Hong Kong or the industry in which we operate that materially and adversely affected our business operations or financial condition since 30 September 2013 and up to the date of this prospectus.

The Directors confirm that, having performed reasonable due diligence on the Trust Group, there has been no material adverse change in the Trust Group's financial or trading position or prospects since 30 September 2013 up to the date of this prospectus.

LISTING EXPENSES

Total expenses (excluding underwriting commissions and any incentive fees) expected to be incurred in relation to the Listing are HK$109.1 million, of which approximately HK$18.0 million is expected to be charged to the consolidated statement of profit or loss of the Trust Group and approximately HK$91.1 million is expected to be charged to equity of the Trust Group in FY2014. The Company and the Trustee-Manager incurred insignificant expenses relating to the Listing during the Track Record Period.

HK Electric Investments	HK Electric Investments (港燈電力投資), a trust constituted by the Trust Deed under the laws of Hong Kong, which has been established as a fixed single investment trust, with its activities being limited to investing in the Company and anything necessary or desirable for or in connection with investing in the Company.
Company	HK Electric Investments Limited (港燈電力投資有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 23 September 2013.
Trustee-Manager	HK Electric Investments Manager Limited (港燈電力投資管理人有限公司), a company incorporated in Hong Kong with limited liability on 25 September 2013 and a wholly-owned subsidiary of PAH, in its capacity as trustee-manager of HK Electric Investments.
Global Offering	4,426,900,000 Offer Share Stapled Units jointly offered by HK Electric Investments and the Company under the Hong Kong Public Offering and the International Offering (including the Preferential Offering), subject to the Over-allotment Option, and 5,090,935,000 Offer Share Stapled Units if the Over-allotment Option is exercised in full.
Over-allotment Option	Quickview (a wholly-owned subsidiary of PAH) expects to grant to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable in whole or in part from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering and the Preferential Offering, to require Quickview to sell up to an aggregate of 664,035,000 Share Stapled Units, representing not more than 15% of the number of Offer Share Stapled Units initially being offered under the Global Offering at the Offer Price, to, among other things, cover over-allocations in the International Offering, if any.
Hong Kong Public Offering	221,345,000 Offer Share Stapled Units jointly offered by HK Electric Investments and the Company by way of a public offer in Hong Kong (subject to reallocation).
International Offering	4,205,555,000 Offer Share Stapled Units jointly offered by HK Electric Investments and the Company by way of an international placement to investors, including institutional and other investors in Hong Kong (subject to reallocation and the Over-allotment Option), and includes the Preferential Offering.
Public offering without listing in Japan	The International Offering will include a public offering without listing in Japan.

Preferential Offering to Qualifying PAH Shareholders	Of the 4,205,555,000 Offer Share Stapled Units initially being offered under the International Offering, 533,565,500 Share Stapled Units will be offered by way of a preferential offering to the Qualifying PAH Shareholders as an Assured Entitlement. In the event that Offer Share Stapled Units applied for under excess applications under the Preferential Offering are more than those not taken up by the Qualifying PAH Shareholders under the Assured Entitlement, the Available Reserved Share Stapled Units will be allocated on a basis which will be consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong. Further details are set out in *"Structure of the Global Offering — The Preferential Offering*".
Clawback and Re-allocation	The Offer Share Stapled Units may, in certain circumstances, be re-allocated between the International Offering and the Hong Kong Public Offering.
Consideration Share Stapled Units	On or prior to the Listing Date, separate from the Global Offering, Quickview (a wholly-owned subsidiary of PAH) will receive 4,409,299,999 Share Stapled Units (representing approximately 49.9% of the total number of Share Stapled Units in issue immediately following the completion of the Reorganisation and the Global Offering), as partial settlement of the consideration for the Acquisition.
Offer Price Range	Between HK$5.45 (the Minimum Offer Price) and HK$6.30 (the Maximum Offer Price).
Price Determination	The Offer Price will be determined following a book-building process by agreement among the Joint Global Coordinators (on behalf of the Underwriters), Quickview, the Trustee-Manager and the Company on the Price Determination Date, which is expected to be on or about Wednesday, 22 January 2014 and, in any event, not later than Tuesday, 28 January 2014. Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the Preferential Offering and the basis of allocations of the Hong Kong Offer Share Stapled Units and the Reserved Share Stapled Units will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Company at **www.hkei.hk** and the Stock Exchange at **www.hkexnews.hk** on or before Tuesday, 28 January 2014.

Subscription for Hong Kong Offer Share Stapled Units and Reserved Share Stapled Units

Applicants for the Hong Kong Offer Share Stapled Units under the Hong Kong Public Offering and for the Reserved Share Stapled Units under the Preferential Offering should pay, on application, the Maximum Offer Price of HK$6.30 per Offer Share Stapled Unit, together with brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, amounting to a total of HK$3,181.75 for one board lot of 500 Share Stapled Units.

If the Offer Price, as finally determined in the manner described above, is lower than the Maximum Offer Price, the Trustee-Manager and the Company will refund the respective difference (including brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest.

The minimum initial subscription for the Hong Kong Offer Share Stapled Units is for one board lot of 500 Share Stapled Units. An applicant may subscribe for a larger number of Share Stapled Units in one of the numbers set out in the Application Forms.

Further details are set out in "*How to Apply for Hong Kong Offer Share Stapled Units and Reserved Share Stapled Units*".

Lock-up Undertakings

The Trustee-Manager and the Company have given certain lock-up undertakings to the Stock Exchange and the Hong Kong Underwriters not to issue any new Share Stapled Units for a period of six months from the Listing Date.

PAH, as the Controlling Holder of Share Stapled Units, and Quickview have undertaken to the Stock Exchange, the Trustee-Manager and the Company, and Quickview has undertaken to the Hong Kong Underwriters, not to dispose of, except pursuant to any lending of Share Stapled Units pursuant to the Share Stapled Units Borrowing Agreement or pursuant to any exercise of the Over-allotment Option, (a) any Share Stapled Units for a period of six months from the Listing Date (the "**First Six-Month Period**") and (b) any Share Stapled Units during a period of six months following the expiry of the First Six-Month Period which would result in it ceasing to be a Controlling Holder of Share Stapled Units.

Market Capitalisation

The market capitalisation of all the Share Stapled Units in issue immediately following the completion of the Reorganisation and the Global Offering will be between HK$48,157.3 million (based on the Minimum Offer Price) and HK$55,668.1 million (based on the Maximum Offer Price).

Listing and Trading

An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Share Stapled Units in issue and to be issued as mentioned in this prospectus on the Main Board of the Stock Exchange. Dealings in Share Stapled Units on the Main Board of the Stock Exchange are expected to commence on Wednesday, 29 January 2014.

Stabilisation

In connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it or them, on behalf of the Underwriters, may over-allocate or effect transactions which stabilise or support the market price of the Share Stapled Units at levels which might not otherwise prevail in the open market for a period of 30 days after the last date for lodging applications under the Hong Kong Public Offering. However, there is no assurance that the Stabilising Manager, its affiliates or any person acting for it or them will undertake stabilisation action. For further details, see *"Structure of the Global Offering — Stabilisation"*.

Restrictions on the Offer Share Stapled Units

Save for the public offering without listing in Japan, which is part of the International Offering, no action has been taken to permit a public offering of the Offer Share Stapled Units other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong or Japan. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

"**9M**"	the nine months ended 30 September
"**2004-2008 Development Plan**"	the Development Plan for the period from 1 January 2004 to 31 December 2008
"**2009-2013 Development Plan**"	the Development Plan for the period from 1 January 2009 to 31 December 2013
"**2014-2018 Development Plan**"	the Development Plan for the period from 1 January 2014 to 31 December 2018
"**2013 Profit Estimate**"	the estimated consolidated profit attributable to the equity shareholders of HEC for the financial year ended 31 December 2013, as set out in *"2013 Profit Estimate and 2014 Profit Forecast"*
"**2014 Profit Forecast**"	the forecast consolidated profit attributable to the Holders of Share Stapled Units for the period from the Listing Date to 31 December 2014, as set out in *"2013 Profit Estimate and 2014 Profit Forecast"*
"**Acquisition**"	the acquisition of HEC by Treasure Business pursuant to the Sale and Purchase Agreement, as further described in *"History and Reorganisation — The Reorganisation"*
"**Adjustments**"	the items in respect of which adjustments are to be made to the consolidated statement of profit or loss of the Group for the relevant financial year or the relevant distribution period, as further described in *"Distributions — Distribution Policy"*
"**Air Pollution Control Ordinance**"	the Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), as amended or supplemented from time to time
"**Application Form(s)**"	the **WHITE** Application Form(s), **YELLOW** Application Form(s), **BLUE** Application Form(s) and **GREEN** Application Form(s) or, where the context so requires, any of them
"**Assured Entitlement**"	the entitlement of the Qualifying PAH Shareholders to apply for the Reserved Share Stapled Units on an assured basis pursuant to the Preferential Offering determined on the basis of their respective shareholdings in PAH on the Record Date
"**Authorised Business**"	the authorised business of HK Electric Investments as prescribed in the Trust Deed, being: (a) investing in the Company (including, without limitation, investment in securities and other interests in the Company);

	(b) the exercise of the Trustee-Manager's powers, authorities and rights, and the performance of its duties and obligations, under the Trust Deed; and (c) any thing or activity which is necessary or desirable for or in connection with the activities referred to in paragraphs (a) and/or (b) above
"**Available Reserved Share Stapled Units**"	has the meaning ascribed to it in *"Structure of the Global Offering — The Preferential Offering — Basis of Allocation for Applications for Reserved Share Stapled Units"*
"**Average Net Fixed Assets**"	the average of the opening and closing balances of the Net Fixed Assets
"**Average Renewables Net Fixed Assets**"	the average of the opening and closing balances of the Renewables Net Fixed Assets
"**Basic Tariff Rate**"	for any year, the figure in cents per kWh obtained by dividing our total revenues from sales of electricity to our customers in Hong Kong (excluding rebates and Fuel Cost Account Adjustment) by the corresponding number of units (in kWh) sold
"**Beneficial PAH Shareholder**"	any beneficial owner of PAH Shares whose PAH Shares are registered, as shown in the register of members of PAH, in the name of a registered PAH Shareholder on the Record Date
"**BLUE Application Form(s)**"	the application form(s) to be sent to Qualifying PAH Shareholders to subscribe for Reserved Share Stapled Units pursuant to the Preferential Offering
"**Blue Form eIPO**"	the application for Reserved Share Stapled Units to be issued in a Qualifying PAH Shareholder's own name by submitting applications online through the designated website of the **Blue Form eIPO** at **www.eipo.com.hk**
"**Board**" or "**Board of Directors**"	the Trustee-Manager Board and the Company Board
"**Buildings Department**"	the Buildings Department of the Hong Kong Government
"**business day**"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"**BVI**"	the British Virgin Islands
"**Cayman Companies Law**"	the Companies Law, Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended or supplemented from time to time

"**CCASS**"	the Central Clearing and Settlement System established and operated by HKSCC
"**CCASS Account**"	a securities account maintained by a CCASS Participant with CCASS
"**CCASS Clearing Participant**"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"**CCASS Custodian Participant**"	a person admitted to participate in CCASS as a custodian participant
"**CCASS Investor Participant**"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"**CCASS Participant**"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"**CCASS Requirements**"	the General Rules of CCASS, the CCASS Operational Procedures and any other rules, procedures and/or requirements of CCASS
"**Century Rank**"	Century Rank Limited, a company incorporated in the BVI with limited liability on 30 August 2013 and a wholly-owned subsidiary of the Company
"**CKH**"	Cheung Kong (Holdings) Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 00001)
"**CKI**"	Cheung Kong Infrastructure Holdings Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 01038)
"**CLP Holdings**"	CLP Holdings Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 00002) and an independent third party
"**CLP Power**"	CLP Power Hong Kong Limited, a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of CLP Holdings and an independent third party
"**CNOOC Gas**"	CNOOC Gas & Power Group Limited (中海石油氣電集團有限責任公司), a company incorporated in the PRC with limited liability and an independent third party

"**CNOOC Gas Supply Contract**"	the gas sales contract entered into between PAH and CNOOC Gas dated 18 August 2009 (as amended), which was novated by PAH to HEC pursuant to the deed of novation entered into between PAH, HEC and CNOOC Gas dated 22 November 2013 with effect from 8 December 2013
"**Companies Ordinance**"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
"**Company**"	HK Electric Investments Limited (港燈電力投資有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 23 September 2013
"**Company Audit Committee**"	the audit committee of the Company
"**Company Board**"	the board of directors of the Company
"**Company Director**"	a director of the Company
"**Company Loan Facility**"	has the meaning ascribed to it in *"Financial Information — Indebtedness — Bank Loans"*
"**Company Loan Facility Agreement**"	has the meaning ascribed to it in *"Financial Information — Indebtedness — Bank Loans"*
"**Company's Articles**"	the amended and restated articles of association of the Company adopted on 1 January 2014, as amended from time to time, a summary of which is set out in *"Appendix V — Summary of the Constitution of the Company and Cayman Companies Law"*
"**Completion Date**"	has the meaning ascribed to it in *"History and Reorganisation — The Reorganisation"*
"**Consideration Share Stapled Units**"	the aggregate of 4,409,299,999 Share Stapled Units to be jointly issued by HK Electric Investments and the Company to Quickview (at the direction of PAH) as partial settlement of the consideration for the Acquisition
"**Controlling Holder of Share Stapled Units**"	a holder of not less than 30% of the issued Share Stapled Units, and immediately following the completion of the Reorganisation and the Global Offering refers to PAH

"**Convertible Instruments**"	any options, warrants or similar rights for the subscription or issue of Share Stapled Units issued by HK Electric Investments and the Company and any securities issued by the Company or any subsidiaries of the Company which are convertible into or exchangeable for Share Stapled Units; and references to an issue of Share Stapled Units "**pursuant to**" any Convertible Instruments means an issue of Share Stapled Units pursuant to exercise of any subscription (or similar), conversion or exchange rights under the terms and conditions of such Convertible Instruments
"**Dapeng Gas Supply Contract**"	the gas sales contract entered into between PAH and Guangdong Dapeng dated 30 April 2004 (as amended)
"**Depreciation**"	the depreciation on the Fixed Assets which is charged on a straight line basis in accordance with the Scheme of Control
"**Development Plan(s)**"	the development plan(s) prepared by HEC pursuant to the Scheme of Control, which relates to the provision and future expansion of our electricity supply system
"**Directors**"	collectively, the Trustee-Manager Directors and the Company Directors and "**Director**" shall be construed accordingly as a director of the Trustee-Manager and a director of the Company
"**DPU**"	distribution per Share Stapled Unit
"**Electricity Business**"	the business of generating, transmitting, distributing and supplying electricity in Hong Kong carried on by the Group
"**Electricity Related**"	directly or indirectly appertaining to the generation, transmission, distribution or sale of electricity, energy efficiency and conservation, or emissions reduction
"**Emission Performance Incentive**" or "**Emission Performance Penalty**"	the amount of incentive or penalty (where applicable) under the Scheme of Control, which is determined through an Emissions Performance Linkage Mechanism and is taken into account as an adjustment to the Net Return. The adjustment can be either an increase, reduction or no change to the Net Return depending on the level of the Total Permissible Emission for the full calendar year
"**Emissions Performance Linkage Mechanism**"	the mechanism used to calculate the Emission Performance Incentive or Emission Performance Penalty, which is based on HEC's achievement of the Total Permissible Emission for the full calendar year in respect of the Pollutants and is calculated as a percentage of HEC's Average Net Fixed Assets minus Average Renewables Net Fixed Assets for the applicable full calendar year

"**EMSD**"	the Electrical and Mechanical Services Department of the Hong Kong Government
"**EPD**"	the Environmental Protection Department of the Hong Kong Government
"**Excess Capacity Expenditure**"	has the meaning ascribed to it in section 2 of Schedule 7 to the Scheme of Control
"**Exchange Right**"	the right of the Registered Holders of Share Stapled Units under the Trust Deed, exercisable by passing an Extraordinary Resolution of Registered Holders of Units, to require all of the Share Stapled Units in issue to be exchanged for the Ordinary Shares held by the Trustee-Manager which are Linked to the Units which are components of the Share Stapled Units. If the Exchange Right were to be exercised, the Trust Deed would terminate, the Units and the Preference Shares would be exchanged and cancelled and the former Registered Holders of Share Stapled Units would hold listed and, subject to the prior approval of the Stock Exchange, tradeable Ordinary Shares
"**Executive Council**"	the Executive Council of the Hong Kong Government
"**Extraordinary Resolution of Registered Holders of Units**"	a resolution proposed and passed as such by a majority consisting of 75% or more of the total number of votes cast for and against such resolution at a meeting of Registered Holders of Units duly convened and held in accordance with the Trust Deed
"**Factories and Industrial Undertakings Ordinance**"	the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), as amended or supplemented from time to time
"**Fixed Assets**"	HEC's Electricity Related investments in land, buildings, plant, equipment and capitalised refurbishment and improvement works and, subject to the accounting policies as set out in the Scheme of Control, includes assets in the course of construction, payments on account, goods in transit and capital stores
"**Fuel Clause Charge**"	the charge passed on to our customers through the Fuel Clause Recovery Account
"**Fuel Clause Rebate**"	the rebate passed on to our customers through the Fuel Clause Recovery Account
"**Fuel Clause Recovery Account**"	the account maintained by us under the Scheme of Control through which the Fuel Cost Account Adjustment is captured and passed on to our customers by way of rebates or charges

"**Fuel Cost Account Adjustment**"	the difference between the standard cost of fuel as agreed between the Hong Kong Government and us and the actual cost of fuel to us
"**FY**"	the financial year ended or ending 31 December
"**Gas On-sale Agreement**"	has the meaning ascribed to it in *"Connected Transactions — Non-exempt Continuing Connected Transactions — On-sale of Gas from PAH to HEC"*
"**Gas Supply Contracts**"	collectively, the CNOOC Gas Supply Contract and the Dapeng Gas Supply Contract and a "**Gas Supply Contract**" shall mean any of them
"**Global Offering**"	the Hong Kong Public Offering and the International Offering (including the Preferential Offering)
"**GREEN Application Form(s)**"	the application form(s) to be completed by the White Form eIPO Service Provider
"**Gross Tariff Revenue**"	for any year means the total of the following items: (a) revenue of HEC from the sale of electricity to our customers in Hong Kong in that year including transfers from/to the Fuel Clause Recovery Account, but without taking into account rebates; (b) the amounts benefiting our customers in Hong Kong in that year specified by and calculated in accordance with any agreement from time to time entered into between the Hong Kong Government and HEC in relation to the sale of electricity outside Hong Kong; (c) Electricity Related fees and other revenue derived from the use of Fixed Assets; and (d) unclaimed deposits from our customers
"**Group**", "**we**", "**our**" or "**us**"	the Company and its subsidiaries, as if the Reorganisation had been completed and, in relation to the Scheme of Control, refers to HEC
"**Group Distributable Income**"	has the meaning ascribed to it in *"Distributions — Distribution Policy"*
"**Guangdong Dapeng**"	Guangdong Dapeng LNG Company Limited (廣東大鵬液化天然氣有限公司), a company incorporated in the PRC with limited liability and an independent third party

"**Guangdong LNG Terminal**"	Guangdong Liquefied Natural Gas Terminal in Dapeng Bay, Chengtoujiao, Shenzhen, the PRC, which is operated by Guangdong Dapeng
"**HEC**"	The Hongkong Electric Company, Limited, a company incorporated in Hong Kong with limited liability on 24 January 1889, which will be a wholly-owned subsidiary of the Company upon completion of the Acquisition
"**HEC Loan Facility**"	has the meaning ascribed to it in *"Financial Information — Indebtedness — Bank Loans"*
"**HEC Loan Facility Agreement**"	has the meaning ascribed to it in *"Financial Information — Indebtedness — Bank Loans"*
"**HEFL**"	Hongkong Electric Finance Limited, a company incorporated in the BVI with limited liability on 12 April 2000, which is a wholly-owned subsidiary of HEC
"**HIBOR**"	Hong Kong Interbank Offered Rate
"**HK Electric Investments**"	HK Electric Investments (港燈電力投資), as constituted pursuant to the Trust Deed and as if the Reorganisation had been completed
"**HK$**" or "**Hong Kong dollars**"	Hong Kong dollars, the lawful currency of Hong Kong
"**HKFRS**"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"**HKSCC**"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"**HKSCC Nominees**"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC, in its capacity as nominee for HKSCC (or any successor thereto) as operator of CCASS and any successor, replacement or assign of HKSCC Nominees Limited as nominee for the operator of CCASS
"**Holders of Share Stapled Units**"	persons registered in the Share Stapled Units Register as holders of Share Stapled Units and, where the registered holder of Share Stapled Units is HKSCC Nominees, shall also include, where the context so admits, the CCASS Participants whose CCASS Accounts are deposited with the Share Stapled Units. For the avoidance of doubt, references to "**Registered Holders of Share Stapled Units**" and "**Joint Registered Holders of Share Stapled Units**" shall not include CCASS Participants

"**Hong Kong**"	the Hong Kong Special Administrative Region of the People's Republic of China
"**Hong Kong Government**"	the Government of the Hong Kong Special Administrative Region of the PRC
"**Hong Kong Offer Share Stapled Units**"	the 221,345,000 Share Stapled Units initially being jointly offered by HK Electric Investments and the Company pursuant to the Hong Kong Public Offering (subject to reallocation as described in *"Structure of the Global Offering"*)
"**Hong Kong Public Offering**"	the offer of the Hong Kong Offer Share Stapled Units to the public in Hong Kong for subscription at the Offer Price, on and subject to the terms and conditions set out in this prospectus and the Application Forms, as further described in *"Structure of the Global Offering"*
"**Hong Kong Register of Members**"	the branch register of members of the Company established and maintained by the Company in Hong Kong in accordance with the Company's Articles and the Trust Deed
"**Hong Kong Underwriters**"	the underwriters listed in *"Underwriting — Hong Kong Underwriters"*, being the underwriters of the Hong Kong Public Offering
"**Hong Kong Underwriting Agreement**"	the underwriting agreement dated 14 January 2014 relating to the Hong Kong Public Offering entered into among the Trustee-Manager, the Company, PAH, Quickview, the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters, as further described in *"Underwriting"*
"**HWL**"	Hutchison Whampoa Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 00013)
"**independent third party**"	any party who is not connected (within the meaning of the Listing Rules) with any director, chief executive or substantial unitholder or shareholder of HK Electric Investments, the Trustee-Manager, the Company, their respective subsidiaries or any of their respective associates
"**Inter-company Loans**"	the amounts which are owed by HEC to the PAH Group at the relevant time, including, without limitation, the outstanding loan capital, other outstanding loans from PAH and dividends declared by HEC but not yet paid to PAH

"**International Offer Share Stapled Units**"	the 4,205,555,000 Share Stapled Units initially being jointly offered by HK Electric Investments and the Company pursuant to the International Offering (subject to reallocation as described in *"Structure of the Global Offering"*) together with, where relevant, up to an additional 664,035,000 Share Stapled Units which may be sold by Quickview pursuant to any exercise of the Over-allotment Option
"**International Offering**"	the offer of the International Offer Share Stapled Units (a) in the United States solely to QIBs pursuant to an exemption from registration under the U.S. Securities Act or (b) outside the United States in offshore transactions in reliance on Regulation S, for subscription or purchase (as the case may be) at the Offer Price, in each case on and subject to the terms and conditions of the International Underwriting Agreement, as further described in *"Structure of the Global Offering"*
"**International Underwriters**"	the underwriters named in the International Underwriting Agreement, being the underwriters of the International Offering
"**International Underwriting Agreement**"	the underwriting agreement relating to the International Offering expected to be entered into among the Trustee-Manager, the Company, PAH, Quickview, the Joint Global Coordinators and the International Underwriters on or about the Price Determination Date, as further described in *"Underwriting"*
"**IRD**"	the Inland Revenue Department of the Hong Kong Government
"**Joint Bookrunners**" or "**Joint Global Coordinators**"	Goldman Sachs (Asia) L.L.C. and The Hongkong and Shanghai Banking Corporation Limited
"**Joint Registered Holders of Share Stapled Units**"	such persons for the time being entered in the Share Stapled Units Register as joint holders in respect of a Share Stapled Unit
"**Joint Registered Holders of Units**"	such persons for the time being entered in the Units Register as joint holders in respect of a Unit
"**Joint Sponsors**"	Goldman Sachs (Asia) L.L.C. and HSBC Corporate Finance (Hong Kong) Limited

"**L10 Project**"	the proposed construction of a new gas-fired power plant unit (L10) at the Lamma Power Station, which is scheduled to commence in 2016. It is estimated that the capital expenditure for the L10 Project in respect of the period covered by the 2014-2018 Development Plan will be approximately HK$3.0 billion. The L10 Project was included on a provisional basis in the 2014-2018 Development Plan as approved by the Executive Council, with the actual commencement of the L10 Project and actual inclusion in the 2014-2018 Development Plan of the estimated capital expenditure for it subject to written confirmation from the Hong Kong Government to HEC. For further details, see *"Scheme of Control and Regulatory Overview — Scheme of Control — Development Plan — 2014-2018 Development Plan"*
"**Lamma Extension**"	the extension to the Lamma Power Station which was developed on 22-hectares of reclaimed land adjoining to the Lamma Power Station, as further described in *"Business"*
"**Lamma Power Station**"	the Group's power station located at Po Lo Tsui on Lamma Island in Hong Kong, as further described in *"Business"* and also includes the Lamma Extension and Lamma Winds
"**Lamma Winds**"	the Group's wind turbine station located at Tai Ling on the northern part of Lamma Island in Hong Kong, as further described in *"Business"*
"**Latest Practicable Date**"	6 January 2014, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"**Legislative Council**"	the Legislative Council of Hong Kong
"**LIBOR**"	London Interbank Offered Rate
"**Linked**"	the matching and linking of each Unit with and to a specifically identified Ordinary Share held by the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments), so that the Registered Holder of the Unit has a beneficial interest in the specifically identified Ordinary Share and any transfer of the Unit also transfers the beneficial interest in the Ordinary Share, in accordance with the Trust Deed, and "**Linking**" shall be construed accordingly
"**Listing**"	the listing of the Share Stapled Units on the Main Board of the Stock Exchange
"**Listing Committee**"	the listing committee of the Stock Exchange

"**Listing Date**"	the date, expected to be on or about 29 January 2014, on which the Share Stapled Units are first listed and from which dealings in the Share Stapled Units are permitted to take place on the Main Board of the Stock Exchange
"**Listing Rules**"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"**Loan Facilities**"	the HEC Loan Facility and the Company Loan Facility
"**Major JVs**"	(a) Guangdong Zhuhai Power Station Company Limited, (b) Guangdong Zhuhai Jinwan Power Company Limited, (c) UK Power Networks Holdings Limited, (d) Northern Gas Networks Holdings Limited, (e) West Gas Networks Limited and Western Gas Networks Limited, and (f) Wellington Electricity Distribution Network Holdings Limited
"**Maximum Offer Price**"	HK$6.30 per Share Stapled Unit, being the maximum subscription price in the Offer Price Range
"**Minimum Offer Price**"	HK$5.45 per Share Stapled Unit, being the minimum subscription price in the Offer Price Range
"**MTN(s)**"	medium term note(s) issued by HEFL pursuant to the medium term note programme
"**Net Fixed Assets**"	the cost of the Fixed Assets less Depreciation
"**Net Return**"	the net return of HEC under the Scheme of Control for each year in respect of its Electricity Related operations, the details of which are set out in *"Scheme of Control and Regulatory Overview — Scheme of Control"*
"**Non-Competition Deed**"	the deed of non-competition entered into between PAH and the Company dated 14 January 2014, the details of which are set out in *"Relationship with PAH — Non-Competition Deed"*
"**Non-Qualifying PAH Shareholders**"	PAH Shareholders whose names appeared in the register of members of PAH on the Record Date and whose addresses as shown in such register are in any of the Specified Territories and any PAH Shareholders or Beneficial PAH Shareholders at that time who are otherwise known by PAH to be resident in any of the Specified Territories

"**Offer Price**"	the final offer price per Offer Share Stapled Unit (exclusive of brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) of not more than HK$6.30 and expected to be not less than HK$5.45, such price to be determined by agreement among the Joint Global Coordinators (on behalf of the Underwriters), Quickview, the Trustee-Manager and the Company on or before the Price Determination Date
"**Offer Price Range**"	HK$5.45 to HK$6.30 per Share Stapled Unit
"**Offer Share Stapled Units**"	the Hong Kong Offer Share Stapled Units and the International Offer Share Stapled Units (including the Reserved Share Stapled Units), together with, where relevant, any additional Share Stapled Units which may be sold by Quickview pursuant to any exercise of the Over-allotment Option
"**OIF**"	Oman Investment Fund, a sovereign wealth fund of the Government of Oman
"**OIF Agreement**"	the cornerstone investment agreement dated 11 January 2014 pursuant to which OIF has agreed to subscribe for such number of Share Stapled Units at the Offer Price for an aggregate subscription amount equal to HK$387.5 million (rounded down to the nearest whole board lot of 500 Share Stapled Units), as further described in "*Cornerstone Investors*"
"**Operating Group**"	HEC and HEFL
"**Ordinary Resolution of Registered Holders of Units**"	a resolution proposed and passed as such by a majority being more than 50% of the total number of votes cast for and against such resolution at a meeting of Registered Holders of Units duly convened and held in accordance with the Trust Deed
"**Ordinary Shares**"	ordinary shares with a nominal value of HK$0.0005 each in the share capital of the Company conferring the rights set out in the Company's Articles
"**Over-allotment Option**"	the option expected to be granted by Quickview under the International Underwriting Agreement to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), pursuant to which Quickview may be required to sell up to 664,035,000 Share Stapled Units (representing not more than 15% of the number of Offer Share Stapled Units initially being offered under the Global Offering) at the Offer Price, to, among other things, cover over-allocations in the International Offering, if any, as further described in *"Structure of the Global Offering"*

"**PAH**"	Power Assets Holdings Limited, a company incorporated in Hong Kong with limited liability on 9 April 1976, whose shares are listed on the Main Board of the Stock Exchange (stock code: 00006)
"**PAH Board**"	the board of directors of PAH
"**PAH Circular**"	the circular issued by PAH to PAH Shareholders dated 16 December 2013 relating to the Spin-off
"**PAH Group**"	PAH and its subsidiaries, joint ventures and associates (excluding the Trust Group)
"**PAH Shareholder(s)**"	holder(s) of PAH Shares
"**PAH Shares**"	ordinary shares with a nominal value of HK$1.00 each in the share capital of PAH
"**Permissible Emissions**"	in relation to each Pollutant, means the aggregate of: (a) the maximum amount of a Pollutant expressed in tonnes which any power plant owned and operated by HEC is permitted to emit as set out in the Specified Process Licence; (b) adjustment made by the Hong Kong Government pursuant to the Air Pollution Control Ordinance; and (c) emission allowances or emission credits obtained by HEC from third parties through emissions trading as contemplated in the Legislative Council Panel on Environmental Affairs paper dated 17 December 2007 (reference: CB(1) 418/07-08(07))
"**Permitted Return**"	the permitted return of HEC under the Scheme of Control for each year in respect of its Electricity Related operations, the details of which are set out in *"Scheme of Control and Regulatory Overview — Scheme of Control"*
"**Pollutant(s)**"	sulphur dioxide, nitrogen oxides and respirable suspended particulates (as the case may be)
"**PRC**" or "**China**"	the People's Republic of China, but for the purposes of this prospectus only, except where the context requires, references in this prospectus to PRC or China exclude Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"**Preference Shareholder**"	a person registered at the relevant time in the Principal Register of Members or the Hong Kong Register of Members as the holder of a Preference Share

"**Preference Shares**"	preference shares with a nominal value of HK$0.0005 each in the share capital of the Company conferring the rights set out in the Company's Articles
"**Preferential Offering**"	the preferential offering to the Qualifying PAH Shareholders of 533,565,500 Share Stapled Units (representing approximately 12.1% of the Share Stapled Units initially being offered under the Global Offering) as an Assured Entitlement out of the Share Stapled Units being offered under the International Offering at the Offer Price, on and subject to the terms and conditions set out in this prospectus and in the **BLUE** Application Form, as further described in *"Structure of the Global Offering — The Preferential Offering"*
"**Price Determination Date**"	the date, expected to be on or about 22 January 2014, on which the Offer Price will be determined and, in any event, not later than 28 January 2014
"**Principal Register of Members**"	the principal register of members of the Company maintained in the Cayman Islands
"**Promissory Note**"	the promissory note to be issued by Treasure Business to PAH on the Completion Date for the settlement of part of the consideration for the Acquisition
"**QIB**"	a qualified institutional buyer within the meaning of Rule 144A
"**Qualifying PAH Shareholders**"	PAH Shareholders, other than Non-Qualifying PAH Shareholders, whose names appeared in the register of members of PAH on the Record Date
"**Quickview**"	Quickview Limited, a company incorporated in the BVI with limited liability on 5 September 2013 and a wholly-owned subsidiary of PAH
"**Rate Reduction Rebate**"	the rebates from the balance of the Rate Reduction Reserve which are applied to the tariffs so as to effect tariff reductions or to minimise tariff increases
"**Rate Reduction Reserve**"	the account established under the Scheme of Control which relates to the payment in each year of a charge equal to the average one month HIBOR per annum multiplied by the average of the opening and closing balances of the Tariff Stabilisation Fund for that year
"**Record Date**"	Friday, 10 January 2014, being the record date for determining the Assured Entitlement of the Qualifying PAH Shareholders to the Reserved Share Stapled Units

"**Register of Beneficial Interests**"	the register of beneficial interests in the Ordinary Shares which are registered in the Principal Register of Members in the name of the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments), required to be established and maintained by the Trustee-Manager under the Trust Deed, or by a Registrar appointed by the Trustee-Manager
"**Register of Members**"	the Principal Register of Members, the Hong Kong Register of Members and any other branch register of members of the Company
"**Registered Holders of Share Stapled Units**"	persons registered at the relevant time in the Share Stapled Units Register as holders of Share Stapled Units, including persons so registered as Joint Holders of Share Stapled Units; and the expression "**Registered Holder of a Share Stapled Unit**" and similar expressions shall be construed accordingly. For the avoidance of doubt, references to "**Registered Holders of Share Stapled Units**" and "**Joint Registered Holders of Share Stapled Units**" shall not include CCASS Participants
"**Registered Holders of Units**"	persons registered at the relevant time in the Units Register as holders of Units, including persons so registered as Joint Registered Holders of Units; and the expression "**Registered Holder of a Unit**" and similar expressions shall be construed accordingly
"**Registrar**"	such person as may from time to time be appointed by the Trustee-Manager and/or the Company to, among other things, keep and maintain the Share Stapled Units Register, the Units Register, the Register of Beneficial Interests, the Principal Register of Members and the Hong Kong Register of Members
"**Regulation S**"	Regulation S under the U.S. Securities Act
"**Relevant Persons**"	the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Underwriters, any of their or the Trustee-Manager's or the Company's respective directors, officers or representatives or any other person involved in the Global Offering
"**Renewable Energy Incentive**"	the amount of incentive under the Scheme of Control, which is determined by a percentage of the total value of the Average Net Fixed Assets for the full calendar year. The amount of the percentage is dependent on the level of the Renewable Energy Performance. The Renewable Energy Incentive shall be zero for any year which is not a full calendar year

"**Renewable Energy Performance**"	the proportion of the volume of electricity generated (in kWh) by HEC's Renewable Energy Systems, which were approved by the Hong Kong Government, to the total volume of electricity generated (in kWh) by HEC for the full calendar year, and expressed as a percentage
"**Renewable Energy System(s)**"	an electricity generation system employing solar, wind, biomass, hydro, tidal, wave, geothermal, energy from waste (including landfill gas or sewage gas) or such other energy sources that are secure and inexhaustible (in the sense that there is no problem in the reserve being depleted) as may be mutually agreed by HEC and the Hong Kong Government
"**Renewables Net Fixed Assets**"	the Net Fixed Assets in so far as they are attributable to HEC's renewable energy infrastructure investments within Hong Kong, including the Renewable Energy Systems and dedicated transmission and distribution assets that are used for connecting such Renewable Energy Systems to the main electricity grid
"**Reorganisation**"	the reorganisation of the Group (including the Acquisition) in preparation for the Listing, details of which are set out in *"History and Reorganisation — The Reorganisation"*
"**Reserved Share Stapled Units**"	the 533,565,500 Share Stapled Units being jointly offered by HK Electric Investments and the Company to Qualifying PAH Shareholders pursuant to the Preferential Offering as an Assured Entitlement, which are to be allocated out of the Share Stapled Units being offered under the International Offering
"**Rule 144A**"	Rule 144A under the U.S. Securities Act
"**Sale and Purchase Agreement**"	the conditional sale and purchase agreement dated 14 January 2014 entered into among PAH, Treasure Business, the Company and the Trustee-Manager in relation to the Acquisition
"**Scheme of Control**"	the scheme of control agreement entered into among HEC, PAH and the Hong Kong Government which regulates the generation, transmission, distribution and supply of electricity by us in Hong Kong, details of which are set out in *"Scheme of Control and Regulatory Overview — Scheme of Control"* and a current copy of which can be obtained from the website of the Environment Bureau of the Hong Kong Government at **www.enb.gov.hk** and the website of HEC at **www.hkelectric.com**
"**SFC**"	the Securities and Futures Commission of Hong Kong

"**SFO**"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"**SGID**"	State Grid International Development Limited, a wholly-owned subsidiary of the State Grid Corporation of China
"**SGID Agreement**"	the cornerstone investment agreement dated 6 January 2014 pursuant to which SGID agreed to subscribe for the number of Share Stapled Units representing 18.0% of the Share Stapled Units in issue immediately following the completion of the Reorganisation and the Global Offering at the Offer Price, as further described in *"Cornerstone Investors"*
"**Share Stapled Units**"	the combination of the following securities or interests in securities which, subject to the provisions in the Trust Deed, can only be dealt with together and may not be dealt with individually or one without the others: (a) a Unit; (b) the beneficial interest in a specifically identified Ordinary Share Linked to the Unit and held by the Trustee-Manager as legal owner (in its capacity as trustee-manager of HK Electric Investments); and (c) a specifically identified Preference Share Stapled to the Unit
"**Share Stapled Units Borrowing Agreement**"	the Share Stapled Units borrowing agreement expected to be entered into on or about the Price Determination Date between the Stabilising Manager (or its affiliate) and Quickview
"**Share Stapled Units Register**"	the register of Registered Holders of Share Stapled Units
"**Share Stapled Units Registrar**"	Computershare Hong Kong Investor Services Limited
"**Shareholders**"	the persons registered at the relevant time in the Principal Register of Members or the Hong Kong Register of Members as the holders of an Ordinary Share and/or a Preference Share
"**Shares**"	the Ordinary Shares and the Preference Shares and a "**Share**" means any of them
"**Specified Process Licence**"	the specified process licence issued under the Air Pollution Control Ordinance in respect of a power plant owned and operated by HEC
"**Specified Territories**"	Australia, Germany, Indonesia, Ireland, Malaysia, Malta, the Netherlands, New Zealand, Pakistan, Panama, Portugal, Singapore, Thailand, the United Kingdom and the United States

"**Spin-off**"	the spin-off of the Electricity Business by PAH and the separate listing of the Share Stapled Units on the Main Board of the Stock Exchange
"**Stabilising Manager**"	Goldman Sachs (Asia) L.L.C.
"**Stapled**"	the means by which each Unit is attached to a specifically identified Preference Share so that one may not be dealt with without the other, in accordance with the Trust Deed, and "**Stapling**" shall be construed accordingly
"**Stock Exchange**"	The Stock Exchange of Hong Kong Limited
"**Substantial Holder of Share Stapled Units**"	a holder of 10% or more of the issued Share Stapled Units
"**Support Services Agreement**"	the support services agreement entered into between PAH and the Company dated 14 January 2014, the details of which are set out in *"Connected Transactions — Exempt Continuing Connected transactions"*
"**Sure Grade**"	Sure Grade Limited, a company incorporated in the BVI with limited liability on 2 August 2013 and a wholly-owned subsidiary of PAH
"**Takeovers Code**"	the Hong Kong Code on Takeovers and Mergers
"**Tariff Stabilisation Adjustments**"	for the purposes of calculating amounts to be transferred to or from the Tariff Stabilisation Fund, means the aggregate of the total operating costs, Permitted Return (after taking into account deduction of certain interest on borrowed capital for the financing of Fixed Assets and certain other deductions and adjustments) and Scheme of Control taxation charges pursuant to the Scheme of Control
"**Tariff Stabilisation Fund**"	the fund established pursuant to the Scheme of Control to accumulate and provide funds to ameliorate tariff adjustments
"**Total Permissible Emissions**"	in relation to a Pollutant, means the aggregate of all Permissible Emissions for that Pollutant for all power plants owned and operated by HEC
"**Track Record Period**"	the three years ended 31 December 2012 and the nine months ended 30 September 2013
"**Treasure Business**"	Treasure Business Limited, a company incorporated in the BVI with limited liability on 10 July 2013 and a wholly-owned subsidiary of Century Rank

"**Trust Deed**"	the trust deed dated 1 January 2014 constituting HK Electric Investments, entered into between the Trustee-Manager and the Company
"**Trust Distributable Income**"	has the meaning ascribed to it in *"Distributions — Distribution Policy"*
"**Trust Group**"	HK Electric Investments and the Group
"**Trust Property**"	all property and rights of any kind whatsoever which are held on trust for the Registered Holders of Units, in accordance with the terms of the Trust Deed, including: (a) securities and other rights and interests in the Company acquired by HK Electric Investments; (b) contributions of money to HK Electric Investments and subscription monies for the issuance of Units; (c) the rights in respect of any contract, agreement or arrangement relating to the Authorised Business entered into by and on behalf of the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments); and (d) profits, interest, income and property derived from the securities, money and other rights and interests referred to in paragraphs (a) to (c) above
"**Trustee-Manager**"	HK Electric Investments Manager Limited (港燈電力投資管理人有限公司), a company incorporated in Hong Kong with limited liability on 25 September 2013 and an indirect wholly-owned subsidiary of PAH, in its capacity as trustee-manager of HK Electric Investments
"**Trustee-Manager's Articles**"	the articles of association of the Trustee-Manager, as amended from time to time
"**Trustee-Manager Audit Committee**"	the audit committee of the Trustee-Manager
"**Trustee-Manager Board**"	the board of directors of the Trustee-Manager
"**Trustee-Manager Director**"	a director of the Trustee-Manager
"**Trustee Ordinance**"	the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong), as amended or supplemented from time to time
"**Underwriters**"	the Hong Kong Underwriters and the International Underwriters

"**Underwriting Agreements**"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"**Unit**"	an undivided interest in HK Electric Investments, which confers the rights stated in the Trust Deed as being conferred by a Unit (whether in its own right or as a component of a Share Stapled Unit)
"**Unitholders**"	(a) persons registered in the Units Register as holders of Units and includes, for the avoidance of doubt, persons holding Units as components of Share Stapled Units and registered in the Share Stapled Units Register as holders of the Share Stapled Units which include the Units; and (b) where the registered holder of Units is HKSCC Nominees, shall also include, where the context so admits, the CCASS Participants whose CCASS Accounts are deposited with the Units registered in the name of HKSCC Nominees. For the avoidance of doubt, references to "**Registered Holders of Units**" and "**Joint Registered Holders of Units**" shall not include CCASS Participants
"**Units Register**"	the register of Registered Holders of Units required to be established and maintained by the Trustee-Manager under the Trust Deed, or by a registrar appointed by the Trustee-Manager
"**U.S.**" or "**United States**"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"**U.S. Securities Act**"	the United States Securities Act of 1933, as amended
"**US$**" or "**United States dollars**"	United States dollars, the lawful currency of the United States
"**White Form eIPO**"	the application for Hong Kong Offer Share Stapled Units to be issued in the applicant's own name by submitting applications online through the designated website of White Form eIPO at **www.eipo.com.hk**
"**White Form eIPO Service Provider**"	Computershare Hong Kong Investor Services Limited

In this prospectus, unless the context otherwise requires, the terms "**associate**", "**connected person**", "**connected transaction**", "**controlling shareholder**", "**subsidiary**" and "**substantial shareholder**" shall have the meanings given to such terms in the Listing Rules, as modified by the listing agreement entered into between the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments), the Company and the Stock Exchange. Pursuant to such listing agreement, the Listing Rules are modified to provide, among other things, that the definition of "**connected person**" is extended to include the Trustee-Manager, its directors and controlling shareholder, and any of their associates.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Unless otherwise specified, all references to any holdings of Share Stapled Units following the completion of the Reorganisation and the Global Offering assume that the Over-allotment Option is not exercised.

This glossary of technical terms contains terms used in this prospectus as they relate to our business. As such, these terms and their meanings may not always correspond to the standard industry meaning or usage of these terms.

"**alternating current**" or "**AC**"	the flow of electric charge, which periodically reverses or alternates direction
"**bar**"	a unit of pressure. 1 bar = 100,000 pascals
"**current**"	the flow of electric charge
"**direct current**" or "**DC**"	the flow of electric charge in one direction
"**distribution line**"	a distribution line delivers electricity at low/medium voltages
"**distribution substation**"	a distribution substation reduces the voltage to a level suitable for use by homes and businesses
"**DWT**"	deadweight tonnage, a measure of how much weight a vessel can carry
"**electrical circuit**"	an electrical device that provides a path for electrical current to flow
"**electricity**"	a form of energy and is the flow of electric charge. Electricity flows through an electrical circuit in either direct current or alternating current
"**Electricity Supply Reliability Rating**"	the percentage of time in a calendar year that our customers on average do not have unplanned outages of electricity
"**electrostatic precipitator**"	a particulate collection device that removes particles from a flowing gas by using the force of an induced electrostatic charge
"**energy**"	a measure of how much electricity is generated or consumed and is measured in joules or kWh. Energy equals to power multiplied by time
"**flue gas**"	the combustion-product gas resulting from the burning of fossil fuel, which exits to the atmosphere via a flue, which is a pipe or channel for conveying exhaust gases from a power generator
"**flue gas desulphurisation**"	a set of technologies used to remove sulphur dioxide from exhaust flue gases of fossil fuel power plants
"**gigajoule**" or "**GJ**"	a unit of energy. 1 gigajoule = 1 billion joules
"**infeed substation**"	a large substation exclusively provided by HEC to step down either 275 kV or 132 kV to 33 kV AC for supply to the MTR's 33 kV power distribution network for train traction supply

"**installed capacity**"	the capacity of power generators or wind turbines that have been completely assembled and erected and which have been commissioned and started commercial production of electricity
"**joule**" or "**J**"	a unit of energy. 1 joule = 1 watt for 1 second
"**km**"	kilometre, a unit of length. 1 km = 1,000 metres
"**kV**"	kilovolt, a unit of voltage. 1 kV = 1,000 V
"**kVA**"	kilovolt-ampere, a unit of apparent power. 1 kVA = 1,000 volt-ampere
"**kW**"	kilowatt, a unit of power. 1 kW = 1,000 watts
"**kWh**"	kilowatt-hour, a unit of energy, which is the standard unit of energy used in the electric power industry. 1 kWh = 3.6 million joules
"**load**"	an amount of electrical power that is consumed by an electrical apparatus or customers
"**MVA**"	mega volt-ampere, a unit of apparent power. 1 MVA = 1,000 kVA
"**MT**"	metric tonne, a unit of mass. 1 MT = 1,000 kilograms
"**MTR**"	mass transit railway, a rapid transit railway system in Hong Kong operated by MTR Corporation Limited
"**MW**"	megawatt, a unit of power. 1 MW = 1,000 kW. The installed capacity of a power plant is generally expressed in MW
"**nacelle**"	a cover housing that houses all of the generating components in a wind turbine, including the generator, gearbox, drive train and brake assembly, which is mounted on top of a tower and coupled to the turbine blades
"**natural gas**"	a naturally occurring hydrocarbon gas mixture consisting primarily of methane, but commonly includes varying amounts of higher alkanes and even a lesser percentage of carbon dioxide, nitrogen and hydrogen sulphide
"**power**"	the rate at which energy is generated or consumed and is the time derivative of energy. It is measured in units (e.g. watts) that represent energy per time unit
"**photovoltaic**"	a method of generating electricity by converting solar radiation into direct current electricity using semiconductors
"**sq. km.**"	square kilometre, a unit of area

"**sq. m.**"	square metre, a unit of area
"**substation**"	a substation transforms voltage from high to low, or the reverse, with switchgear for connecting to incoming/outgoing electrical circuits
"**switchgear**"	switchgear is the combination of electrical disconnect switches, fuses or circuit breakers used to control, protect and isolate electrical equipment
"**switching station**"	a switching station is used by HEC as a switching hub to (i) connect 275 kV or 132 kV transmission circuits and/or (ii) step down electricity from 275 kV to 132 kV for onward transmission to zone substations
"**TFPV**"	thin film photovoltaic
"**traction substation**"	a distribution substation exclusively provided by HEC to step down 11 kV AC and convert it to 525 V DC to provide traction supply to electric trams on Hong Kong Island
"**transformer**"	an apparatus for stepping up or down voltage
"**transmission line**"	a transmission line delivers electricity at extra high voltages from a power plant to substations or between substations
"**TWh**"	terawatt-hour, a unit of energy. 1 TWh = 3.6 quadrillion joules
"**V**"	volt, a unit of voltage
"**voltage**"	the electric potential difference between two points and is equal to the work done per unit charge against a static electric field to move the charge between two points
"**volt-ampere**"	unit used for apparent power in an electrical circuit
"**watt**"	a unit of power, which is defined as one joule per second and measures the rate of energy conversion or transfer
"**zone substation**"	a zone substation is used by HEC to step down electricity, received from a switching station, from either 275 kV or 132 kV to either 22 kV or 11 kV for onward delivery to distribution substations; some zone substations are also interconnected with other zone substations at 132 kV

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to the Trust Group.

The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION AND REPRESENTATION

You should only rely on the information contained in this prospectus and the Application Forms to make your investment decision. None of the Trustee-Manager, the Company or any of the Relevant Persons has authorised anyone to provide you with any information or to make any representation that is different from what is contained in this prospectus. No representation is made that there has been no change or development reasonably likely to involve a change in the Trust Group's affairs since the date of this prospectus or that the information contained in this prospectus is correct as at any date subsequent to its date.

This prospectus contains forward-looking statements. All statements other than statements of historical fact contained in this prospectus, including, without limitation, (a) the discussions of our business strategies, objectives and expectations regarding our future operations, margins, profitability, liquidity and capital resources, (b) the future development of, and trends and conditions in, the power industry and the general economy of Hong Kong in which we operate, (c) our ability to control costs, (d) the nature of, and potential for, the future development of our business and (e) any statements preceded by, followed by or that include words and expressions such as "expect", "believe", "plan", "intend", "estimate", "forecast", "project", "anticipate", "seek", "may", "will", "ought to", "would", "should" and "could" or similar words or statements, as they relate to the Group or our management, are intended to identify forward-looking statements.

These statements are based on assumptions regarding our present and future business, our business strategies and the environment in which we will operate. These forward-looking statements reflect our current views as to future events and are not a guarantee of our future performance. Forward-looking statements are subject to certain known and unknown risks, uncertainties and assumptions, including the risk factors described in *"Risk Factors"*, which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation, and undertake no obligation, to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or developments or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of or references to our intentions or that of any of the Directors are made as at the date of this prospectus. Any of these intentions may change in light of future developments.

An investment in the Share Stapled Units involves various risks. You should consider carefully all the information set out in this prospectus and, in particular, the risks and uncertainties described below before making an investment in the Share Stapled Units.

As an investment in the Share Stapled Units is meant to produce returns over the long-term, you should not expect to obtain short-term gains. The price of the Share Stapled Units, and the income from them, may rise or fall and may not fully reflect the underlying net assets attributable to them. You may not get back your original investment and you may not receive any distributions.

The occurrence of any of the following events could materially and adversely affect our business, financial condition, results of operations or prospects. If any of these events occur, the trading price of the Share Stapled Units could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisers regarding your prospective investment in the context of your particular circumstances.

We believe that there are certain risks and uncertainties associated with our operations and structure and an investment in the Share Stapled Units, some of which are beyond our control.

We have categorised these risks and uncertainties as follows: (a) key regulatory risks relating to our overall business, (b) risks relating to the amount and stability of the distributions, (c) risks relating to our coal-fired, gas-fired and oil-fired power businesses, (d) risks relating to our wind power and solar power businesses, (e) risks relating to our operations, (f) risks relating to the structure of HK Electric Investments and the Company and (g) other risks relating to an investment in the Share Stapled Units.

A. KEY REGULATORY RISKS RELATING TO OUR OVERALL BUSINESS

We are a vertically integrated power utility in Hong Kong. Our operations are subject to the Scheme of Control, which is due to expire at the end of 2018. There is no assurance that the Scheme of Control will be renewed on terms that are commercially favourable to us or at all, or that future changes to the Scheme of Control will not have a material adverse effect on our business, financial condition, results of operations and prospects.

Our electricity business in Hong Kong, including generation, transmission, distribution, supply and tariff setting, is subject to a Scheme of Control entered into among HEC, PAH and the Hong Kong Government. Under the Scheme of Control, we are entitled to charge tariff rates not only to cover our total operating costs, but also to enable the Holders of Share Stapled Units to earn a return in relation to the risks involved and the capital invested and retained in the business. Subject to deduction of certain interest on borrowed capital for the financing of Fixed Assets and certain other deductions and adjustments, the Scheme of Control provides for a Permitted Return for each year equal to (i) 9.99% of the total value of our Average Net Fixed Assets other than those attributable to our Average Renewables Net Fixed Assets for that year and (ii) 11% of the total value of our Average Renewables Net Fixed Assets for that year. Furthermore, the Tariff Stabilisation Fund we are required to maintain under the Scheme of Control allows us to accumulate and provide funds to ameliorate tariff increases or facilitate tariff reductions where appropriate. The operation of such mechanism could adversely affect our Net Return should a shortfall occur in the Tariff Stabilisation Fund. We experienced such shortfalls in FY2003, FY2004, FY2005 and FY2006, totalling HK$228 million, HK$869 million, HK$288 million and HK$487 million, respectively. The Scheme of Control also requires that we maintain a Fuel Clause Recovery

Account to address any differences between our actual cost of fuel and our standard cost of fuel recovered through the Basic Tariff Rate, as well as a Rate Reduction Reserve, which is used to effect tariff reductions or to minimise tariff increases. See *"Scheme of Control and Regulatory Overview — Scheme of Control — Tariff"* for details.

Through the Scheme of Control, the Hong Kong Government limits the tariffs that we are entitled to charge and also monitors our financial affairs and operating performance through Development Plan reviews and approvals, auditing reviews and tariff reviews. The Scheme of Control also contains performance-based financial incentives and penalties. These performance-based adjustments are taken into account for the purposes of calculating the Net Return for each year. Furthermore, the Scheme of Control may only be amended by agreement of all the parties.

We have operated under a scheme of control regime since 1979. The first Scheme of Control was entered into in 1980 for a term of 15 years beginning on 1 January 1979 and it was renewed in 1993 for a similar term until the end of 2008. The current Scheme of Control was entered into on 7 January 2008 and became effective on 1 January 2009 for a term of ten years expiring on 31 December 2018, with an option for the Hong Kong Government to extend it for a further term of five years. Any decision by the Hong Kong Government to exercise its option to extend the Scheme of Control for a further term of five years is at its sole discretion. If the Hong Kong Government does not exercise such option to extend the term of the Scheme of Control, under the current Scheme of Control we will, for the period from 1 January 2019 to 31 December 2023, through reasonable arrangements determined by the Hong Kong Government after consultation with us, continue to be entitled to earn from the market the same Permitted Return annually which we currently earn under the Scheme of Control (after recovery of tax and total operating costs and subject to deduction of certain interest on borrowed capital for the financing of Fixed Assets and other applicable deductions, with the assets to be taken into account for calculating the Permitted Return to include only assets that continue to be used in HEC's Electricity Related activities, and not to include any assets acquired or invested in after 31 December 2018 unless they have been reasonably and prudently purchased for use in HEC's Electricity Related activities and only if the purchase of such assets has been approved by the Hong Kong Government).

The Scheme of Control provides that prior to 1 January 2016, the Hong Kong Government will discuss with HEC regarding potential future changes to the electricity supply regulatory framework in Hong Kong, including market readiness and any potential transitional issues. There can be no assurance that the outcome of such discussions with the Hong Kong Government will be favourable to us.

Under the current Scheme of Control, each of HEC and the Hong Kong Government had the right during FY2013 and, if the term of the current Scheme of Control is extended, has the right during FY2018, to request modifications to the Scheme of Control. However, any modification must be mutually agreed by the parties. In November 2013, as part of the 2013 interim review of the Scheme of Control, we agreed in principle with the Hong Kong Government to implement six modifications to the Scheme of Control, which are summarised as follows: (i) the establishment of an energy efficiency fund to subsidise owners of non-commercial buildings on a matching basis to carry out improvement works to enhance the energy efficiency of their buildings; (ii) higher performance thresholds for both the incentives which may be awarded and penalties which are payable in respect of our supply reliability, operational efficiency and customer services; (iii) lowering of the cap on the balance of the Tariff Stabilisation Fund from 8% to 5% of our annual total revenues from sales of electricity to our customers (including Fuel Cost Account Adjustment and excluding rebates and charges made during that year); (iv) improvement in the public disclosure of certain financial and operating data relating to the latest approved Development Plan and the proposed tariff adjustments for the upcoming year upon the conclusion of each annual tariff review exercise; (v) streamlining the administration of the Rate Reduction Reserve from the end of 2013

such that the year-end balance of the Rate Reduction Reserve for any given year will be transferred to the Tariff Stabilisation Fund in the subsequent year; and (vi) relevant expenditures incurred in respect of our pre-project studies and assessments will be initially placed in a separate suspense account and will only be counted as Fixed Assets for the purpose of calculating the Permitted Return after a decision is made to proceed with the projects. The above modifications will take immediate effect once the written agreement modifying the terms of the Scheme of Control is executed by all parties to the Scheme of Control. For further details relating to the 2013 interim review of the Scheme of Control, see *"Scheme of Control and Regulatory Overview — Scheme of Control — 2013 and 2018 Interim Reviews of the Scheme of Control"*. However, the Hong Kong Government could, whether or not as part of an interim review, request additional modifications to the Scheme of Control in the future. Such modifications could, among other things: (i) affect the rate and calculation of the Permitted Return; (ii) alter the incentives and penalties contained in the Scheme of Control; (iii) impact the financial treatment of Fixed Assets in certain situations; (iv) link net tariff increases to a certain price index and (v) require enhancement of the disclosure of costs. If such modifications were to be made to the Scheme of Control or any successor scheme of control, our business, financial condition and results of operations could be materially and adversely impacted.

There is no assurance that the Scheme of Control will be renewed on terms that are commercially favourable to us or at all. Should the Scheme of Control be renewed on terms less favourable than those currently in force, we may become subject to tighter tariff caps, a lower Permitted Return, the reduction or elimination of financial incentives and/or other limitations, which could materially and adversely affect our business, financial condition, results of operations and prospects.

There is no assurance that the terms of future Development Plans will be similar to or more favourable than the current terms.

The Scheme of Control provides for a tariff setting mechanism for the electricity supplied by us and for a Development Plan which sets out, among other things, the projected Basic Tariff Rate and our projected capital expenditure for each of the five years covered under such Development Plan. The current 2014-2018 Development Plan, which covers the period from 1 January 2014 to 31 December 2018, was approved by the Executive Council on 10 December 2013. The 2014-2018 Development Plan provides for an estimated total investment of approximately HK$13.0 billion in new and existing capital projects over its five year term. Our approved capital expenditure under the 2014-2018 Development Plan includes investments in our power generation system (approximately HK$6.1 billion, inclusive of the estimated HK$3.0 billion in relation to the L10 Project), our transmission and distribution networks (approximately HK$5.3 billion) and our customer and corporate services development (approximately HK$1.6 billion). As part of the approval of the 2014-2018 Development Plan, the projected Basic Tariff Rates for the five years from FY2014 to FY2018 were also approved by the Executive Council. See *"Scheme of Control and Regulatory Overview — Scheme of Control — Development Plan — 2014-2018 Development Plan"* for further details. In addition, under the Scheme of Control, an annual tariff review is carried out to determine the actual Basic Tariff Rate for the following year, which may vary from the projected Basic Tariff Rate which was previously approved for that year by the Executive Council in the latest approved Development Plan. A proposed Basic Tariff Rate for a particular year that is not higher than 5% above the projected Basic Tariff Rate most recently approved for that year by the Executive Council would not require any further approval by the Executive Council. Any proposed Basic Tariff Rate exceeding this limit but not exceeding the limit by more than 5% would require the approval of the Executive Council without a full Development Plan review. However, a proposed Basic Tariff Rate which exceeds the 5% limit referred to above by more than 5% will necessitate a full Development Plan review, following which the approval of the Executive Council will be required. There is no assurance that we would be able to obtain the necessary approvals.

Additionally, a Development Plan review is also conducted (i) when a Development Plan for major additions to our electricity generation, transmission and distribution system has been finalised for review and approval; (ii) when a Development Plan has been finalised for review and approval in respect of major variations to our electricity generation, transmission and distribution system which would increase the projected Basic Tariff Rates significantly above those in the one previously approved; (iii) six months before the period covered by the previous Development Plan expires; and (iv) if, as a result of a tariff review, the proposed Basic Tariff Rate for the following year exceeds the limit equal to 5% above the projected Basic Tariff Rate most recently approved for that year by the Executive Council, by more than 5%. Should (1) the terms of future Development Plans or the Basic Tariff Rate become less favourable to us, including due to any change in government policies or the tariff setting mechanism, (2) our projected capital expenditures be rejected or (3) the approved amount of capital expenditures be substantially lower than expected, our business, financial condition, operating performance, results of operations, targeted installed capacity and prospects may be materially and adversely affected. In particular, should our projected capital expenditures be required to be increased significantly, HEC's credit ratings could be lowered and our cash flow available for distribution or debt service in the near future could be materially reduced.

We may not achieve our expected level of Permitted Return.

The current Scheme of Control provides for a Permitted Return for each year equal to (i) 9.99% of the total value of our Average Net Fixed Assets other than those attributable to our Average Renewables Net Fixed Assets for that year and (ii) 11% of the total value of our Average Renewables Net Fixed Assets for that year. However, various reasons may arise which may keep us from achieving our Permitted Return, including differences in expected and actual electricity sales as a result of economic or weather related conditions as well as increases in expenditures above previously projected levels, where there are insufficient funds available in the Tariff Stabilisation Fund. For example, from FY2003 to FY2006 we did not achieve our Permitted Return due to various reasons. If we fail to achieve our Permitted Return in the future, we may be unable to maintain distributions in respect of the Share Stapled Units at a stable level or at similar levels achieved in the past, or in an extreme case, may not have sufficient distributable cash flows or distributable reserves to pay dividends, distributions or other payments to the Trustee-Manager to fully satisfy the distributions in respect of the Share Stapled Units.

Changes in the structure and regulation of the power industry in Hong Kong may materially and adversely affect us.

The structure and regulation of the power industry in Hong Kong may change in the future. The Hong Kong Government has in the past implemented, and is expected to continue to implement, new regulatory initiatives for energy, such as renewable energy and emission reduction. Such regulatory initiatives are established in order to ensure a safe, efficient and reliable supply of electricity at a reasonable tariff and with minimal impact on the environment. Furthermore, the Hong Kong Government may repeal, amend, enact or promulgate new or existing laws, rules or regulations, or issue a new interpretation of an existing law, rule or regulation. The Scheme of Control provides for us to recover stranded costs arising as a result of a change or a proposed change implemented by the Hong Kong Government to the electricity market structure, which causes a material impact to us in respect of our Electricity Related activities. Stranded costs are costs incurred by us in relation to our investments made or agreements entered into under the Scheme of Control in respect of our Electricity Related activities.

See *"Scheme of Control and Regulatory Overview — Scheme of Control — Stranded Costs"* for further details. However, there is no assurance that we will be able to recover effectively all of such costs actually incurred and returns foregone pursuant to the Scheme of Control. Further, any possible actions, including modifying or replacing the current Scheme of Control or introducing competition at any or all levels of our business and operations, could potentially cause us to lose market share, require us to reduce our tariffs in order to remain competitive or be costly and difficult to comply with. In addition, any failure to comply with any regulatory changes governing us and the power generation business in Hong Kong may result in financial penalties or administrative or legal proceedings against us. The occurrence of any of the above could materially reduce our net income and cash flows and materially and adversely affect our reputation.

Changes to the Hong Kong Government's fuel mix policy or Air Pollution Control Ordinance may adversely affect the level of our capital expenditures and our future electricity generation capacity.

We are subject to the Hong Kong Government's fuel mix and air quality policies. The Hong Kong Government has proposed a fuel mix policy in 2010 with the goal of optimising the fuel mix for power generation and significantly reducing reliance on fossil fuels. Under this policy, the proposed fuel mix for electricity generation by 2020 shall consist of imported nuclear energy, natural gas, coal and renewable energy accounting for approximately 50%, 40%, less than 10% and 3% to 4% of the total fuel mix, respectively. However, with the recent issues that have arisen with respect to nuclear power in Japan, it is uncertain whether the Hong Kong Government will implement all aspects of this policy, as the Hong Kong Government has indicated that it may alter or reconsider its current fuel mix proposal. Recently, the Hong Kong Government has indicated that it will undertake a public consultation as part of its fuel mix policy review. There is no certainty on the timing during which such review will commence or be completed. Any delay in the completion of this fuel mix policy review could possibly impact the commencement of our L10 Project. Accordingly, the L10 Project has only been approved on a provisional basis and is subject to the receipt of a written confirmation from the Hong Kong Government to HEC following such review. In addition, the Hong Kong Government may propose that we import electricity directly from southern China as a means of achieving the objectives of the fuel mix policy. Such proposal may expose us to additional competition or affect the future levels of our electricity generation and sales. Any new fuel mix policy (including the importation of nuclear energy which would require the construction and development of large scale energy infrastructure) may require significant capital expenditures and may adversely affect our future production capacity, profitability and short-term cash flow and liquidity.

In addition, in 2008, the Hong Kong Government stipulated certain emission caps for 2010 and beyond through the Technical Memorandum for Allocation of Emission Allowances in respect of Specified Licenses. In addition to the above, the Hong Kong Government currently prohibits the installation of new coal-fired generating units, imposes stringent emission caps, and links the Permitted Return to our compliance with these emission cap requirements. Failure to comply with the requirements of the Air Pollution Control Ordinance or any prohibitions enforced by the Hong Kong Government could result in financial penalties and other sanctions being enforced against us.

B. RISKS RELATING TO THE AMOUNT AND STABILITY OF THE DISTRIBUTIONS

The Trustee-Manager may not be able to pay or maintain distributions to Holders of Share Stapled Units and such distributions may not be stable as they are dependent on a number of factors, including the financial performance of the Group and the ability of the Group to generate sufficient cash flows.

The objectives of HK Electric Investments and the Company are (i) to focus principally on the payment of distributions to Holders of Share Stapled Units with a clearly expressed intention as to their respective distribution policies stated in the Trust Deed and the Company's Articles and (ii) to provide Holders of Share Stapled Units with stable distributions with the potential for sustainable long-term growth of such distributions.

The Trustee-Manager will rely on the receipt of dividends, distributions and other amounts from the Company to make distributions (on behalf of HK Electric Investments) to the Holders of Share Stapled Units. There is no assurance that the Company or other members of the Group will have sufficient distributable cash flows or other distributable reserves in the future to pay dividends, distributions or other payments to the Trustee-Manager and, consequently, there is no assurance as to the ability of the Trustee-Manager to pay or maintain distributions in respect of the Share Stapled Units or that such distributions will be stable.

The ability of members of the Group to pay dividends, make distributions, repay shareholder loans or make loans or other payments to their holding companies and, in the case of the Company, to the Trustee-Manager, are dependent on a number of factors, including those set out below:

- their business, financial condition, results of operations and cash flows;
- our Net Return under the Scheme of Control;
- the operation of the Fuel Clause Recovery Account;
- applicable laws, rules, regulations, government policies and measures, which may restrict or adversely impact the payment of distributions or the amount capable of distribution by members of the Group;
- changes in applicable accounting standards, corporate laws, laws, rules and regulations in respect of tax, foreign exchange and the repatriation of funds, and regulations relating thereto in the jurisdictions where the members of the Group are currently incorporated, being Hong Kong, the Cayman Islands and the BVI;
- the terms of the agreements to which the members of the Group are, or may become, a party;
- the payment of interest and principal on outstanding indebtedness;
- compliance with financial undertakings and covenants imposed under the Loan Facilities and the Group's future indebtedness which may require us to set aside amounts which would otherwise be available for distribution or restrict us from paying any dividend or distribution; and

- funding requirements of the Group, taking into account the prevailing business environment and operations, expansion plans, capital management considerations, the availability of financing, the overall stability of distributions and prevailing industry practice.

The occurrence of, or any adverse change in, any of these or other factors may materially limit the amount of dividends, distributions and other amounts received by the Trustee-Manager from the Company, and consequently, there is no assurance as to the ability of the Trustee-Manager to pay or maintain distributions in respect of the Share Stapled Units or that such distributions will be stable or that the level of distributions will increase over time. See *"Distributions"* for further details.

C. RISKS RELATING TO OUR COAL-FIRED, GAS-FIRED AND OIL-FIRED POWER BUSINESSES

We are subject to the volatility of coal, natural gas and ultra low sulphur diesel oil prices, and we may encounter difficulties in immediately passing on sudden or significant increases in such prices to our customers.

We use coal, natural gas and ultra low sulphur diesel oil to fuel our coal-fired, gas-fired and oil-fired generating units. As a result, we are exposed to the risk of increases in fuel costs. Our actual fuel costs represented approximately 34.6%, 39.6% and 39.7% of our Gross Tariff Revenue for FY2010, FY2011 and FY2012, respectively. The prices of coal, natural gas and ultra low sulphur diesel oil are determined by market forces based on a number of factors, including, but not limited to, global demand and supply, weather conditions, the availability of competitively priced alternative energy sources, commodity futures, well-head prices, costs of transportation and general market conditions. We have entered into supply contracts for our coal, natural gas and ultra low sulphur diesel oil supply. However, such contracts may be modified or may not be renewed on terms that are commercially favourable to us, or at all.

Under the Scheme of Control, any difference between the standard cost of fuel as agreed with the Hong Kong Government and the actual cost of fuel consumed is charged (or rebated) to customers by adding to (or deducting from) the Basic Tariff Rate to produce a net tariff payable by customers. However, if there is a sudden or significant increase in the price of coal, natural gas or ultra low sulphur diesel oil, the Hong Kong Government may not permit us to pass on the full increase within a single year and may require that we recover any remaining portion in the following years, particularly where the Hong Kong Government feels that such an increase would not be in the interests of customers of electricity or that the increase may have adverse political or public relations consequences. Such an occurrence could affect our short-term liquidity and financial condition.

Interruptions or shortages in the supply of coal, natural gas and ultra low sulphur diesel oil may result in significant disruption to the operations of our coal-fired, gas-fired and oil-fired generating units.

Our coal-fired, gas-fired and oil-fired generating units rely on coal, natural gas and ultra low sulphur diesel oil, respectively, as a fuel source. We purchase our coal, natural gas and ultra low sulphur diesel oil from a limited range of suppliers. During the Track Record Period, we purchased substantially all of the coal we used from suppliers in Indonesia, Australia and Russia, and substantially all of our natural gas from suppliers in Western Australia and Qatar. We have coal, natural gas and ultra low sulphur diesel oil supply contracts in place. However, such contracts may expire, and may not be renewed on favourable or comparable terms or at all. In addition, we may be unable to obtain sufficient quantities of coal, natural gas or ultra low sulphur diesel oil in the future as a result of a variety of factors, including a significant increase in regional or global demand for coal, natural gas or ultra low sulphur diesel oil, a significant decrease in the regional or global supply of coal, natural gas or ultra low sulphur diesel oil,

natural disasters, severe weather conditions, political conflicts or unrest, construction or maintenance delays, breakdowns, accidents and unforeseen engineering, environmental or geological problems. For example, we experienced a sourcing issue in early 2011 when certain areas of Australia suffered from flooding which caused interruptions to the export of coal, which we responded to by switching coal sourcing to Indonesia. Furthermore, we may not be able to obtain a sufficient amount of coal, natural gas or ultra low sulphur diesel oil that meets our quality standards. If we are unable to obtain a sufficient supply of fuel to satisfy our production requirements, our business, financial condition, results of operations and prospects may be materially and adversely affected.

D. RISKS RELATING TO OUR WIND POWER AND SOLAR POWER BUSINESSES

The commercial viability and profitability of our wind and solar power facilities are dependent on weather conditions and the performance of our wind turbines and amorphous silicon TFPV system.

Our current wind and solar power facilities rely on natural conditions, principally wind and sunlight, for the production of electricity. In selecting sites for the development of these power projects, we base our decisions in part on the historical meteorological, oceanographical and topographical data of the proposed area after verification by our external consultants, as well as the on-site exploration conducted by our technicians. There is no assurance that the actual natural conditions will conform to the historical measured data or that the assumptions we make during our assessment are correct. Moreover, even if actual natural conditions are consistent with our assessment, such conditions may be affected by variations in weather patterns which may change over time to the detriment of our projects.

In addition, our wind and photovoltaic generation facilities rely on the operating performance of our wind turbines and amorphous silicon TFPV system. Non-performance or under-performance of a wind turbine or such photovoltaic system will reduce the power generated by such facilities. As a result of these factors, the electricity generated by our wind and photovoltaic power projects may fall below historical and projected yields, which could in turn materially and adversely affect our business, financial condition and results of operations.

There are a number of factors that affect the development of our wind power projects.

Various factors, including some that are beyond our control, affect the development of our wind power projects. These factors include government approvals, local wind resources, topographic constraints, the proximity to and availability of grid connections and capacity and environmental concerns.

Subject to the determination of the fuel mix policy for electricity generation in Hong Kong by the Hong Kong Government, which is currently under review, we plan to develop an offshore wind farm in the Southwest Lamma Channel, with an expected generating capacity of up to approximately 100 MW (representing approximately 1% to 2% of our annual electricity output). For details, see *"Industry Overview — The Electricity Market in Hong Kong — Electricity Sources and Fuel Supply — Reducing Carbon Footprint"*. Wind measurement for the proposed wind farm was completed in February 2013, and a projected feasibility study was submitted to the Hong Kong Government for approval in April 2013. There can be no assurance that construction of the project will proceed as planned or be completed on time or at all due to, among others, failure to obtain or delay in obtaining government approvals, construction delays or other unforeseen circumstances. If we are unable to develop the planned wind

farm at the Southwest Lamma Channel or at other suitable new sites in the future, we may be unable to expand our wind power business in a timely manner or at all, which could materially increase our construction cost budget, decrease our net income and affect our renewable energy development plan.

The development and profitability of our renewable energy business depend on Hong Kong Government policies and incentives that support renewable energy.

The development and profitability of our renewable energy business, including our wind and solar power facilities, to a significant extent depend on favourable government policies and incentives. In particular, the Hong Kong Government has adopted policies and established a regulatory framework to encourage the development of renewable energy projects. For example, under the Scheme of Control, we are entitled to a Permitted Return of 11% of the total value of our Average Renewables Net Fixed Assets, and we benefit from a Renewable Energy Incentive based on our renewable energy performance. Our renewable energy performance is determined based on the proportion of the volume of electricity generated by our renewable energy systems approved by the Hong Kong Government to our total volume of power generated. The Hong Kong Government has expressed its intention to continue to encourage the development of renewable energy projects through such programs as the fuel mix policy, which promotes the use of renewable energy. However, the Hong Kong Government may, in the future, change or abolish the present incentives and favourable policies that are currently available to us, which could materially and adversely affect the development and profitability, as well as the commercial viability, of our renewable energy business.

E. RISKS RELATING TO OUR OPERATIONS

We currently rely on our electricity business in Hong Kong for all of our turnover, exposing us to geographical and concentrated business risks.

As our turnover is derived from our electricity business in Hong Kong only and we do not engage in any other types of business, any circumstance that adversely affects the operations of our facilities in Hong Kong may adversely affect our business, financial condition and results of operations. If the amount of electricity consumed is significantly reduced, we may be required to transfer larger amounts from the Tariff Stabilisation Fund in order to achieve our Permitted Return, provided that there are sufficient funds in the Tariff Stabilisation Fund. If there were insufficient funds and a shortfall were to occur, we would be required to absorb any amounts in excess of the balance of the Tariff Stabilisation Fund, which could reduce our Net Return. The concentration of our business in one industry may give rise to a higher concentration of risk as compared to other companies that engage in a more diverse range of businesses.

Our power generation facilities are concentrated in one location in Hong Kong and all of our transmission and distribution facilities, equipment and customers are located on Hong Kong Island and Lamma Island.

Our power generation facilities are concentrated in one location in Hong Kong and all of our transmission and distribution facilities, equipment and customers are located on Hong Kong Island and Lamma Island. As such, the operations of our electricity business are subject to risks specific to Hong Kong Island and Lamma Island, including but not limited to, decreases in transmission and distribution capacity as a result of equipment failure, changes to tariffs for electricity or sales prices, climate change or catastrophic events, such as typhoons, floods, natural disasters, epidemics or outbreaks, terrorist attacks and changes in overall governmental policies. Given our reliance on (i) a submarine pipeline for the transmission of natural gas to power generation facilities on Lamma Island and (ii) submarine cable

circuits for the transmission of electricity produced at our Lamma Power Station to various switching stations on Hong Kong Island, we may be more susceptible to the impact of hydrological disasters than would otherwise be the case. The occurrence of any of these events could materially and adversely affect our business, financial condition and results of operations.

We could face more intense competition in the future.

There are currently only two suppliers of electricity in Hong Kong, being us and CLP Power. Although the relevant schemes of control entered into by us and CLP Power, respectively, with the Hong Kong Government do not define a licensed area for our operations or the operations of CLP Power, in practice, we are the only supplier of electricity to customers on Hong Kong Island and Lamma Island while CLP Power is the only supplier of electricity to customers in Kowloon, the New Territories, Lantau and other outlying islands. We and CLP Power own and operate our respective transmission and distribution networks. However, there is no assurance that the Hong Kong Government will not allow other operators, including CLP Power, to supply electricity to Hong Kong Island and Lamma Island, and not require us to allow such other operators to use our transmission and distribution network, which would be similar to the industry practice in a number of other jurisdictions. The Scheme of Control provides for us to recover stranded costs arising as a result of a change or a proposed change implemented by the Hong Kong Government to the electricity market structure, which causes a material impact to us in respect of our Electricity Related activities. Stranded costs are costs incurred by us in relation to our investments made or agreements entered into under the Scheme of Control in respect of our Electricity Related activities. See *"Scheme of Control and Regulatory Overview — Scheme of Control — Stranded Costs"* for further details. However, the entry of another supplier of electricity into the Hong Kong market could potentially increase the amount of competition we face, which may require us to increase both our efforts and costs or to reduce our tariffs in order to remain competitive. Furthermore, the Hong Kong Government may, in the future, adopt new policies common in other jurisdictions, such as introducing additional competition at the power generation, supply and retail levels. For example, the Hong Kong Government may propose that we import electricity directly from southern China as a means of achieving the objectives of the fuel mix policy. Such proposal may expose us to additional competition or affect the future levels of our electricity generation and sales. Any of these possible changes, together with any inability on our part to compete effectively, could materially and adversely affect our business, financial condition and results of operations.

We rely on submarine and underground cable circuits, overhead lines, substations and switching stations for the transmission and distribution of our electricity, which may be susceptible to damage.

Our electricity transmission and distribution network utilises submarine and underground cable circuits, overhead lines, substations and switching stations. In addition, our natural gas is transported to our power generation facilities on Lamma Island from Shenzhen, China through our submarine pipeline. Our submarine and underground cable circuits are generally better insulated than overhead lines but are still susceptible to damage. As all of our major equipment may not be easily replaceable, any failure of or disruption in such equipment as a result of natural disasters or other potential catastrophic events, such as typhoons, floods, man-made disasters, or acts of terrorism or intentional damage, or as a result of equipment failure, could materially and adversely affect our capacity to distribute electricity and could be costly or time consuming to rectify. We may also lose turnover through lost electricity sales and our customers may have claims against us for damages. In addition, all of our channels of distribution and

transmission require monitoring and regular repair and maintenance. The cost of this may increase over time as our infrastructure ages. The occurrence of any of the above events, independently or in the aggregate, may have a material adverse effect on our business, financial condition and results of operations.

Our transmission and distribution network could be materially and adversely affected by a disruption of operations at our computerised system control centre.

Our transmission and distribution network, which comprised 24 switching stations, 27 zone substations and 3,770 distribution substations as at 30 September 2013, is monitored and remotely controlled from our system control centre at Ap Lei Chau 24 hours a day. This system control centre is vulnerable to damage from or interruption by circumstances beyond our control, including but not limited to, fire, power loss, telecommunications failures, computer viruses, break-ins and similar events. Any damage caused by such events may result in interruptions to input, retrieval and transmission of data and may also result in an increase in service time which could disrupt our normal operations. In addition, if the computer systems utilised at our system control centre are disrupted or damaged and our redundant systems or disaster recovery plans cannot address such disruptions or damage, we may not be able to restore our operational capacity within a time frame that avoids a negative impact on our business, including interrupting the operation of our transmission and distribution network, which could result in lost electricity sales and thereby affect our turnover. The occurrence of any of the above events may have a material adverse effect on our business, financial condition and results of operations.

Our networks and IT systems may be vulnerable to unauthorised persons hacking our systems, which could disrupt our operations and result in the theft of our proprietary information.

A party who is able to breach the security measures on our networks could misappropriate either our proprietary information or the personal information of our customers, or cause interruptions or malfunctions in our operations. We may be required to expend significant capital and other resources to protect against such threats or to alleviate problems caused by breaches in security, which could have a material adverse effect on our business, financial condition and results of operations.

Network failures, equipment breakdowns, planned or unplanned outages, adverse weather conditions, catastrophic events, other natural disasters or terrorist attacks may cause losses to or harm our business and reputation.

Our power generation and transmission and distribution network is vulnerable to human error in operation, equipment failure, catastrophic events, natural disasters, sabotage, terrorist attacks or other events which can cause service interruptions, network failures, breakdowns or unplanned outages. There is no assurance that accidents will not occur or that the preventative measures taken by us will be fully effective in all cases, particularly in relation to external events that are not within our control. Furthermore, our emergency response, disaster recovery and crisis management team may not be able to effectively protect our business and operations from the above disruptions. Moreover, any loss from such events may not be recoverable under our insurance policies. Any service disruption may cause loss or damage to customers, who may seek to recover damages from us and harm our business and reputation. We are also exposed to the potentially high cost of replacing faulty equipment, some of which may be discovered only after the equipment has been installed extensively within our network, requiring a large scale replacement programme, which could have a material adverse effect on our business, financial condition and results of operations.

Our electricity sales and operating results may fluctuate on a seasonal basis and may be negatively affected by changes in weather conditions and seasonality.

Our electricity-related business and the number of units of electricity we are able to sell are affected by the supply of and demand for our electricity, which are subject to weather conditions and seasonality. Demand for electricity typically increases during the period when weather conditions in Hong Kong are hot and humid. For example, electricity consumption levels during the third quarter are typically higher than in other quarters. As a result, weather conditions and seasonality may have an impact on demand for our electricity, which could materially and adversely affect our turnover and profit.

We operate in a capital-intensive business.

The operation and development of our principal operations require significant capital expenditures. The capital investment required for developing and constructing power facilities and other equipment varies based on the cost of fixed assets and the cost of construction. All capital expenditures approved under the Development Plan will ultimately increase our Net Fixed Assets, which will result in a higher Permitted Return under the Scheme of Control. However, a sudden and significant increase in the costs of developing and constructing our power facilities could materially and adversely affect our short-term liquidity and cash flow.

There are risks associated with our debt and equity financing and it is possible that we may not be able to secure sufficient debt or equity financing and/or refinancing to fund our required capital expenditures or to support our future investment strategies or operations.

We require financing to support the growth and expansion of our business. Our ability to obtain financing in the future is subject to a variety of factors, including (i) our future financial condition, operating results and cash flows, (ii) the general condition of the global and domestic financial markets and changes in monetary policy, bank interest rates and lending policies, (iii) our ability to obtain necessary regulatory approvals on a timely basis and (iv) our credit ratings (see the risk factor headed *"— HEC's credit ratings may be subject to change"* below). In the event that our cash flow from operations is not sufficient to fund our planned capital expenditures, we may have to seek additional financing, including equity or debt financing. If we decide to raise additional funds through the issuance of equity securities or securities or other instruments that convert into, exchange for, or permit the issuance of equity securities, the Holders of Share Stapled Units may experience dilution in their interests in the Share Stapled Units.

Furthermore, if we raise additional funds through debt financing, we may be subject to covenants or other restrictions. We may also not be able to secure sufficient debt financing and/or refinancing to fund our required capital expenditures or support our future investment strategies or operations on acceptable terms or at all. If we are unable to secure such funding, we may have to reduce our planned capital expenditures and delay or abandon our expansion plans.

Changes in interest rates, increases in depreciation and amortisation charges and impairment of goodwill may have a significant impact on our profits and results of operations.

We are exposed to fluctuations in interest rates. As we rely heavily on third party financing to fund our business, our profits and results of operations are significantly impacted by the cost of debt. Our finance costs were HK$112.9 million, HK$249.2 million, HK$264.9 million and HK$214.6 million for FY2010, FY2011, FY2012 and 9M2013, respectively. During the same periods, the interest rates on our bank loans and MTNs ranged from 0.23% to 4.55%, 0.25% to 4.55%, 0.30% to 4.55% and 0.30% to 4.55%, respectively. The loan from our ultimate holding company is unsecured, interest-free and has no fixed terms of repayment.

As we intend to replace our existing interest-free Inter-company Loans with interest-bearing bank loans, we anticipate that our interest expenses will significantly increase relative to previous years. In particular, in preparation for the Acquisition and the Reorganisation, we have obtained (i) the Company Loan Facility of approximately HK$8,700.0 million and (ii) the HEC Loan Facility of approximately HK$28,300.0 million. The interest rates with respect to the HEC Loan Facility and the Company Loan Facility will be equal to (i) the sum of HIBOR and an interest margin (0.80% per annum) for amounts drawn in Hong Kong dollars, and (ii) the sum of LIBOR and an interest margin (0.80% per annum) for amounts drawn in United States dollars.

In addition, upon 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 HKFRS, such that the fair value of these identifiable assets and liabilities will be significantly greater than the historical amounts at which such assets and liabilities were previously stated, and the amount of our depreciation and amortisation charges will also significantly increase. Moreover, goodwill will be created. For an illustration regarding the estimated pro forma amount of fair value adjustments of fixed assets as at 30 September 2013, see note 6 of Section A of *"Appendix II — Unaudited Pro Forma Financial Information"*, which should be read together with Appendix II in its entirety. Increases in our interest charges and depreciation and amortisation charges have been taken into account in the preparation of the 2014 Profit Forecast and will, in future years, continue to impact our profits and profit margins. Please see *"2013 Profit Estimate and 2014 Profit Forecast — 2014 Profit Forecast — Sensitivity Analysis"* for a sensitivity analysis reflecting the impact of interest rates on the 2014 Profit Forecast. Furthermore, the interest rates on our bank loans and other borrowings are determined by market forces and may also increase in the future. If macroeconomic conditions or other factors result in increases in lending rates, our business, financial condition and results of operations may be materially and adversely affected.

We also expect that a material portion of the purchase price for the Acquisition will be allocated to goodwill. Any subsequent impairment of goodwill would be recognised in our consolidated statements of profit or loss. Impairment of goodwill does not result in any cash outflow and would form part of the Adjustments, the effects of which will be eliminated in calculating the Group Distributable Income. Goodwill is required to be assessed for possible impairment at least on an annual basis in accordance with the requirements of prevailing HKFRS. Impairment of goodwill would be required to be recognised in our consolidated statements of profit or loss if the carrying amount of the CGU (i.e., the HEC cash generating unit) to which the goodwill arising from the Acquisition will be allocated exceeds its recoverable amount after the Listing Date. Under HKFRS, the Group may estimate the recoverable amount based on the "value in use" of the CGU by applying a discounted cash flow model, whereby the estimated future cash flows of HEC will be discounted to their present value using a pre-tax discount rate, or may estimate the recoverable amount by calculating the fair value less costs of disposal of HEC.

The two key components which affect the "value in use" under a discounted cash flow model are the estimated cash flow projections and the discount rate. The key factors affecting the estimated cash flow projections include, but are not limited to, operating performance of the business, working capital changes and capital expenditures. The key factors affecting the discount rate include, but are not limited to, equity and debt weighting, risk free rate, market risk premium, beta and the long-term normalised level cost of debt funding. If a discounted cash flow model were to be used to calculate the fair value less costs of disposal of HEC, similar considerations would apply.

Although the normalised level cost of debt funding is not dictated by short-term movements in interest rates, it would increase if macroeconomic conditions or other factors result in expectations that the long-term pre-tax cost of debt funding will increase. Accordingly, while there is no direct correlation between movements in interest rates and impairment of goodwill, a rising interest rate environment may result in a reduction in the "value in use" of the CGU or fair value less costs of disposal of HEC and thereby the recoverable amount and may, in turn, result in impairment of goodwill. As impairment of goodwill would be recognised in our consolidated statements of profit or loss, any such impairment would materially reduce our consolidated profit attributable to the Holders of Share Stapled Units, as well as materially and adversely affect our business, financial condition and results of operations.

There may be events of default or cross-default provisions under our debt financing that entitle our lenders to terminate such financing.

We are subject to certain events of default or cross-default provisions under the terms of our bank borrowings. For example, failure by us to meet payment obligations or to comply with any affirmative covenant, such as maintaining specific financial ratios, or any violation by us of any restrictive covenant may constitute an event of default under the terms of our borrowings. See *"Financial Information — Indebtedness"* for more information. If an event of default occurs or a cross-default provision is otherwise triggered, our lenders would be entitled to accelerate payment of all or any part of the outstanding indebtedness and may terminate all commitments to extend further credit. If any event of default were to occur or a cross-default provision were to be triggered, our business, financial condition, results of operations, reputation and cash flow could be materially and adversely affected.

We had net current liabilities as at 31 December 2011 and 2012 and 30 September 2013. Our indebtedness level could have an adverse effect on our financial condition, diminish our ability to raise additional capital to fund our operations and limit our ability to explore business opportunities.

We maintain a certain level of indebtedness to finance our operations and capital expenditures. As at 30 September 2013, our total interest bearing borrowings, including MTNs, amounted to HK$13,816.6 million. Our indebtedness could have an adverse effect on us, for example, by:

- requiring us to dedicate a large portion of our cash flow from operations to fund repayments of our debt, thereby reducing the availability of our cash flow;
- increasing our vulnerability to adverse general economic conditions;
- limiting our ability to raise additional debt or equity capital in the future or increasing the cost of such funding; and
- making it more difficult for us to satisfy our obligations with respect to our debt.

In addition, as our indebtedness will require us to maintain an adequate level of cash flow from operations to satisfy our debt obligations as they become due, any decrease in our cash flow from operations in the future may have a material adverse effect on our financial condition. We had net current assets of HK$657.0 million as at 31 December 2010, and net current liabilities of HK$147.4 million, HK$4,826.5 million and HK$971.1 million as at 31 December 2011 and 2012 and 30 September 2013, respectively. We had net current liabilities during the Track Record Period primarily because of (i) increases in the current portion of our bank loans from 31 December 2010 to 31 December 2012, reflecting the shift of bank loans repayable within one year from non-current liabilities to current liabilities, and (ii) increases in our trade and other payables. Our net current liabilities decreased from 31 December 2012 to 30 September 2013, primarily reflecting a decrease in the current portion of our bank loans, primarily due to repayment in accordance with their repayment schedules, funded by (i) amounts made available through a drawdown of facilities with maturity dates beyond one year and (ii) additional amounts made available from the loan from our ultimate holding company.

HEC's credit ratings may be subject to change.

HEC's credit rating may be subject to change. HEC intends to maintain an investment grade credit rating. As HEC enters into various financing and facility agreements, including in respect of the HEC Loan Facility, it will raise substantial amounts of incremental debt. Consequently, HEC's credit rating may be reduced as a result of the increases in the amounts of debt, interest payments or capital expenditures. On 7 January 2014, Standard and Poor's issued a press release that stated that the stand-alone credit profile of HEC will likely be "a-" following the Spin-off given its increased debt level. Furthermore, there is no assurance that HEC's credit rating will be restored upon repayment or settlement of any of HEC's outstanding indebtedness. Such reduction may damage HEC's reputation or ability to obtain debt financing in the future, which may delay any expansion plans HEC may have or otherwise restrict HEC's business activities.

We rely on external parties for the construction of our power facilities and external equipment suppliers and our in-house technical team to operate and maintain our facilities and equipment.

We generally engage third party contractors, suppliers and civil engineering firms for the construction of our power facilities and for other equipment expansion projects. The successful completion of our projects depends on the ability of these contractors, suppliers and engineers to perform their contractual obligations and is subject to factors beyond our control, including actions or omissions by these parties and their agents and subcontractors. Any setbacks, delays in construction or the delivery of supplies, or any problems relating to the work performed by contractors or engineers that we engage may result in delays in the completion of a project and other unforeseen construction costs or budget overruns, which could materially and adversely affect our business, financial condition, results of operations and prospects.

Furthermore, we rely on suppliers of coal-fired, gas-fired and oil-fired generating units, wind turbines and amorphous silicon TFPV panels to provide part of the operational and maintenance services after each generator, turbine and amorphous silicon TFPV panel commences operation. Under our equipment purchase agreements, suppliers generally undertake to conduct (i) inspection and maintenance services and (ii) component repair or replacement during the warranty period. Our in-house technical team will continue to perform part of the operational and maintenance activities following the expiration of such terms. If our external equipment suppliers or our in-house technical team fail to provide adequate inspection, maintenance or repair works for our key equipment and systems in a timely manner

or at all, our electricity generation could be interrupted or delayed, possibly without warning. In addition, we may lose turnover through lost electricity sales and our customers may have claims against us for damages. The occurrence of any of these events could materially and adversely affect our business, financial condition and results of operations.

We depend on our senior management team and key employees.

Our historical success is substantially attributable to the contributions of our senior management team and key employees, including those personnel listed in *"The Trustee-Manager and the Company"*. These individuals have a demonstrated ability to execute successfully our business development and expansion strategies, and many of them have extensive experience working in the power industry in Hong Kong and other jurisdictions. Our future success depends significantly on the continued services of these key executives and employees and our ability to continue to retain and recruit senior personnel. We may not be able to locate suitable or qualified replacements for such personnel, and may incur additional expenses to recruit and train new personnel, which could severely disrupt our business and growth. Furthermore, we face increasing competition in recruiting and retaining quality professionals. Such competition may require us to offer higher compensation and other benefits, which could result in additional costs. Our inability to retain key executives and employees or hire qualified new executives and employees could adversely affect our ability to achieve our objectives and business strategy and could materially and adversely affect our business, financial condition and results of operations.

Our assets and operations are subject to risks and hazards customary to the power industry and some of our operations could expose us to health and safety claims and accidents.

Our assets, including, among others, coal-fired, gas-fired and oil-fired generating units, wind turbines, blades, solar panels transformers and interconnection infrastructure, are exposed to significant risks and hazards (including equipment failure, accidents, failure to follow correct operating procedures, fire, earthquake, flood and acts of terrorism) which could result in severe damage to and destruction of property, plant and equipment. Such damage to or destruction of our assets could result in the contamination of, or damage to, the environment and suspension of our operations.

In addition, occupational health and safety is a key risk area in the operation and maintenance of a power generation, transmission and distribution network. There are risks associated with such activities, such as operational risks and hazards caused by circumstances beyond our control, as well as the inherently dangerous nature of maintenance and construction work involving coal-, gas- and oil-firing and electrical generating units, as well as electricity transmission and distribution. We have in the past experienced, and expect to continue to experience, employee claims against us for health and safety related issues and accidents.

Furthermore, our businesses also give rise to the risk of claims by customers or the community as a result of the dangers associated with downed power lines, broken gas mains, oil spills, exhaust fumes from coal-firing and other events caused by the construction, operation and maintenance of our generation, transmission and distribution network as well as other non-operating activities, some of which are beyond our control. In particular, a serious collision accident involving one of our vessels occurred on 1 October 2012.

There is no assurance that our risk management systems can adequately identify, eliminate or manage such environmental and health risks to employees, contractors and the community. The above incidents and risks expose us to potential material liabilities, such as substantial civil liabilities and fines and increased expenses, which may have a material adverse effect on our business, financial condition and results of operations.

Our insurance coverage may not be adequate.

We maintain insurance in respect of a number of risks, including, but not limited to, (i) industrial all risks insurance (which covers physical loss and damage to infrastructure, plant and equipment associated with the generation, transmission and distribution of electricity and non-power generating assets such as data processing equipment), (ii) pollution insurance, (iii) third party liability insurance and terrorism insurance and (iv) other customary insurance. We believe our insurance coverage is commensurate with our business structure and risk profile, but there is no assurance that our current insurance policies will insure us fully against all risks and losses that may arise. In addition, our insurers review the terms of our insurance policies annually, and there is no assurance that we will be able to renew these policies on similar or otherwise acceptable terms, or at all. If we were to incur a serious uninsured loss or a loss that significantly exceeded the limits of our insurance policies, our business, financial condition and results of operations could be materially and adversely affected.

We must comply with the laws, rules and regulations in Hong Kong relating to the development, construction and operation of power facilities and renewable energy projects.

Our power facilities and renewable energy projects are subject to strict Hong Kong laws, rules and regulations relating to, among other things, their development, construction, licensing and operation. These laws, rules and regulations address, among other things, project approval and licensing for power companies, building and construction of new projects, environmental conservation and power dispatch and transmission. In particular, before we construct and operate our power facilities and renewable energy projects, we must first obtain operational and construction approvals and permits from various authorities. We cannot assure you that we will be able to obtain or renew all the approvals and permits necessary for the development and operation of new or existing projects in a timely manner, or at all. Furthermore, we must comply with the conditions contained in the operational and construction permits, and failure to do so may result in fines, sanctions, criminal penalties and/or the suspension, revocation or non-renewal of approvals, licenses or permits.

We are subject to stringent environmental laws, rules and regulations.

Our operations are subject to numerous environmental laws, rules and regulations promulgated by the Hong Kong Government. Without limitation, these laws, rules and regulations govern environmental issues such as emissions, facility maintenance and soil and groundwater contamination. See *"Scheme of Control and Regulatory Overview — Key Laws, Rules and Regulations Applicable to the Group"* for details. In addition, we will be subject to any future environmental laws, rules and regulations enacted by the Hong Kong Government in response to international treaties or accords or laws or policies promulgated in other jurisdictions, including any controls enacted to minimise mercury emissions along with other pollutants from coal-fired boilers (such limitations to mercury emissions were recently proposed in the PRC's Twelfth Five-Year Plan). Given the volume, complexity and frequency of amendments to these laws, rules and regulations, compliance may be onerous or it may take substantial financial or other resources to establish efficient compliance and monitoring systems. The liabilities, costs, obligations and requirements associated with these laws, rules and regulations may be substantial and may delay the commencement of, or cause interruptions to, our operations. Non-compliance with

relevant industry regulations, as well as the environmental laws, rules and regulations applicable to our operations, may result in substantial penalties or fines, suspension or revocation of our licenses or permits, stoppage of power facility or renewable energy project construction, suspension of our operations or significant damage to our reputation. Moreover, any changes or amendments to such laws, rules or regulations may cause us to incur additional capital expenditures or other obligations or liabilities. Such events could materially and adversely impact our business, financial condition and results of operations.

PAH, whose interest in the Group's business may be different from the other Holders of Share Stapled Units, will be able to exercise significant influence over certain activities of the Group.

Immediately following the completion of the Reorganisation and the Global Offering (assuming the Over-allotment Option is not exercised), PAH will have an interest in approximately 49.9% of the issued and outstanding Share Stapled Units. As a result, PAH will therefore be in a position to exercise significant influence over matters which require the approval of the Holders of Share Stapled Units.

The interests of PAH may be different from our interests or those of the other Holders of Share Stapled Units. In particular, the actions of PAH could favour its own interests over our interests or the interests of the other Holders of Share Stapled Units and could have a material adverse effect on our business, financial condition and results of operations.

We may experience a shortage of labour, labour disputes or an increase in labour costs.

We are subject to the risk of labour disputes and adverse employee relations. These potential disputes and adverse relations could result in work stoppages or other events that could disrupt our operations, which could materially and adversely affect our business, financial condition and results of operations.

We may not be able to recover our trade and other receivables.

As at 31 December 2010, 2011 and 2012 and 30 September 2013, our trade and other receivables totalled HK$1,118.0 million, HK$1,078.1 million, HK$1,182.9 million and HK$1,669.0 million, respectively. The majority of our trade receivables consist of unbilled electricity charges and unpaid electricity charges. We have obtained collateral in the form of security deposits or bank guarantees from our customers to cover any defaults or failure on their part to pay their electricity bills. However, there is no assurance that we will be able to recover fully any unpaid amount exceeding any such security deposit or guarantee. Failure on our part to recover fully the entire amount owed to us under trade and other receivables could materially and adversely affect our business, financial condition and results of operations.

We engage in hedging activities to manage our exposure to fluctuations in interest rates and foreign currencies.

We are exposed to foreign currency risks associated with the import of fuel and capital equipment. We also face liquidity and interest rate risks in relation to our interest-bearing assets and liabilities, such as bank loans, bank overdrafts and MTNs. In order to manage these risks, we engage in hedging

transactions. We use financial instruments for risk management and not for speculative purposes. However, hedging could fail to protect us or could adversely affect us because, among others:

- the available hedging instruments may not correspond directly with the risk for which protection is sought;
- the duration or nominal amount of the hedge may not match the duration or amount of the related liability;
- our hedge counterparty may default on its obligation to pay us;
- the credit quality of our hedge counterparty may be downgraded to such an extent that it impairs the ability of the relevant member of the Group to sell or assign its side of the hedging transaction; and
- the value of the derivatives used for hedging may be adjusted from time to time in accordance with applicable accounting rules to reflect changes in fair value, and any downward adjustments would reduce our net assets and profits.

In addition, hedging involves transaction costs. These costs may increase as the period covered by the hedging increases and during periods of rising and volatile interest rates or foreign exchange rates. In periods of extreme volatility, it may not be commercially viable to enter into hedging transactions due to the high costs involved, which may in turn increase our exposure to financial risks. Any of the above factors could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may be affected by the general economic conditions in Hong Kong, the PRC and globally.

We are generally influenced by conditions in the global financial markets and the macroeconomic environments of Hong Kong (including the gross domestic product), the PRC and elsewhere in the world. The global financial crisis that unfolded in 2008, the recent European debt crisis and the slowdown of the PRC economy have resulted in a marked slowdown in world economic growth, economic contractions in certain markets, more commercial and consumer delinquencies, weakened consumer confidence and increased market volatility. There is no assurance that any future economic uncertainties or events will not have a significant negative impact on us. Any global economic slowdown or economic uncertainty may materially and adversely affect the business of our customers or potential customers, as well as cause a slowdown in economic activity in Hong Kong, which, in turn, may lead to a lower demand for electricity services in Hong Kong. Any of the foregoing may materially reduce our turnover, profitability and cash flow and may lead to negative growth.

Our business and prospects may be materially and adversely affected by a recurrence of SARS or an outbreak of other epidemics.

Any recurrence of Severe Acute Respiratory Syndrome (SARS) or an outbreak of any other epidemic in Hong Kong, such as influenza A (H1N1) and avian flu (including H5N1 and H7N9), may result in material disruptions to our and our customers' operations and could significantly disrupt our business and operations or cause a material economic downturn. Any such disruption or economic downturn could materially and adversely affect our business, financial condition and results of operations.

F. RISKS RELATING TO THE STRUCTURE OF HK ELECTRIC INVESTMENTS AND THE COMPANY

The structure involving the listing of HK Electric Investments, the Company and the Share Stapled Units is relatively unique as there are only limited precedents for such structures in the Hong Kong market. There is no assurance that the Hong Kong courts will interpret the relevant investor protection provisions applicable to the Holders of Share Stapled Units in the same manner as those applicable to shareholders of companies listed on the Stock Exchange. In addition, HK Electric Investments and/or the Company may be affected by the introduction of new policies, legislation, regulations or guidelines affecting them.

There have only been a limited number of other transactions in the Hong Kong market that involved the listing and sale of share stapled units similar to the Share Stapled Units. There is no assurance that the Hong Kong courts would interpret the relevant investor protection provisions applicable to the Holders of Share Stapled Units in the same manner as those applicable to shareholders of companies listed on the Stock Exchange. A different interpretation of such provisions could have a material adverse effect on an investment in the Share Stapled Units.

In addition, as the listing of the structure involving HK Electric Investments, the Company and the Share Stapled Units is relatively unique, the introduction of new policies, legislation, regulations or guidelines affecting HK Electric Investments and/or the Company may have a material adverse effect on the business, financial condition, results of operations and prospects of the Trust Group and/or an investment in the Share Stapled Units.

The introduction of new policies or legislation, or the amendment of existing legislation, in the Cayman Islands restricting the funds from which the Company is permitted to make distributions may reduce the level of distributions to the Holders of Share Stapled Units.

The Trustee-Manager will rely on the receipt of dividends, distributions and other amounts from the Company in order to make distributions (on behalf of HK Electric Investments) to the Holders of Share Stapled Units. The law of the Cayman Islands does not limit the amount that may be paid by way of distribution to amounts standing to the credit of a company's distributable reserves and share premium, as is the case in certain other jurisdictions. There is no assurance that new legislation in the Cayman Islands will not be introduced, or that existing legislation in the Cayman Islands will not be amended or repealed, which would restrict the funds from which the Company is permitted to make distributions and thereby reduce the level of distributions which may be made by the Trustee-Manager (on behalf of HK Electric Investments) to the Holders of Share Stapled Units.

There is uncertainty as to the Hong Kong profits tax treatment of distributions by the Trustee-Manager (on behalf of HK Electric Investments) to the Holders of Share Stapled Units.

The Company understands that under the current practice of the IRD, Hong Kong profits tax will not generally be payable by unitholders on distributions by Hong Kong listed unit trusts or fixed single investment trusts (such as HK Electric Investments). However, there is no assurance that the IRD will apply this practice to distributions made by the Trustee-Manager (on behalf of HK Electric Investments) to the Holders of Share Stapled Units. If the IRD does not apply its current practice and/or if there is any change in the current practice, this would affect the after-tax distributions to the Holders of Share Stapled Units. Prospective investors should seek advice from their own professional advisers as to their particular tax positions. Please see *"Appendix VI — Taxation"* for more details.

G. OTHER RISKS RELATING TO AN INVESTMENT IN THE SHARE STAPLED UNITS

Any sale or possible sale in the public market of the interests of PAH or an issue of new Share Stapled Units by us may cause a significant decrease in the market price of the Share Stapled Units.

Immediately following the completion of the Reorganisation and the Global Offering, PAH will have an interest in approximately 49.9% (or 42.4% if the Over-allotment Option is exercised in full) of the Share Stapled Units in issue. If, following the expiry of its lock-up period, PAH sells or is perceived as intending to sell a substantial portion of its interests in the Share Stapled Units, the market price of the Share Stapled Units may be adversely affected. See *"Underwriting"* for details of the lock-up arrangements.

In order to expand our business, we may consider offering and issuing additional Share Stapled Units in the future. Purchasers of the Share Stapled Units may experience dilution in the net tangible assets book value per Share Stapled Unit if we issue additional Share Stapled Units in the future at a price which is lower than the net tangible assets book value per Share Stapled Unit. In addition, the issuance of additional Share Stapled Units may cause a significant decrease in the market price of the Share Stapled Units.

The Share Stapled Units have never been publicly traded and an active or liquid market for the Share Stapled Units may never develop.

Prior to the Global Offering, there has been no public market for the Share Stapled Units and an active or liquid market for the Share Stapled Units may never develop or be sustained after the Global Offering. Listing and quotation does not guarantee that a trading market for the Share Stapled Units will develop or, if a market does develop, the liquidity of that market.

The market price of the Share Stapled Units may decline after the Global Offering.

The Offer Price of the Share Stapled Units will be determined by agreement among the Joint Global Coordinators (on behalf of the Underwriters), Quickview, the Trustee-Manager and the Company, and may not be indicative of the market price for the Share Stapled Units following completion of the Global Offering. The Share Stapled Units may trade at market prices significantly below the Offer Price after the Global Offering.

The market price of the Share Stapled Units will depend on many factors, including, but not limited to:

- the perceived prospects of the Group's business and investments, and the power industry in Hong Kong;
- differences between our actual financial and operating results and those expected by investors and analysts;
- changes in analysts' recommendations or projections;
- changes in general economic or market conditions;
- the market value of our assets;

- the perceived attractiveness of the Share Stapled Units against that of other equity or debt securities, including those not in the power industry;
- the balance of buyers and sellers of the Share Stapled Units;
- any future changes to the regulatory systems of Hong Kong, the Cayman Islands and the BVI, both generally and specifically in relation to dividend and tax systems and Hong Kong's trusts regime;
- our ability to successfully implement our investment and growth strategies;
- interest rates;
- foreign exchange rates; and
- broad market fluctuations, including any weakness of the equity markets.

For these reasons, among others, the Share Stapled Units may trade at prices that are higher or lower than the Offer Price. In addition, to the extent that we retain operating cash flow for investment, working capital requirements or other purposes, these retained funds, while increasing the value of our underlying assets, may not correspondingly increase the market price of the Share Stapled Units.

As the Offer Price of the Share Stapled Units is higher than the pro forma consolidated net asset value per Share Stapled Unit, purchasers of Offer Share Stapled Units may experience an immediate dilution in the unaudited pro forma consolidated net asset value per Share Stapled Unit.

The Offer Price of the Share Stapled Units is higher than the pro forma consolidated net asset value per Share Stapled Unit issued to existing Holders of Share Stapled Units. Accordingly, purchasers of Offer Share Stapled Units in the Global Offering will experience an immediate dilution (representing the difference between the Offer Price of the Share Stapled Units and the pro forma consolidated net asset value per Share Stapled Unit) of (a) HK$0.09 per Share Stapled Unit in the unaudited pro forma consolidated net asset value of HK$5.36 per Share Stapled Unit, assuming an Offer Price of HK$5.45 per Share Stapled Unit (being the Minimum Offer Price) and (b) HK$0.11 per Share Stapled Unit in the unaudited pro forma consolidated net asset value of HK$6.19 per Share Stapled Unit, assuming an Offer Price of HK$6.30 per Share Stapled Unit (being the Maximum Offer Price).

There is no assurance that the Share Stapled Units will remain listed on the Stock Exchange.

Although it is currently intended that the Share Stapled Units will remain listed on the Stock Exchange, there is no guarantee of the continued listing of the Share Stapled Units. Among other factors, HK Electric Investments and/or the Company may not continue to satisfy the listing requirements of the Stock Exchange. Holders of Share Stapled Units would not be able to sell their Share Stapled Units through trading on the Stock Exchange if the Share Stapled Units were no longer listed on the Stock Exchange.

HK Electric Investments may be terminated and the proceeds from a termination or winding up of HK Electric Investments and/or the Company may be less than the amount invested by investors under the Global Offering.

HK Electric Investments may be terminated in the event that (i) the Exchange Right is exercised, (ii) any law is passed that renders it illegal or, in the opinion of the Trustee-Manager, impracticable or inadvisable to continue HK Electric Investments and approval for the winding up has been given by way of an Ordinary Resolution of Registered Holders of Units or (iii) approval for the termination of HK Electric Investments has been given by way of an Extraordinary Resolution of Registered Holders of Units.

The Offer Price of Share Stapled Units under the Global Offering may be at a premium to the net asset value per Share Stapled Unit at the time of the termination or winding up of HK Electric Investments and/or the Company. Should HK Electric Investments and/or the Company be terminated or wound up, there is no assurance that an investor under the Global Offering will recover all or any part of his investment.

The Trustee-Manager is not obliged, or permitted, to repurchase or redeem the Share Stapled Units.

Holders of Share Stapled Units have no right to request the Trustee-Manager to repurchase or redeem their Share Stapled Units and the Trustee-Manager is not permitted to do so. It is intended that Holders of Share Stapled Units may only deal in their listed Share Stapled Units through trading on the Stock Exchange.

The Trustee-Manager may be removed and replaced by an Ordinary Resolution of Registered Holders of Units.

The Trust Deed requires the removal of the trustee-manager of HK Electric Investments by way of an Ordinary Resolution of Registered Holders of Units, which is a resolution approved by Registered Holders of Units holding more than 50% of the voting rights of all the Registered Holders of Units present and voting.

If the Trustee-Manager resigns or is removed by the Registered Holders of Units, HK Electric Investments may not be able to appoint a new trustee-manager in a timely manner or on similar terms.

Under the Trust Deed, the Trustee-Manager may be removed as the trustee-manager of HK Electric Investments by an Ordinary Resolution of Registered Holders of Units, or it may resign as the trustee-manager. Any removal or resignation of the Trustee-Manager must be made in accordance with the procedures set out in the Trust Deed and shall only become effective upon the incumbent trustee-manager which is being removed or is resigning (as the case may be) having taken all necessary steps to transfer legal title to all Trust Property to the incoming trustee-manager, including, but not limited to, the Ordinary Shares. The responsibilities and obligations of the trustee-manager which is being removed or is resigning will only cease, and the responsibilities and obligations of the incoming trustee-manager will only commence, upon completion of all necessary steps. Any purported change of the Trustee-Manager is ineffective unless it is made in accordance with the Trust Deed.

Upon the resignation of the Trustee-Manager or the removal of the Trustee-Manager by way of an Ordinary Resolution of Registered Holders of Units, HK Electric Investments may not be able to appoint a substitute for the Trustee-Manager in a timely manner, or on terms similar to those under the Trust Deed. In particular, it may be difficult to find a substitute trustee-manager, as the Trust Deed prohibits the payment of any fee to the trustee-manager to carry out its role as trustee-manager. The Trust Deed includes provisions whereby application can be made to the Hong Kong court under its inherent jurisdiction, or under the Trustee Ordinance, for the appointment of a replacement trustee-manager. However, there is no assurance that any new trustee-manager to be appointed to substitute for the Trustee-Manager will have the relevant experience in performing its duties under the Trust Deed.

If the Trustee-Manager is removed and no new trustee-manager is willing to take its place, HK Electric Investments could be terminated by court order.

Under the Trust Deed, in the event that the Trustee-Manager is removed by way of an Ordinary Resolution of Registered Holders of Units and no new trustee-manager is willing to take the place of the Trustee-Manager within 60 days of such removal, any Registered Holder of Share Stapled Units may apply to the Hong Kong court under its inherent jurisdiction, or under the Trustee Ordinance, for an order to appoint any company to act as the trustee-manager or to terminate HK Electric Investments.

It may be difficult to establish liability for breach of trust by the Trustee-Manager, and the rights of HK Electric Investments and the Holders of Share Stapled Units to recover claims against the Trustee-Manager are limited.

A trustee-manager who does not carry out its duties and obligations contained in the trust deed or as imposed by law will be in breach of trust and will be liable to the Holders of Share Stapled Units. Generally, under the common law, when there is a breach of trust, a trustee-manager can be compelled to do something required by the trust or prevented from doing something prohibited by the trust. A trustee-manager can also be required to restore the trust property that has been passed away in the breach, to provide value equivalent to the value of the property passed away or to pay equitable compensation to the trust to compensate the beneficiaries' loss. A trustee-manager may also be obliged to put the trust estate back to the same position it would have been in had the breach not occurred. However, under the common law, it may be difficult to establish a liability for breach of trust, as the Holders of Share Stapled Units must prove that the Trust Property has incurred a loss and that the loss would not have occurred but for the breach. The Trustee-Manager will also be entitled to certain defences to breach of trust under the common law. It is also unclear under common law whether the directors of a corporate trustee have personal liability to the beneficiaries of the trust.

The Trust Deed limits the liability of the Trustee-Manager (including its directors, employees, servants, agents and delegates) in the absence of fraud, wilful default, negligence or breach of the Trust Deed. In addition, the Trust Deed provides that the Trustee-Manager and any of its directors, employees, servants, agents and delegates are entitled to be indemnified against any actions, costs, claims, damages, expenses, penalties or demands to which it or he/she may be put as the trustee-manager of HK Electric Investments (or as such a director, employee, servant, agent or delegate) so long as such action, cost, claim, damage, expense, penalty or demand is not occasioned by fraud, wilful default or negligence. As a result, the rights of HK Electric Investments and the Holders of Share Stapled Units to recover claims against the Trustee-Manager are limited.

Third parties may be unable to recover for claims brought against the Trustee-Manager as the Trustee-Manager is not an entity with significant assets other than the property of HK Electric Investments. HK Electric Investments can only act through the Trustee-Manager.

Third parties may in the future have claims against the Trustee-Manager in connection with the carrying on of its duties as trustee-manager of HK Electric Investments (including in relation to the Global Offering and this prospectus).

Under the terms of the Trust Deed, the Trustee-Manager is indemnified from the Trust Property against any actions, costs, claims, damages, expenses, penalties or demands to which it may be put as the trustee-manager of HK Electric Investments unless occasioned by fraud, wilful default or negligence. In the event of any such fraud, wilful default or negligence, only the assets of the Trustee-Manager itself and not the Trust Property would be available to satisfy a claim.

HK Electric Investments can only act through the Trustee-Manager. If the Trustee-Manager enters into a contract with a third party, the Trustee-Manager is liable under the contract to a potentially unlimited degree. Similarly, the Trustee-Manager can also be personally liable in tort for its or its agents' acts or omissions in connection with the administration of HK Electric Investments.

As a general principle, unless appropriately expressed to the contrary and permitted by the Trust Deed, creditors and contractual counterparties of HK Electric Investments and other third parties have no direct access to the Trust Property, because HK Electric Investments has no separate legal existence. The Trustee-Manager is entitled under the Trust Deed to an indemnity out of the Trust Property in respect of the Trustee-Manager's personal liability where a contract has been properly entered into during the administration of HK Electric Investments and within the powers conferred by the Trust Deed and in the absence of fraud, wilful default or negligence by the Trustee-Manager. Similarly, where the Trustee-Manager has acted within its powers under the Trust Deed, it will be entitled to an indemnity in respect of claims in tort by third parties, in the absence of fraud, wilful default or negligence on the part of the Trustee-Manager.

Creditors', other contractual counterparties' and other third parties' only means of access to the Trust Property is by subrogation to the Trustee-Manager's right to be indemnified out of the Trust Property in the circumstances described above.

You should read the entire prospectus and we strongly caution you not to place any reliance on any information contained in press articles, other media and/or research reports regarding us, our business, our industry and the Global Offering.

There has been prior to the publication of this prospectus, and there may be subsequent to the date of this prospectus but prior to the completion of the Global Offering, press, media and/or research analyst coverage regarding the Group, our business, our industry and the Global Offering. You should rely solely upon the information contained in this prospectus in making your investment decision regarding the Share Stapled Units and we do not accept any responsibility for the accuracy or completeness of the information contained in such press articles, other media and/or research analyst reports nor the fairness or appropriateness of any forecasts, projections, views or opinions expressed by the press, other media and/or research analysts regarding the Share Stapled Units, the Global Offering, the Group, our business or our industry. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, projections, views or opinions expressed or any such

publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

Certain industry statistics contained in this prospectus are derived from publicly available official sources, which have not been verified by us.

This prospectus contains information and statistics related to, among other things, Hong Kong and the power industry in Hong Kong. Such information and statistics have been derived from various publicly available government and official sources. We believe that the sources of such information and statistics are appropriate sources for such information and statistics and have taken reasonable care in the extraction and reproduction of such information and statistics. We have no reason to believe that such information or statistics are false or misleading in any material respect or that any fact has been omitted that would render such information or statistics false or misleading in any material respect. However, none of the Trustee-Manager, the Company or any of the Relevant Persons has independently verified such information and statistics and no representation is given as to their correctness or accuracy. We cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case in other jurisdictions. Therefore, you should not unduly rely upon the industry information and statistics contained in this prospectus.

HK Electric Investments	HK Electric Investments, as constituted by the Trust Deed in Hong Kong
Company	HK Electric Investments Limited
Trustee-Manager	HK Electric Investments Manager Limited, in its capacity as trustee-manager of HK Electric Investments

TRUSTEE-MANAGER DIRECTORS AND COMPANY DIRECTORS

The Trust Deed requires that:

(a) the board of directors of the Trustee-Manager shall at all times comprise the same individuals who serve as directors of the Company;

(b) no person shall serve as a director of the Trustee-Manager unless he also serves as a director of the Company at the same time; and

(c) no person shall serve as a director of the Company unless he also serves as a director of the Trustee-Manager at the same time.

Accordingly, the compositions of the Trustee-Manager Board and the Company Board are the same. The Trust Deed also requires that the memberships of the Company Audit Committee and the Trustee-Manager Audit Committee must be the same.

The members of each Board are as follows:

Name	Address	Nationality
Executive Directors		
Mr. FOK Kin Ning, Canning *(Chairman)*	10/F, 1 King Tak Street Kowloon Hong Kong	British
Mr. WAN Chi Tin *(Chief Executive Officer)*	Flat A, 15/F, Block 10 Braemar Hill Mansions 33 Braemar Hill Road North Point Hong Kong	Chinese
Mr. CHAN Loi Shun	Flat A, 16/F, Tower 1 Island Crest 8 First Street Hong Kong	Chinese
Mrs. CHOW WOO Mo Fong, Susan (alias, WOO Mo Fong, Susan)	9A, Po Garden 9 Brewin Path Mid-Levels Hong Kong	British
Mr. YUEN Sui See	Flat D1, 16/F, Block D Beverly Hill 6 Broadwood Road Happy Valley Hong Kong	British
Mr. CHENG Cho Ying, Francis (alias, CHENG Cho Ying)	Flat B, 30/F, Block 2 Scenecliff 33 Conduit Road Hong Kong	Chinese
Non-executive Directors		
Mr. TSO Kai Sum	House B 90 Peak Road The Peak Hong Kong	British
Mr. Ronald Joseph ARCULLI	26G Shouson Hill Road Hong Kong	Chinese

Name	Address	Nationality
Independent Non-executive Directors		
Mr. FONG Chi Wai, Alex	Tower 9, Unit 1957 Hong Kong Parkview 88 Tai Tam Reservoir Road Hong Kong	Chinese
Mr. LEE Lan Yee, Francis (alias, LEE Lan Yee)	Flat 75, 5/F, Tower 13 Hong Kong Parkview 88 Tai Tam Reservoir Road Hong Kong	Chinese
Mr. George Colin MAGNUS	Flat A, 9/F, Block 4 Pacific View 38 Tai Tam Road Hong Kong	British
Mr. Donald Jeffrey ROBERTS	Flat 1A Piccadilly Mansion 6 Po Shan Road Mid-Levels Hong Kong	Canadian

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers (in alphabetical order)	Goldman Sachs (Asia) L.L.C. 68th Floor, Cheung Kong Center 2 Queen's Road Central Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
Joint Sponsors (in alphabetical order)	Goldman Sachs (Asia) L.L.C. 68th Floor, Cheung Kong Center 2 Queen's Road Central Hong Kong
	HSBC Corporate Finance (Hong Kong) Limited 1 Queen's Road Central Hong Kong
Co-lead Managers (in alphabetical order)	Australia and New Zealand Banking Group Limited, Hong Kong Branch 22/F, Three Exchange Square 8 Connaught Place Central Hong Kong
	Barclays Bank PLC, Hong Kong Branch *(in relation to the Hong Kong Public Offering)* 41/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
	Barclays Bank PLC *(in relation to the International Offering)* 5 The North Colonnade Canary Wharf London E14 4BB United Kingdom
	BNP Paribas Securities (Asia) Limited 59/F-63/F, Two International Finance Centre 8 Finance Street Central Hong Kong
	BOCI Asia Limited 26/F, Bank of China Tower 1 Garden Road Central Hong Kong

Citigroup Global Markets Asia Limited
(in relation to the Hong Kong Public Offering)
50/F, Citibank Tower, Citibank Plaza
3 Garden Road
Hong Kong

Citigroup Global Markets Limited
(in relation to the International Offering)
Citigroup Centre, Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Crédit Agricole Corporate and Investment Bank
(in relation to the Hong Kong Public Offering)
27/F, Two Pacific Place
88 Queensway
Hong Kong

Crédit Agricole Corporate and Investment Bank
(in relation to the International Offering)
9, Quai du Président Paul Doumer
92920 Paris La Défense Cedex
France

DBS Asia Capital Limited
17th Floor, The Center
99 Queen's Road Central
Hong Kong

Mizuho Securities Asia Limited
12th Floor, Chater House
8 Connaught Road Central
Hong Kong

Morgan Stanley Asia Limited
(in relation to the Hong Kong Public Offering)
Level 46, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Morgan Stanley & Co. International plc
(in relation to the International Offering)
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

	The Bank of Nova Scotia, Hong Kong Branch 25/F, United Centre 95 Queensway Hong Kong
Co-Managers (in alphabetical order)	Canadian Imperial Bank of Commerce, Hong Kong Branch *(in relation to the Hong Kong Public Offering)* Suite 3602, Cheung Kong Center 2 Queen's Road Central Hong Kong CCB International Capital Limited 12/F, CCB Tower 3 Connaught Road Central Central Hong Kong CIBC World Markets Inc. *(in relation to the International Offering)* 161 Bay Street, 7th Floor Toronto, Ontario Canada, M4R 1E9 Oversea-Chinese Banking Corporation Limited 9/F, Nine Queen's Road Central Hong Kong
Legal Advisers to the Company	*As to Hong Kong laws:* Woo Kwan Lee & Lo 26th Floor, Jardine House 1 Connaught Place Central Hong Kong *As to U.S. laws:* Sullivan & Cromwell 28th Floor Nine Queen's Road Central Hong Kong *As to Cayman Islands laws:* Conyers Dill & Pearman (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands

Legal Advisers to the Joint Sponsors and the Underwriters	*As to Hong Kong and U.S. laws:* Freshfields Bruckhaus Deringer 11th Floor, Two Exchange Square 8 Connaught Place Central Hong Kong
Auditor and Reporting Accountants	KPMG *Certified Public Accountants* 8th Floor, Prince's Building 10 Chater Road Central Hong Kong
Receiving Banks	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong DBS Bank (Hong Kong) Limited G/F, The Center 99 Queen's Road Central Hong Kong

A. CORPORATE INFORMATION OF THE TRUSTEE-MANAGER

Registered Office	44 Kennedy Road Hong Kong
Company Secretary	Mr. NG Wai Cheong, Alex *LLB*
Authorised Representatives	Mr. CHAN Loi Shun 44 Kennedy Road Hong Kong Mr. NG Wai Cheong, Alex 44 Kennedy Road Hong Kong
Trustee-Manager Audit Committee	Mr. Donald Jeffrey ROBERTS *(Chairman)* Mr. Ronald Joseph ARCULLI Mr. LEE Lan Yee, Francis
Share Stapled Units Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

B. CORPORATE INFORMATION OF THE COMPANY

Registered Office	Codan Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head Office and Principal Place of Business in Hong Kong	44 Kennedy Road Hong Kong
Company Secretary	Mr. NG Wai Cheong, Alex *LLB*
Authorised Representatives	Mr. CHAN Loi Shun 44 Kennedy Road Hong Kong Mr. NG Wai Cheong, Alex 44 Kennedy Road Hong Kong

Company Audit Committee	Mr. Donald Jeffrey ROBERTS *(Chairman)* Mr. Ronald Joseph ARCULLI Mr. LEE Lan Yee, Francis
Remuneration Committee	Mr. Donald Jeffrey ROBERTS *(Chairman)* Mr. FOK Kin Ning, Canning Mr. FONG Chi Wai, Alex
Compliance Adviser	Haitong International Capital Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Principal Bankers	Bank of China (Hong Kong) Limited 9/F, Bank of China Tower 1 Garden Road Hong Kong The Bank of Tokyo-Mitsubishi UFJ, Ltd. 8/F, AIA Central 1 Connaught Road Central Hong Kong The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong Mizuho Bank, Ltd. 17th Floor, Two Pacific Place 88 Queensway Hong Kong Standard Chartered Bank (Hong Kong) Limited 13/F, Standard Chartered Bank Building 4-4A Des Voeux Road Central Hong Kong
Address Where the Principal Register of Members is Kept	Codan Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Address Where the Hong Kong Register of Members is Kept	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

Company's Website	**www.hkei.hk** *(A copy of this prospectus is available on the Company's website. Except for the information contained in this prospectus, none of the other information contained on the Company's website forms part of this prospectus)*

OUR HISTORY

Over the last 120 years, we have been generating and supplying electricity to Hong Kong, serving a pivotal role throughout Hong Kong's economic transformation. We can trace our origins back to 1889 when HEC, our principal operating subsidiary, was incorporated in Hong Kong. Since lighting up the first electric street lamps in Hong Kong in 1890, we have continued to serve the community in Hong Kong for generations. We have been and are the sole electricity provider to Hong Kong Island and Lamma Island.

We have continually expanded our capacity to meet the ever growing energy needs of Hong Kong. HEC's first power station in Wan Chai commenced commercial operations in 1890. A second power station at North Point commenced commercial operations in 1919. A third power station at Ap Lei Chau commenced commercial operations in 1968. Since 1990, Lamma Power Station has been our sole power generation facility and is located on an approximately 85.8-hectare site at Po Lo Tsui on Lamma Island. As at 30 September 2013, the Lamma Power Station had an aggregate installed capacity of approximately 3,737 MW and we had approximately 568,000 registered customers on Hong Kong Island and Lamma Island. For further details, see *"Business"*.

Our operations are subject to the Scheme of Control entered into with the Hong Kong Government. The first Scheme of Control was entered into in 1980 for a term of 15 years beginning on 1 January 1979 and it was renewed in 1993 for a similar term until the end of 2008. The current Scheme of Control was entered into on 7 January 2008 for a term of 10 years from 1 January 2009 to 31 December 2018, with an option for the Hong Kong Government to extend it for a further term of five years ending on 31 December 2023. For further details, see *"Scheme of Control and Regulatory Overview"*.

Our Key Milestones

1889 HEC was incorporated.

1890 HEC commenced operations and lit up Hong Kong's first electric street lamps, with two steam driven generators installed at the newly constructed Wan Chai power station.

1919 The North Point power station commenced commercial operations.

1922 The Wan Chai power station was decommissioned.

1968 The Ap Lei Chau power station commenced commercial operations.

1976 The ownership structure of HEC was reorganised by way of a scheme of arrangement pursuant to which HEC became a wholly-owned subsidiary of PAH (formerly known as Hongkong Electric Holdings Ltd.) and the original shareholders of HEC (other than PAH) became shareholders of PAH. Shares in PAH then became listed in Hong Kong, and the listing status of HEC in Hong Kong was withdrawn.

1978 The North Point power station was decommissioned.

1980 HEC entered into the first Scheme of Control with the Hong Kong Government for a term of 15 years beginning on 1 January 1979.

1982 The Lamma Power Station commenced commercial operations.

1983 Stage one of the construction of the Lamma Power Station was completed.

1985 HWL acquired a 34% shareholding interest in PAH from Hongkong Land Holdings Limited.

1989 The Ap Lei Chau power station was decommissioned.

1993 Stage two of the construction of the Lamma Power Station was completed. The Scheme of Control was renewed for another term of 15 years.

1997 CKH, HWL and CKI went through a group reorganisation pursuant to which the shares in PAH owned by HWL and its subsidiaries were transferred to CKI.

2001 Stage three of the construction of the Lamma Power Station was completed.

2006 The wind turbine on Lamma Island (Lamma Winds) commenced commercial operations and was Hong Kong's first commercial-scale wind turbine station.

2008 HEC entered into the current Scheme of Control for a term of 10 years, with an option for the Hong Kong Government to extend for a further term of five years.

2010 HEC completed the installation of a 550 kW commercial-scale solar power system in Hong Kong, which is the largest of its kind and the first large-scale project applying the amorphous silicon TFPV panels in Hong Kong.

2013 The Company was incorporated. The 2013 interim review of the current Scheme of Control and the determination of the 2014-2018 Development Plan were agreed between the Hong Kong Government and HEC. For further details, see *"Scheme of Control and Regulatory Overview — Scheme of Control"*.

2014 HK Electric Investments was established.

THE REORGANISATION

In preparation for the Global Offering, the Reorganisation is being implemented to establish the Trust Group.

1. Incorporation of various companies

Between July and September 2013, the following companies were incorporated:

(a) Quickview and Sure Grade were incorporated in the BVI, and became wholly-owned subsidiaries of PAH;

(b) the Trustee-Manager was incorporated in Hong Kong, and became a wholly-owned subsidiary of Sure Grade;

(c) the Company was incorporated in the Cayman Islands, and became a wholly-owned subsidiary of Quickview;

(d) Century Rank was incorporated in the BVI, and became a wholly-owned subsidiary of the Company; and

(e) Treasure Business was incorporated in the BVI, and became a wholly-owned subsidiary of Century Rank.

2. Subscription for one share of the Company

On 4 December 2013, Quickview subscribed for and was allotted and issued one additional ordinary share in the capital of the Company at par.

3. Constitution of HK Electric Investments

On 1 January 2014, HK Electric Investments was constituted by the Trustee-Manager and the Company pursuant to the Trust Deed.

4. Transfer of the Company to HK Electric Investments

On 1 January 2014, the Trustee-Manager and Quickview entered into a sale and purchase agreement pursuant to which Quickview transferred one Ordinary Share held by it to the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments) in consideration for HK$0.0005 which was satisfied by HK Electric Investments 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 in accordance with the Trust Deed.

5. Acquisition of HEC

On 14 January 2014, Treasure Business, as the purchaser, entered into the Sale and Purchase Agreement with, among others, PAH, as the vendor, pursuant to which Treasure Business conditionally agreed to acquire the entire issued share capital of HEC.

Conditions to completion of the Acquisition

Completion of the Acquisition under the Sale and Purchase Agreement is conditional upon (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Share Stapled Units in issue and to be issued pursuant to the Reorganisation and the Global Offering on the Main Board of the Stock Exchange and such approval not having been withdrawn immediately prior to 8:00 a.m. on the Listing Date; (b) the Offer Price having been agreed between the Joint Global Coordinators (on behalf of the Underwriters), Quickview, the Trustee-Manager and the Company; (c) the International Underwriting Agreement having been executed and delivered on or about the Price Determination Date; (d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement not having been terminated immediately prior to 8:00 a.m. on the Listing Date; and (e) there being no material breach of the representations, warranties and/or undertakings set out in the Sale and Purchase Agreement or any other terms of the Sale and Purchase Agreement on the part of PAH.

Subject to the satisfaction of the conditions referred to above, completion of the Acquisition (the "**Completion**") will take place immediately prior to 8:00 a.m. on the Listing Date (the "**Completion Date**").

Consideration for the Acquisition

The consideration for the Acquisition (the "**Acquisition Consideration**"), which will reflect the value of HEC implied by the Offer Price, will be payable on the Completion Date and will be an amount equal to:

A – B

where:

(1) "**A**" is the sum of:

(a) the net proceeds from the issue of the Offer Share Stapled Units pursuant to the Global Offering (being the gross proceeds less underwriting commissions and any incentive fees payable to the Underwriters under the Underwriting Agreements) (for the avoidance of doubt, excluding any exercise of the Over-allotment Option);

(b) the value (at the Offer Price) of the Consideration Share Stapled Units to be issued to Quickview (at the direction of PAH); and

(c) HK$8,700.0 million, being a sum equal to the gross amount to be drawn down by the Company under the Company Loan Facility or, where United States dollars are drawn, its HK$ equivalent at an exchange rate agreed by the parties to the Sale and Purchase Agreement, and

(2) "**B**" is the sum of:

(a) HK$78.3 million, being an amount equal to the front end fee to be paid by the Company in respect of the Company Loan Facility or, where United States dollars are paid, its HK$ equivalent at an exchange rate agreed by the parties to the Sale and Purchase Agreement;

(b) HK$109.1 million, being the amount agreed as the costs and expenses of the Global Offering (excluding underwriting commissions and any incentive fees payable to the Underwriters under the Underwriting Agreements); and

(c) HK$10.0 million, being an amount set aside and retained by the Company as working capital of the Group,

each of the amounts in (b) and (c) of "B" being an agreed amount for the purposes of the calculation of the Acquisition Consideration.

Based on the above formula, the Acquisition Consideration will be determined primarily based on the valuation achieved in the Global Offering. Assuming the Listing Date is 29 January 2014 and assuming an Offer Price of HK$5.88 (being the mid-point of the Offer Price Range), the anticipated amount of the Acquisition Consideration is HK$59,678.6 million (assuming the full payment of the discretionary incentive fee under the Underwriting Agreements).

Upon the amount of the Acquisition Consideration having been determined, the Trustee-Manager and the Company will announce such amount.

Settlement of the Acquisition Consideration

The Acquisition Consideration will be settled on the Completion Date as follows:

(a) the Consideration Share Stapled Units will be issued at the Offer Price (credited as fully paid) to Quickview, at the direction of PAH; and

(b) the Acquisition Consideration less the value (at the Offer Price) of the Consideration Share Stapled Units, will first be paid to PAH using the net proceeds from the Global Offering (for the avoidance of doubt, excluding any exercise of the Over-allotment Option), and as to the balance, will be settled by way of the issue of a promissory note (the "**Promissory Note**") by Treasure Business to PAH of a principal amount equal to such balance.

The Promissory Note can, at the option of Treasure Business, be redeemed by payment of cash in Hong Kong dollars and/or United States dollars (using an agreed exchanged rate). The Promissory Note is expected to be redeemed on or before the fifth business day following the Listing Date (the "**Payment Date**") using part of the proceeds from the Company Loan Facility. The Promissory Note will not bear any interest before the Payment Date, but will bear interest from the Payment Date onwards at the rate charged to the Company for the Company Loan Facility.

Stamp Duty

Stamp duty payable on the transfer of HEC to Treasure Business will be paid by PAH.

Profit Attributable to the Equity Shareholders of HEC

All profit attributable to the equity shareholders of HEC up to Completion shall belong to PAH, and all such profit as from Completion shall belong to Treasure Business. Such profit up to Completion will be paid or accounted for by the Group to PAH in the following manner:

(i) Interim dividends of HK$4,865.2 million were declared by HEC prior to the Latest Practicable Date in respect of such profit from 1 January 2013 to 30 November 2013. Dividends so declared, to the extent that they are not paid to PAH before Completion, will form part of the Inter-company Loans as at the Listing Date and are expected to be settled by HEC on or before the fifth business day following the Listing Date.

(ii) After the consolidated financial statements of the Operating Group for the financial year ended 31 December 2013 and for the period from 1 January 2014 up to the Completion Date have been prepared and audited to determine the profit for such periods, Treasure Business will procure that a further interim dividend in respect of the remaining part of such profit up to the Completion Date is declared by HEC to Treasure Business and Treasure Business will then pay to PAH the same amount by no later than 30 April 2014.

6. Issue of Share Stapled Units on the Listing Date

On the Listing Date:

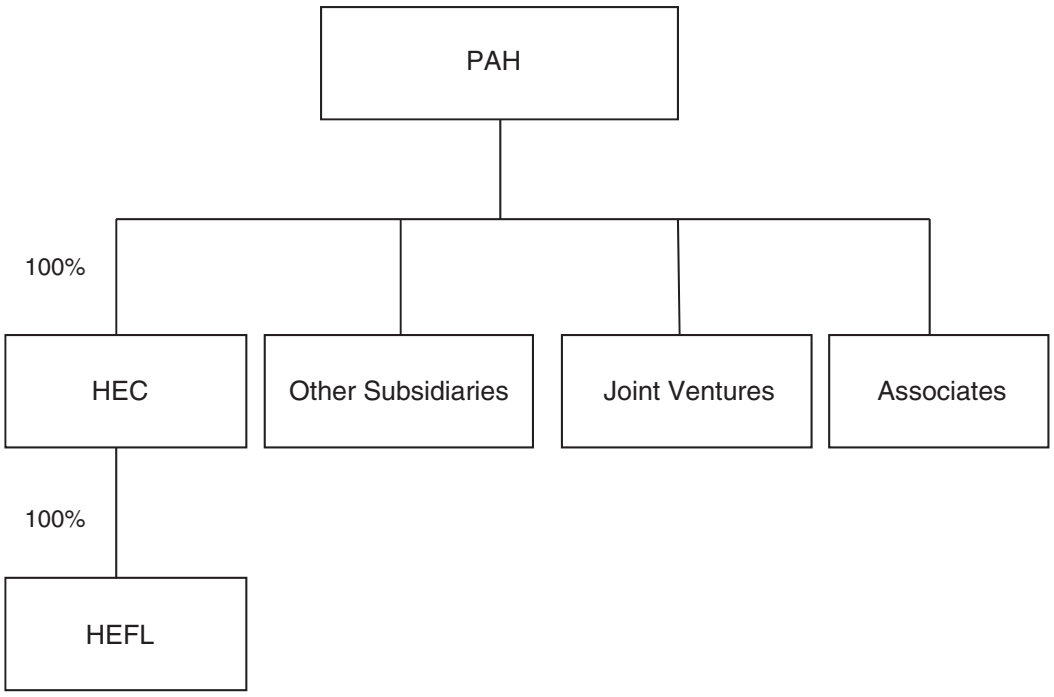
(a) HK Electric Investments and the Company will jointly issue the Consideration Share Stapled Units at the Offer Price (credited as fully paid) to Quickview, at the direction of PAH; and

(b) subject to and following the completion of the step referred to in paragraph 6(a) above, HK Electric Investments and the Company will jointly issue the Offer Share Stapled Units at the Offer Price to investors in the Global Offering.

Under the Global Offering, the Offer Price is subject to agreement by Quickview, the Trustee-Manager and the Company as described in *"Structure of the Global Offering"*. The Trustee-Manager and the Company will also agree on the apportionment of the Offer Price between the subscription price for the Units and the Preference Shares. For the purposes of the Global Offering, the Trustee-Manager and the Company have agreed that the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments) will subscribe for the Ordinary Shares at a subscription price equal to the Offer Price less (i) the amount of the Offer Price agreed to be allocated to the subscription price for the Preference Shares and (ii) any costs and expenses properly incurred and paid by the Trustee-Manager in connection with the Global Offering.

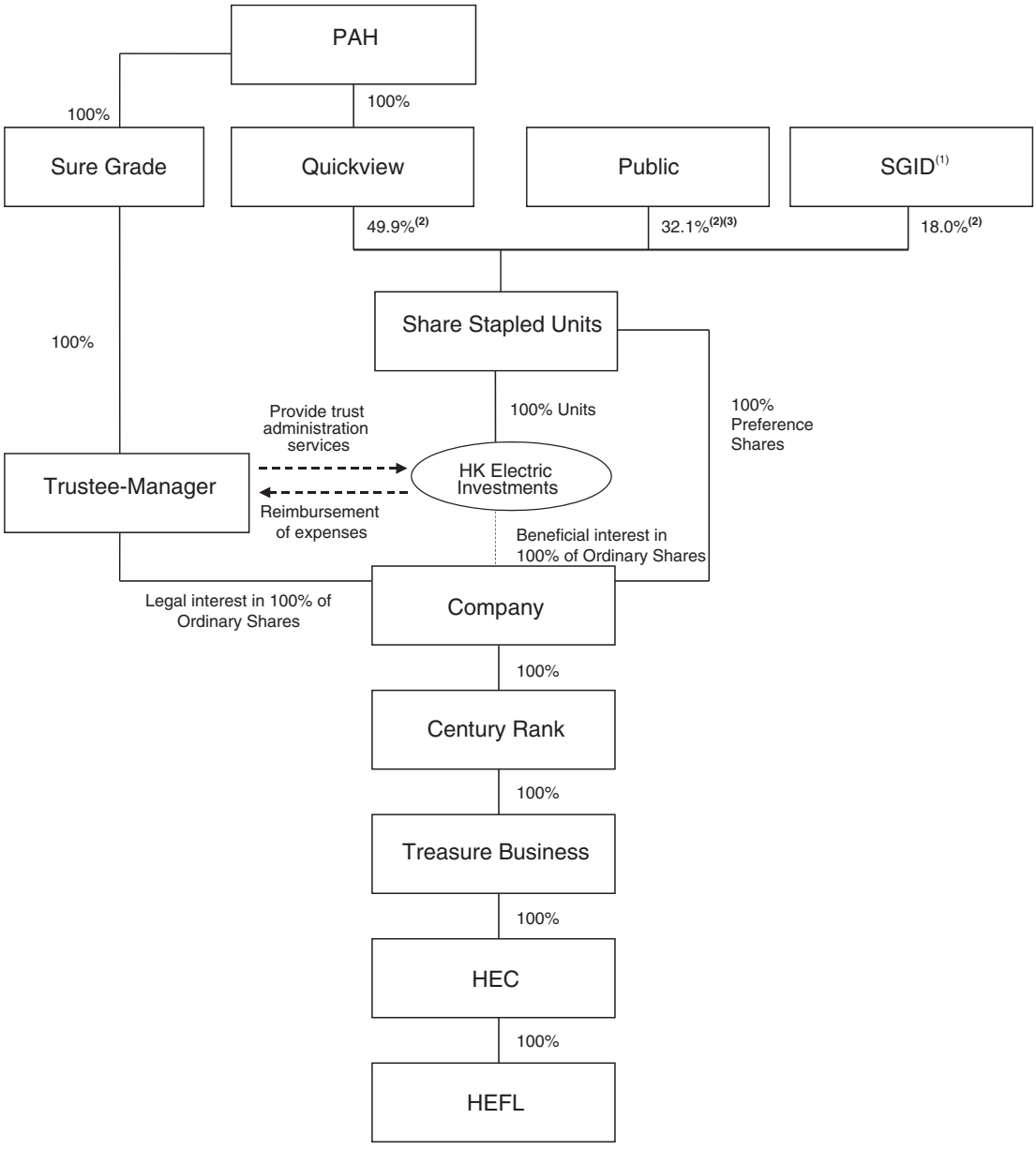
CORPORATE STRUCTURE PRIOR TO THE REORGANISATION

Below is a simplified corporate chart of the PAH Group (including HEC and HEFL) prior to the Reorganisation:



CORPORATE STRUCTURE FOLLOWING THE REORGANISATION AND THE GLOBAL OFFERING

Below is a simplified corporate structure chart of the Trust Group and of the ownership of Share Stapled Units immediately following the completion of the Reorganisation and the Global Offering (assuming that the Over-allotment Option is not exercised):



Notes:

(1) Pursuant to the SGID Agreement, SGID, a wholly-owned subsidiary of the State Grid Corporation of China, has agreed to subscribe at the Offer Price for Share Stapled Units representing 18.0% of the Share Stapled Units in issue immediately following the completion of the Reorganisation and the Global Offering. See *"Cornerstone Investors"* for further details. SGID's percentage holding of Share Stapled Units will not be affected by any exercise of the Over-allotment Option and will not count towards the public float of Share Stapled Units.

(2) Assuming the Over-allotment Option is exercised in full, the respective percentage holding of PAH, the public and SGID in the Share Stapled Units will be approximately 42.4%, 39.6% and 18.0%, respectively.

(3) The holding of Share Stapled Units by the public includes the 71,100,500 Share Stapled Units (representing approximately 0.8% of the total Share Stapled Units in issue immediately following the completion of the Reorganisation and the Global Offering and assuming an Offer Price of HK$5.45 (being the Minimum Offer Price)) to be subscribed for by OIF, a sovereign wealth fund of the Government of Oman, pursuant to the OIF Agreement. See "*Cornerstone Investors*" for further details.

SPIN-OFF OF HEC FROM PAH

The directors of PAH have stated in the PAH Circular that the directors of PAH believe that the Spin-off is in the interests of PAH and the PAH Shareholders taken as a whole, for the following reasons:

(i) Enhancement of PAH's existing value

The PAH Board believes that the Spin-off will unlock value for the PAH Shareholders by better identifying and establishing the fair value of the Group's business. In addition, the PAH Board believes that the Spin-off will crystallise value for PAH's international businesses through more visibility and additional disclosure of their financial information, including revenues, profits, total assets and total liabilities of the Major JVs. The PAH Board anticipates that such value will represent a substantial enhancement to PAH's existing value within the confines of PAH's listing, which will, in turn, increase the value of the PAH to the benefit of all of the PAH Shareholders.

(ii) Significant proceeds to PAH from the Spin-off

PAH will receive substantial proceeds from the disposal of PAH's shareholding interest in HEC, which will enable PAH to continue to pursue new acquisitions in the global power industry, while maintaining a strong financial profile.

(iii) More defined focus and efficient resource allocation

The PAH Board believes that the Spin-off will allow PAH's management to focus its time and resources more effectively on identifying new acquisition and investment opportunities to further develop its power portfolio outside of Hong Kong.

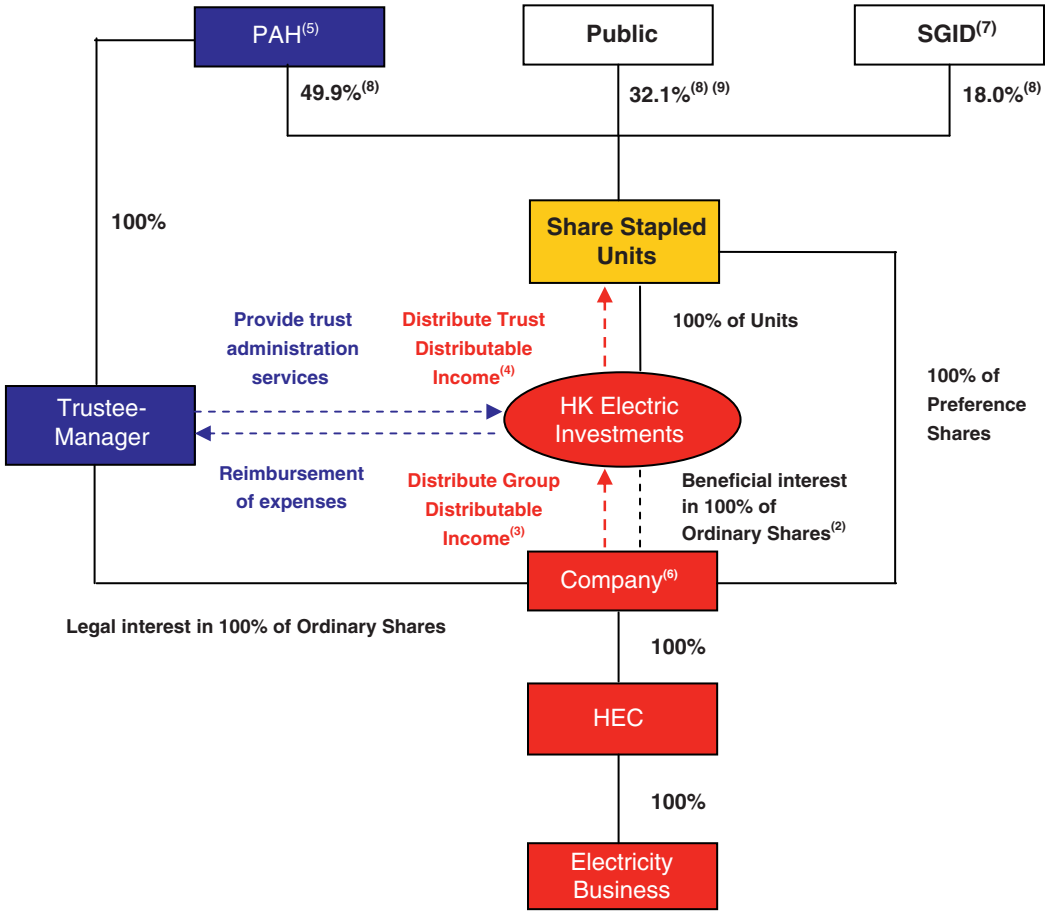
(iv) Alignment with the appropriate investor base

The Spin-off will enable PAH's remaining business to be valued on a stand-alone basis, with more visibility on its growth profile and asset quality. This will help PAH attract investors who are specifically seeking to invest in a reputable and established global player to gain direct exposure to a balanced portfolio of carefully-selected, world class power businesses with predictable income streams and future acquisition growth.

The Spin-off has complied with the requirements of Practice Note 15 of the Listing Rules and was approved by the PAH Shareholders at the extraordinary general meeting of PAH held on 6 January 2014.

STRUCTURE OF THE TRUST GROUP

The chart below illustrates a simplified version of the structure of the Trust Group immediately following the completion of the Reorganisation and the Global Offering (assuming that the Over-allotment Option is not exercised)[1]:



Notes:

(1) With the exception of the beneficial interest in 100% of the Ordinary Shares held by the Holders of Share Stapled Units, all dotted lines indicate a contractual relationship between the entities or distribution or funds flow and continuous lines indicate an interest in shares (or, in the case of HK Electric Investments, an interest in the Units) or ownership in the Electricity Business.

(2) As HK Electric Investments is not a separate legal entity, all of the Trust Property, being the assets of HK Electric Investments, will be held by the Trustee-Manager for the benefit of the Registered Holders of Units. Subject to the exercise of the Exchange Right, all of the issued Ordinary Shares must be registered in the Principal Register of Members in the name of the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments).

(3) The current intention of the Company Directors is to declare a dividend of and distribute 100% of the Group Distributable Income for (a) the period from the Listing Date to 31 December 2014 and (b) each financial year thereafter. Please see *"Distributions"* for further details.

(4) Under the Trust Deed, the Trustee-Manager (on behalf of HK Electric Investments) is required to declare a dividend of and distribute 100% of the Trust Distributable Income. Please see *"Distributions"* for further details.

(5) PAH's interest in the Share Stapled Units is held through Quickview, its wholly-owned subsidiary. PAH's interest in the Trustee-Manager is held through Sure Grade, its wholly-owned subsidiary.

(6) The Company's interest in HEC is held through Century Rank and Treasure Business, its wholly-owned subsidiaries.

(7) Pursuant to the SGID Agreement, SGID, a wholly-owned subsidiary of the State Grid Corporation of China, has agreed to subscribe at the Offer Price for Share Stapled Units representing 18.0% of the Share Stapled Units in issue immediately following the completion of the Reorganisation and the Global Offering. See *"Cornerstone Investors"* for further details. SGID's percentage holding of Share Stapled Units will not be affected by any exercise of the Over-allotment Option and will not count towards the public float of Share Stapled Units.

(8) Assuming the Over-allotment Option is exercised in full, the respective percentage holding of PAH, the public and SGID in the Share Stapled Units will be approximately 42.4%, 39.6% and 18.0%, respectively.

(9) The holding of Share Stapled Units by the public includes the 71,100,500 Share Stapled Units (representing approximately 0.8% of the total Share Stapled Units in issue immediately following the completion of the Reorganisation and the Global Offering and assuming an Offer Price of HK$5.45 (being the Minimum Offer Price)) to be subscribed for by OIF, a sovereign wealth fund of the Government of Oman, pursuant to the OIF Agreement. See "*Cornerstone Investors*" for further details.

SHARE STAPLED UNITS

Subscribers under the Global Offering will subscribe for Share Stapled Units jointly issued by HK Electric Investments and the Company. Each Share Stapled Unit comprises three components:

(a) a Unit;

(b) a beneficial interest in a specifically identified Ordinary Share held by the Trustee-Manager, which is "Linked" to the Unit; and

(c) a specifically identified Preference Share which is "Stapled" to the Unit.

Meaning of "Linked"

All of the issued Ordinary Shares must be held by the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments). Each Unit issued by the Trustee-Manager must correspond with a specifically identified Ordinary Share held by the Trustee-Manager and confer a beneficial interest in that specifically identified Ordinary Share such that a transfer of a Unit is effective to transfer the beneficial interest in the Ordinary Share. The Trust Deed characterises this relationship as each Unit being "Linked" to a specifically identified Ordinary Share held by the Trustee-Manager.

Meaning of "Stapled"

Each Unit issued by the Trustee-Manager must be attached or "Stapled" to a specifically identified Preference Share, with the Preference Share to be held by the Unitholder (along with the Unit) as full legal and beneficial owner, so that one cannot be traded without the other. The Trust Deed characterises this relationship as each Unit being "Stapled" to a specifically identified Preference Share.

Numbers of Units, Ordinary Shares and Preference Shares Must Be the Same

Under the Trust Deed and the Company's Articles, the number of Ordinary Shares and Preference Shares in issue must be the same at all times and must also, in each case, be equal to the number of Units in issue.

HK ELECTRIC INVESTMENTS AND THE COMPANY WILL BOTH BE LISTED ON THE STOCK EXCHANGE

HK Electric Investments and the Company will both be listed on the Stock Exchange and be "listed issuers" under the Listing Rules and, therefore, HK Electric Investments (including the Trustee-Manager) and the Company will be subject to the provisions of the Listing Rules.

In addition, the Share Stapled Units, HK Electric Investments, the Trustee-Manager and the Company will be subject to the provisions of the SFO and the Takeovers Code. Repurchases of Share Stapled Units (or their individual components) will not be permitted unless and until expressly permitted by relevant codes and guidelines which may be issued by the SFC from time to time.

LISTING OF THE SHARE STAPLED UNITS, THE UNITS, THE ORDINARY SHARES AND THE PREFERENCE SHARES

The Share Stapled Units will be listed on the Stock Exchange. In addition, the Units, the Ordinary Shares and the Preference Shares will also be listed on the Stock Exchange. However, for so long as the Share Stapled Units are listed on the Stock Exchange, trading on the Stock Exchange will only take place in the form of Share Stapled Units and there will only be a single price quotation on the Stock Exchange for a Share Stapled Unit. No price quotations will be given for the individual components (Unit, beneficial interest in an Ordinary Share and Preference Share) of a Share Stapled Unit.

Under the Trust Deed, each Unit must remain Linked to a specifically identified Ordinary Share and Stapled to a Preference Share and, subject to the exercise of the Exchange Right described below, "unbundling" of the Share Stapled Units is prohibited. Accordingly, subject to the exercise of the Exchange Right, investors can only deal in the Share Stapled Units on the Stock Exchange and are not permitted to deal in the individual components of the Share Stapled Units. Following the exercise of the Exchange Right and subject to the Stock Exchange's prior approval, the Ordinary Shares will be separately traded on the Stock Exchange (and will have their own price quotation) and the Units and the Preference Shares would have been cancelled.

REASONS FOR ADOPTING THE SHARE STAPLED UNITS STRUCTURE

(a) HK Electric Investments and the Units

HK Electric Investments and the proposal for HK Electric Investments to issue Units to investors reflect the commercial objective to adopt a trust structure, within which a distribution policy based on the Group Distributable Income can be more clearly articulated and pursued, and within which the Group can more clearly signal its intention to focus principally on distributions and to differentiate itself from other listed issuers on that basis. Investors in a trust typically subscribe for units, which represent undivided interests in the trust property.

(b) Beneficial Interests in the Specifically Identified Ordinary Shares

The Ordinary Shares confer rights to dividends and other distributions from the Company. The Ordinary Shares are the means by which HK Electric Investments owns the equity in the Company in trust for the Registered Holders of Units. The Ordinary Shares represent the entire economic interest derived from the Company, except in the case of the winding up of the Company or, if HK Electric Investments is terminated, a redemption of the Preference Shares on termination at their par value.

The rationale for having each Ordinary Share specifically identified and Linked to a Unit is that the Linking provisions result in the SFO (including, but not limited to, the provisions on the protection of investors) being applicable to the Units as derivatives of the underlying listed Ordinary Shares.

The Linking arrangement and the Exchange Right mean that, ultimately, investors in Share Stapled Units could, by passing an Extraordinary Resolution of Registered Holders of Units, terminate HK Electric Investments and exchange their Share Stapled Units for the underlying Ordinary Shares in a listed company (being the Company) on a one for one basis.

(c) Preference Shares

The Preference Shares do not confer any rights to participate in any dividends, distributions or other payments being made by the Company, except in the case of the winding up of the Company or, if HK Electric Investments is terminated, the redemption of the Preference Shares on termination at their par value.

The rationale for including the Preference Shares as components of the Share Stapled Units and adopting the Stapling structure is to ensure that the Share Stapled Units (and, thereby, HK Electric Investments, including the Trustee-Manager, and the Company) are clearly subject to all the provisions of the SFO (including, but not limited to, the provisions on the protection of investors). The application of certain provisions of the SFO to the Units on an independent basis might otherwise be arguable.

(d) Trustee-Manager's Specific and Limited Role

With a view to seeking to ensure that investors in the Share Stapled Units have equivalent investor protections under the existing legal framework in Hong Kong to those available to shareholders in a company listed on the Stock Exchange, the Trustee-Manager has a specific and limited role, which is to administer HK Electric Investments. The Trustee-Manager is not actively involved in the management of the Electricity Business, which is owned and managed by the Group.

ADVANTAGES AND DISADVANTAGES OF ADOPTING THE SHARE STAPLED UNITS STRUCTURE

A listing of the Electricity Business in the form of the Share Stapled Units structure described in this prospectus is expected to align its cash flow generating characteristic with the appropriate investor base that favours a clearly expressed distribution policy and pure-play investments.

The Directors believe that HK Electric Investments provides a structure within which a distribution policy based on the Group Distributable Income and the Trust Distributable Income can be more clearly articulated and pursued, and within which the Trust Group can more clearly signal its intention to focus principally on distributions and to differentiate itself from other listed issuers on that basis. The Directors also believe that the overall arrangements (including the Directors' dual roles as directors of the Trustee-Manager and the Company, the requirement for amounts to be held in segregated accounts pending distribution to investors and the requirement to announce and explain any future change to the distribution policy) will impose additional rigour and discipline regarding the implementation of the stated distribution policy.

The disadvantages of adopting the Share Stapled Units structure include the following:

(a) It is a relatively new structure and there have only been two other transactions in the Hong Kong market that involved the listing and sale of stapled securities similar to the Share Stapled Units. Although considerable efforts have been made to ensure that Holders of Share Stapled Units would have the benefit of investor protections which are equivalent to those enjoyed by shareholders of companies listed on the Stock Exchange, there is no assurance that the courts would interpret the application of the relevant investor protection legislation to the Share Stapled Units structure in the same manner.

(b) There are administration costs associated with HK Electric Investments, primarily as a result of the requirement that HK Electric Investments, the Company and the Trustee-Manager prepare and publish financial statements. However, these additional administration costs are not significant, having regard to the specific and limited role of the Trustee-Manager, and the Directors believe that the additional administration costs are outweighed by the benefits that are expected to accrue to the Holders of Share Stapled Units in terms of the expected higher distributions as generally compared to dividends that are distributed from accounting profit.

(c) HK Electric Investments may be terminated in certain circumstances. The procedures which would apply on the termination of HK Electric Investments are set out in *"Appendix IV — Trust Deed — Termination of HK Electric Investments"*. In summary, upon such termination, the Registered Holders of Share Stapled Units will be entitled to have the Ordinary Shares which are Linked to the Units held by them (as components of their Share Stapled Units) distributed to them *in specie*.

THE COMPANY

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 September 2013. Following the completion of the Reorganisation and the Global Offering, the Company will become the holding company of the Electricity Business.

The Company has two classes of shares:

(a) Ordinary Shares, which confer voting rights at general meetings of Shareholders (one vote per Ordinary Share) and rights to dividends and distributions from the Company; and

(b) Preference Shares, which also confer voting rights at general meetings of Shareholders (one vote per Preference Share), but have no rights to any dividends, distributions or other payments from the Company, except in the case of the winding up of the Company or their redemption upon the termination of HK Electric Investments. Further information in relation to the rights conferred by the Preference Shares, and the reason for including the Preference Shares as components of the Share Stapled Units, are set out below in *"— Rights Conferred by the Preference Shares"*.

The intention of the Directors is that the Group will only engage in the generation, transmission, distribution and supply of electricity in Hong Kong which is regulated by the Scheme of Control. Having regard to the developments in the power industry, the Directors do not consider it practicable, nor in the interests of Holders of Share Stapled Units, to expressly restrict the scope of the Company's business activities in its Memorandum and Articles of Association to the Electricity Business. Accordingly, the Company's Memorandum and Articles of Association, as is customary for a Cayman Islands incorporated company having its securities listed on the Stock Exchange, provides that the Company's scope of business activities is unlimited. Having regard to that, investors in the Share Stapled Units should note that the Memorandum and Articles of Association of the Company do not restrict its business activities to the Electricity Business only and that the Company has the legal capacity to engage in other types of businesses if such other businesses are in the interests of the Holders of Share Stapled Units as a whole.

HK ELECTRIC INVESTMENTS AND THE TRUSTEE-MANAGER

General

HK Electric Investments is a fixed single investment trust, meaning that HK Electric Investments may only invest in the securities and other interests in a single entity, being the Company, and that HK Electric Investments will confer on the Registered Holders of Units a beneficial interest in specifically identifiable property (being the Ordinary Shares) held by HK Electric Investments.

HK Electric Investments is constituted by a Hong Kong law governed trust deed entered into between the Trustee-Manager and the Company. Under the Trust Deed, the Trustee-Manager has been appointed as the trustee and manager of HK Electric Investments. The Trustee-Manager has legal ownership of the assets of HK Electric Investments and has declared, under the Trust Deed, that it will hold those assets on trust for the Registered Holders of Units. A detailed description of the provisions of the Trust Deed is set out in *"Appendix IV — Trust Deed"*.

Trust Property Held in Segregated Accounts

All Trust Property will be held in segregated accounts controlled jointly by the Trustee-Manager and the Company. Further information in relation to the segregated accounts is set out in *"Appendix IV — Trust Deed — Segregated Accounts"*.

Scope of Activities

The scope of activities of HK Electric Investments specified in the Trust Deed is essentially limited to investing in the Company, and the powers, authorities and rights of the Trustee-Manager conferred by the Trust Deed are commensurately limited.

No Debt

In accordance with the Trust Deed, HK Electric Investments is not permitted to incur debt. However, there is no restriction on the ability of the Company or any of its subsidiaries to incur debt.

The Trustee-Manager and Its Specific Role

The Trustee-Manager, HK Electric Investments Manager Limited, was incorporated in Hong Kong under the Companies Ordinance on 25 September 2013. It has an issued and paid-up share capital of HK$1.00 and is an indirect wholly-owned subsidiary of PAH.

The Trust Deed provides that for as long as the Trustee-Manager acts as the trustee-manager of HK Electric Investments, it must remain a wholly-owned subsidiary of PAH.

The Trustee-Manager has a specific and limited role, which is to administer HK Electric Investments. The Trustee-Manager is not actively involved in the management of the Electricity Business, which is owned and managed by the Group.

No Fees Payable to the Trustee-Manager

The costs and expenses of administering HK Electric Investments may be deducted from the Trust Property but, commensurate with its specific and limited role, the Trustee-Manager will not receive any fee for administering HK Electric Investments.

Removal and Replacement of the Trustee-Manager

The Trust Deed provides that the Trustee-Manager may be removed and replaced by an Ordinary Resolution of Registered Holders of Units. The Trust Deed contains detailed provisions relating to the resignation, removal and replacement of the Trustee-Manager. Those provisions are described in *"Appendix IV — Trust Deed — Appointment, Removal or Resignation of the Trustee-Manager"*.

Trustee-Manager Board

The Trust Deed requires that the Trustee-Manager Directors shall at all times comprise the same individuals who serve as the Company Directors. In addition, no person shall serve as a Trustee-Manager Director unless he also serves as a Company Director at the same time and no person shall serve as a Company Director unless he also serves as a Trustee-Manager Director at the same time.

Entrenchment of Critical Features of the Share Stapled Units Structure in the Trust Deed

The critical features of the Share Stapled Units structure are entrenched in the Trust Deed, as described in detail in *"Appendix IV — Trust Deed — Modification of the Trust Deed"*.

RIGHTS CONFERRED BY THE PREFERENCE SHARES

The Preference Shares do not confer any rights to participate in any dividends, distributions or other payments to be made by the Company, except in the case of the winding up of the Company or their redemption upon the termination of HK Electric Investments.

On a winding up of the Company, each registered holder of a Preference Share is entitled to be paid, from the assets available for distribution among the Shareholders, an amount equal to the Offer Price per Preference Share before any distribution of those assets is made in respect of the Ordinary Shares. Thereafter, the balance of such assets will be distributed among the holders of the Preference Shares and the Ordinary Shares *pari passu* as if the same constituted one class of shares (in proportion to the number of Shares held by them, respectively).

On the termination of HK Electric Investments, the Company is required to redeem each Preference Share at a redemption price equal to the par value of the Preference Share.

DISTRIBUTIONS TO BE MADE IN RESPECT OF THE UNITS AND DISTRIBUTION POLICY

While HK Electric Investments remains in effect, the Trustee-Manager (on behalf of HK Electric Investments) will distribute to Holders of Share Stapled Units all dividends, distributions and other payments received by the Trustee-Manager from the Company, which are derived from the Group, after deduction of all amounts permitted to be deducted or paid under the Trust Deed (such as operating expenses of HK Electric Investments). Please refer to *"Distributions"* for further details of the distribution policy of HK Electric Investments and the Company.

EXCHANGE RIGHT

The Trust Deed includes an Exchange Right for the benefit of the Registered Holders of Share Stapled Units. By passing an Extraordinary Resolution of Registered Holders of Units, Registered Holders of Share Stapled Units may require that all (but not part only) of the Share Stapled Units in issue be exchanged (on a one for one basis) for the underlying Ordinary Shares held by the Trustee-Manager that are Linked to the Units being exchanged.

If the Exchange Right is exercised, HK Electric Investments and the Trust Deed would terminate, the Units and Preference Shares would be exchanged with the Trustee-Manager and cancelled pursuant to the exercise of the Exchange Right and the former Registered Holders of Share Stapled Units would become the holders of an equal number of listed Ordinary Shares, which would, subject to the prior approval of the Stock Exchange, be tradeable on the Stock Exchange on an independent basis.

Please refer to *"Appendix IV — Trust Deed — Quorum and Voting at Meetings of Registered Holders of Units"* for the manner in which a Registered Holder of Share Stapled Units can call for an extraordinary general meeting and move a resolution to exercise the Exchange Right.

FURTHER INFORMATION REGARDING THE RELATIONSHIP BETWEEN THE UNITS, THE ORDINARY SHARES AND THE PREFERENCE SHARES AND THE BENEFICIAL INTERESTS

Subject to the exercise of the Exchange Right, at all times:

(a) the number of Units in issue must be equal to the number of Ordinary Shares in issue (and v*ice versa*);

(b) the number of Units in issue must also be equal to the number of Preference Shares in issue (and *vice versa*); and

(c) the number of Ordinary Shares in issue must be equal to the number of Preference Shares in issue (and *vice versa*).

Linking Arrangements

Subject to the exercise of the Exchange Right, all of the issued Ordinary Shares must be registered in the Principal Register of Members in the name of the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments). Each Unit issued or to be issued by HK Electric Investments must be matched by and Linked to a specifically identified Ordinary Share issued or to be issued by the Company to the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments). The Trustee-Manager must not issue or sell any Units to any person unless an identical number of specifically identified Ordinary Shares are or have been issued by the Company to the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments) before, or at substantially the same time as, the issue or sale of the relevant Units. The Company must not issue or sell any Ordinary Shares unless the Ordinary Shares are specifically identified and issued to the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments) and an identical number of Units in respect of the relevant specifically identified Ordinary Shares are or will be issued by the Trustee-Manager.

Each Unit confers on the Registered Holder of a Unit a beneficial interest, on and subject to the terms and conditions of the Trust Deed, in a specifically identified Ordinary Share registered in the Principal Register of Members in the name of the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments).

The Trustee-Manager will distribute the proceeds of any and all dividends, distributions and other payments to be made in respect of the specifically identified Ordinary Shares registered in the Principal Register of Members in the name of the Trustee-Manager to the Registered Holders of the relevant Units which are matched with and Linked to those specifically identified Ordinary Shares, upon and subject to the terms and conditions of the Trust Deed (including, without limitation, those terms and conditions permitting certain payments and other deductions to be made out of the Trust Property).

Each Share Stapled Unit may be exchanged for the specifically identified Ordinary Share which is matched with and Linked to the Unit which is a component of the relevant Share Stapled Unit, in accordance with the Trust Deed.

Stapling Arrangements

In addition to the requirements described above for each Unit to be matched by and Linked to a specifically identified Ordinary Share held by the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments), at all times, subject to an exercise of the Exchange Right:

(a) each Unit issued or to be issued by the Trustee-Manager must be Stapled to a specifically identified Preference Share issued or to be issued by the Company;

(b) the Trustee-Manager must not issue or sell any Units to any person unless an identical number of specifically identified Preference Shares are or have been issued by the Company and those Preference Shares are issued or transferred to the same persons to whom the Units are issued or sold (and registered in the Principal Register of Members or the Hong Kong Register of Members in the names of the same persons in which the Units are registered in the Units Register), in the ratio of one specifically identified Preference Share for each Unit and on the basis that each specifically identified Preference Share is Stapled to a Unit so that one may not be dealt with without the other; and

(c) the Company must not issue or sell any Preference Shares unless the Preference Shares are to be Stapled to the Units as described above.

UNITS AND ORDINARY SHARES TO REMAIN LINKED AND UNITS AND PREFERENCE SHARES TO REMAIN STAPLED

Under the Trust Deed, the Trustee-Manager and the Company must ensure that, subject to the exercise of the Exchange Right, each Unit remains Linked to a specifically identified Ordinary Share registered in the Principal Register of Members in the name of the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments) and that each Unit remains Stapled to a specifically identified Preference Share.

The Trust Deed contains provisions prohibiting the Trustee-Manager and the Company from taking any action which would result in the Units and the Ordinary Shares ceasing to be Linked or in the Units and the Preference Shares ceasing to be Stapled or from refraining from doing any act required to maintain those relationships.

The Trust Deed also contains detailed provisions requiring that Units and Shares may only be offered for subscription and issued by HK Electric Investments and the Company, and may only be transferred by their holders, in the form of Share Stapled Units and not in the forms of the individual components of Units, Ordinary Shares and Preference Shares.

The Trust Deed also provides that, subject to the exercise of the Exchange Right and the redemption of the Preference Shares upon the termination of HK Electric Investments, the Trustee-Manager must not consolidate, sub-divide, cancel, buy-back or redeem any Units and the Company must not consolidate, sub-divide, cancel, buy-back or redeem any Shares unless there is a corresponding consolidation, sub-division, cancellation, buy-back or redemption of the Units and of both the issued specifically identified Ordinary Shares which are Linked to the relevant Units and the issued specifically identified Preference Shares which are Stapled to the relevant Units.

MEETINGS OF HOLDERS OF SHARE STAPLED UNITS AND NOTICES OF MEETINGS AND OTHER DOCUMENTS

Meetings to be Held on a Combined Basis

If a meeting of Registered Holders of Units is convened, a meeting of Shareholders must also be convened and *vice versa*. The Trust Deed provides that meetings of Registered Holders of Units and Shareholders shall be held on a combined basis as a single meeting and characterised as a meeting of Registered Holders of Share Stapled Units (a "**Meeting of Registered Holders of Share Stapled Units**"). If that is not possible under the relevant laws and regulations, the meetings shall be held separately but consecutively (with the meeting of Shareholders being held immediately after the meeting of Registered Holders of Units).

Resolution(s) to be Proposed at Meetings

In relation to a Meeting of Registered Holders of Share Stapled Units, to the extent practicable, a single resolution shall be proposed to approve the matter to be considered by the Registered Holders of Units and the Shareholders, which resolution shall be characterised as a resolution of the Registered Holders of Share Stapled Units and shall serve as both a resolution of Registered Holders of Units and a resolution of Shareholders.

In relation to meetings of Registered Holders of Units and Shareholders to be held separately but consecutively, to the extent practicable, the same or a substantially similar resolution (with any modifications which are necessary or desirable to reflect the manner in which the matter being considered affects HK Electric Investments or the Company differently) shall be proposed for consideration at each meeting.

Voting at Meetings

In relation to both Meetings of Registered Holders of Share Stapled Units and meetings of Registered Holders of Units and Shareholders to be held separately but consecutively, a Registered Holder of a Share Stapled Unit shall cast a single vote in respect of that Share Stapled Unit, which shall serve as a vote in respect of both the Unit and the Preference Share Stapled to the Unit.

In respect of each individual Share Stapled Unit, the voting rights conferred by the Unit and the voting rights conferred by the Preference Share Stapled to the Unit can only be exercised in the same way (either for or against) in respect of a single resolution proposed at a Meeting of Registered Holders of Share Stapled Units or (as the case may be) the resolutions of Registered Holders of Units and Shareholders dealing with the same, or substantially the same, matter.

Further details of these arrangements are set out in *"Appendix IV — Trust Deed — Co-ordination of Meetings of Registered Holders of Units and Shareholders"*.

Votes Conferred by the Ordinary Shares Held by the Trustee-Manager

The Trust Deed provides that the Trustee-Manager shall only exercise the voting rights conferred by the Ordinary Shares held by it in respect of a resolution proposed at a meeting of Shareholders (whether held on a combined basis or separately), in accordance with the directions of the holders of the Units which are Linked to those Ordinary Shares. These voting directions are given to the Trustee-Manager by the Registered Holders of Units exercising the voting rights conferred by the Units held by them. The Trustee-Manager is required to exercise the voting rights conferred by the Ordinary Shares Linked to those Units in the same way. Further details of these arrangements are set out in *"Appendix IV — Trust Deed — Requirements for the Exercise by the Trustee-Manager of the Voting Rights Conferred by the Ordinary Shares"*.

Summary

Accordingly, as a result of the arrangements described above, a holder of a Share Stapled Unit will be entitled to exercise the following voting rights conferred by the Share Stapled Unit:

(a) a vote of the Unit which is a component of the Share Stapled Unit, at meetings of Registered Holders of Units convened and held in accordance with the provisions of the Trust Deed; and

(b) two votes at meetings of Shareholders convened and held in accordance with the provisions of the Company's Articles and the Trust Deed. Those votes are:

  (i) a vote in respect of the Preference Share which is Stapled to the Unit and registered in the name of the Registered Holder of the Share Stapled Unit; and

  (ii) a vote in respect of the Ordinary Share which is Linked to the Unit and registered in the name of the Trustee-Manager. The vote conferred by the Ordinary Share which is Linked to the Unit is exercised by the Registered Holder of the Share Stapled Unit giving a direction to the Trustee-Manager to vote that Ordinary Share at meetings of Shareholders.

ANNOUNCEMENTS, CIRCULARS AND OTHER DOCUMENTS

The Trust Deed requires that the Trustee-Manager and the Company ensure that Registered Holders of Share Stapled Units are sent all circulars and other documents required to be issued to Shareholders and/or Registered Holders of Units for any reason.

The Trustee-Manager and the Company are also required to inform Registered Holders of Share Stapled Units by way of announcement as soon as reasonably practicable of any inside information (as defined in the SFO) in relation to HK Electric Investments and/or the Company as required by the SFO and any other information required to be disclosed pursuant to the Listing Rules or other relevant laws and regulations.

FINANCIAL STATEMENTS AND REPORTS

Registered Holders of Share Stapled Units will be provided with:

(a) annual reports and audited consolidated financial statements of HK Electric Investments and the Company and the annual audited financial statements of the Trustee-Manager;

(b) semi-annual reports and unaudited consolidated financial statements of HK Electric Investments and the Company and the semi-annual unaudited financial statements of the Trustee-Manager; and

(c) preliminary announcements of results of HK Electric Investments, the Company and the Trustee-Manager and other reports, circulars and information required to be provided under the Listing Rules and other relevant laws and regulations,

within the applicable time periods prescribed by the Listing Rules and other relevant laws and regulations.

The Trustee-Manager and the Company will prepare and publish the annual and semi-annual reports referred to above in the form of a combined document, which will be sent to Registered Holders of Share Stapled Units within the applicable time period prescribed by the Listing Rules.

Further information in relation to the financial statements and reports to be provided to Registered Holders of Share Stapled Units is set out in *"Appendix IV — Trust Deed — Financial Statements and Reports"*.

APPLICATION OF THE TAKEOVERS CODE

The Share Stapled Units confer voting rights exercisable at general meetings of the Company. Upon completion of the Global Offering, the Company will be a public company in Hong Kong with a primary listing of its equity securities on the Stock Exchange. Accordingly, the Takeovers Code applies in full in respect of the Share Stapled Units.

Therefore, subject to the granting of a waiver by the Executive Director of the Corporate Finance Division of the SFC, when:

(a) any person acquires, whether by a series of transactions over a period of time or not, 30% or more of the Share Stapled Units;

(b) two or more persons are acting in concert, and they collectively hold less than 30% of the Share Stapled Units in issue, and any one or more of them acquires Share Stapled Units and such acquisition has the effect of increasing their collective holding of Share Stapled Units to 30% or more of the Share Stapled Units in issue;

(c) any person holds not less than 30%, but not more than 50%, of the Share Stapled Units in issue and that person acquires additional Share Stapled Units and such acquisition has the effect of increasing that person's holding of Share Stapled Units by more than 2% from the lowest percentage holding of that person in the 12 month period ending on and inclusive of the date of the relevant acquisition; or

(d) two or more persons are acting in concert, and they collectively hold not less than 30%, but not more than 50%, of the Share Stapled Units in issue, and any one or more of them acquires additional Share Stapled Units and such acquisition has the effect of increasing their collective holding of Share Stapled Units by more than 2% from the lowest collective percentage holding of such persons in the 12 month period ending on and inclusive of the date of the relevant acquisition,

that person is required to extend offers, on the basis set out in Rule 26 of the Takeovers Code, to all other Holders of Share Stapled Units. When an offer is made, for example, a mandatory general offer under Rule 26 of the Takeovers Code or a voluntary general offer under the Takeovers Code (including a partial offer), it would need to be made on the basis that the securities offered to be purchased would be the Share Stapled Units (and any Convertible Instruments outstanding at the relevant time) and that the offeree under the Takeovers Code would be the Company.

All the other provisions of the Takeovers Code which are applicable to public companies in Hong Kong with a primary listing on the Stock Exchange are equally applicable in respect of the Share Stapled Units, as voting rights in respect of the Company, and in respect of any Convertible Instruments.

Under the Trust Deed, the Trustee-Manager is not permitted to accept any offer to sell the Ordinary Shares which are held by the Trustee-Manager or to otherwise dispose of those Ordinary Shares. Any offer made under the Takeovers Code in respect of the Share Stapled Units must be made, and may only be accepted, in respect of the Share Stapled Units and any Convertible Instruments outstanding at the relevant time. The Trust Deed provides that an offer under the Takeovers Code cannot be made, or accepted by the Trustee-Manager, only in respect of the Ordinary Shares held by the Trustee-Manager.

HK Electric Investments is not permitted to make an offer under the Takeovers Code for the securities of another entity because that would exceed the scope of its specific and limited role and power. However, the Company is permitted to make an offer under the Takeovers Code for the securities of another entity and, if such an offer were to be made, the Company would be the offeror for the purposes of the Takeovers Code.

Except for the repurchase or redemption of the Preference Shares in the event of the exercise of the Exchange Right or the termination of HK Electric Investments, the Trustee-Manager is prohibited under the Trust Deed from repurchasing or redeeming any Share Stapled Units on behalf of HK Electric Investments unless and until expressly permitted to do so by relevant codes and guidelines issued by the SFC from time to time and only with the agreement of the Company and in circumstances where the Company repurchases or redeems the Ordinary Shares and the Preference Shares included in any Share Stapled Units to be repurchased or redeemed.

Under the Trust Deed, Holders of Share Stapled Units have no right to demand for the repurchase or redemption of their Share Stapled Units.

APPLICATION OF PART XV OF THE SFO

Divisions 2 to 4 of Part XV of the SFO impose duties to disclose certain "interests in shares" comprised in the "relevant share capital" of listed corporations and "short positions" in such shares on those who acquire or dispose of such interests (if they come to have or cease to have such interest of 5% or above (a "notifiable interest") or if there is a change in "percentage level" or change in nature of such interest) and those who acquire or dispose of such short position (if they come to have or cease to have a short position of 1% or above or if there is a change in "percentage level" while having a notifiable interest). Similar disclosure obligations are placed on the directors and chief executives of listed corporations pursuant to Divisions 7 to 9 of Part XV of the SFO, with the disclosure obligations of directors or chief executives being more stringent. For example, directors or chief executives are required to make disclosures in relation to any interest in shares (but not limited to "relevant share capital") of listed corporations and their associated corporations, and in respect of any acquisition or sale of shares or debentures of listed corporations and their associated corporations (without any threshold and not only when a change in "percentage level" of shares is involved). Part XV of the SFO also empowers a listed corporation and the Financial Secretary of Hong Kong to investigate those holding "interests in shares" or having "short positions" in shares.

The Share Stapled Units include shares in the "relevant share capital" of the Company and, accordingly, the duties to disclose interests in shares and short positions under Divisions 2 to 4 of Part XV of the SFO are applicable in respect of the Share Stapled Units. Similarly, the Share Stapled Units include "interests in shares" of the Company for the purpose of Divisions 7 to 9 of Part XV of the SFO and, accordingly, the disclosure obligations placed on directors and chief executives of listed corporations under Divisions 7 to 9 of Part XV of the SFO are equally applicable in respect of the Share Stapled Units.

By way of illustration, a person holding 5% of the Share Stapled Units in issue would be required to disclose an interest under Division 2 of Part XV of the SFO in 5% of the "relevant share capital" of the Company. Both the Ordinary Shares and the Preference Shares are "relevant share capital". A person holding 5% of the Share Stapled Units in issue would have an interest in 5% of the Ordinary Shares Linked to the Units held by that person and 5% of the Preference Shares Stapled to the Units held by that person, which in aggregate represent 5% of the total number of issued voting Shares in the Company and, therefore, 5% of the "relevant share capital" of the Company.

The powers of the Company under Section 329 of Division 5 of Part XV of the SFO and the powers of the Financial Secretary of Hong Kong under Section 356 of Division 11 of Part XV of the SFO to investigate those holding interests in shares or having short positions are also both applicable in respect of the Share Stapled Units.

THE TRUSTEE ORDINANCE, COMMON LAW DUTIES OF TRUSTEES, REMEDIES FOR BREACH OF TRUST AND LIABILITY REGIME

Trustee Ordinance

The Trustee Ordinance governs all trusts created and governed by the laws of Hong Kong and is stated to apply in full to all trusts created in Hong Kong, unless the instrument creating the trust specifies otherwise. The Trust Deed constituting HK Electric Investments states that the Trustee Ordinance applies in full to HK Electric Investments, except that Parts IA, II and III of the Trustee Ordinance do not apply to HK Electric Investments.

Part I and Parts IV to IX of, as well as the Schedules to, the Trustee Ordinance apply to HK Electric Investments and contain provisions relating to, among other things, the creation of a trust, the duties and powers of a trustee and beneficiaries, administration of a trust and the retirement, removal and appointment of a trustee.

Part IA of the Trustee Ordinance relating to the statutory duty of care of a trustee has been excluded from application to HK Electric Investments because the Trustee-Manager has a specific and limited role and its duties are specified in the Trust Deed.

Part II of the Trustee Ordinance has been excluded from application to HK Electric Investments because it confers on a trustee powers of investment that are wider than appropriate for HK Electric Investments, which is a fixed single investment trust which may invest in the securities of only one entity, namely, the Shares in the Company, and in respect of which the Trustee-Manager has a specific and limited role, which is to administer HK Electric Investments.

Part III of the Trustee Ordinance has also been excluded from application to HK Electric Investments because it confers on a trustee powers that are wider than those conferred on the Trustee-Manager under the Trust Deed and which would not be consistent with the specific and limited role of the Trustee-Manager. In addition, Part III of the Trustee Ordinance relates to personal representatives, which are not relevant to HK Electric Investments.

Common Law Duties of a Trustee

The obligations, duties and powers of a trustee when managing a trust vary depending on the nature of the trust. HK Electric Investments is a single fixed investment trust and the obligations, duties and powers of the Trustee-Manager are limited accordingly. Trustees' duties are usually categorised as being either "management" or "fiduciary", but they often overlap.

The Trustee-Manager's management duties under common law include, in relation to HK Electric Investments, (a) a duty on a new Trustee-Manager to acquaint itself with HK Electric Investments, (b) a duty to carry out and follow the Trust Deed, (c) a duty to treat Registered Holders of Units equally, (d) a duty to keep accounts and make the accounts and documents relating to HK Electric Investments available to Registered Holders of Units and (e) a duty to act honestly and reasonably in good faith for the best interest of all Registered Holders of Units.

The Trustee-Manager's fiduciary duties under common law include, in relation to HK Electric Investments, (a) a duty not to purchase the Trust Property or to lend money to itself, (b) a duty not to profit by virtue of its role as trustee of HK Electric Investments, (c) a duty not to profit from confidential information regarding HK Electric Investments and (d) a duty not to put itself in a position where its interests conflict with its duties to the Registered Holders of Units.

Remedies for Breach

A Trustee-Manager which does not carry out its duties and obligations contained in the Trust Deed or as imposed by law will be in breach of trust and will be liable to the Registered Holders of Units. Generally, under the common law, when there is a breach of trust, the Trustee-Manager can be compelled to do something required by the terms of the trust (in this case, the terms of the Trust Deed) or prevented from doing something prohibited by the terms of the trust (in this case, the terms of the Trust Deed). The Trustee-Manager can also be required to restore the Trust Property that has been passed away in the breach, to provide value equivalent to the value of property passed away or to pay equitable

compensation to HK Electric Investments to compensate the beneficiaries' loss. The Trustee-Manager may also be obliged to put HK Electric Investments' estate back to the same position it would have been in had the breach not occurred. However, under the common law, it may be difficult to establish a liability for breach of trust, as the Unitholders must prove that the Trust Property has incurred a loss and that the loss would not have occurred but for the breach. The Trustee-Manager may also be entitled to certain defences to breach of trust under the common law. These remedies would be enforced by making an application to the Hong Kong courts.

The Trust Deed limits the liability of the Trustee-Manager (including its directors, employees, servants, agents and delegates) in the absence of fraud, wilful default, negligence or breach of the Trust Deed. In addition, the Trust Deed provides that the Trustee-Manager and any of its directors, employees, servants, agents and delegates are entitled to be indemnified against any actions, costs, claims, damages, expenses, penalties or demands to which it or he/she may be put as the trustee-manager of HK Electric Investments (or as such a director, employee, servant, agent or delegate) so long as such action, cost, claim, damage, expense, penalty or demand is not occasioned by fraud, wilful default or negligence. As a result, the rights of HK Electric Investments and the Holders of Share Stapled Units to recover claims against the Trustee-Manager are limited.

Liability Regime

HK Electric Investments can only act through the Trustee-Manager. If the Trustee-Manager enters into a contract with a third party, the Trustee-Manager is liable under the contract to a potentially unlimited degree. Similarly, the Trustee-Manager can also be personally liable in tort for its or its agents' acts or omissions in connection with the administration of HK Electric Investments.

As a general principle, creditors and contractual counterparties of HK Electric Investments and other third parties have no direct access to the Trust Property because HK Electric Investments has no separate legal existence. The Trustee-Manager is entitled under the Trust Deed to an indemnity out of the Trust Property in respect of the Trustee-Manager's personal liability where a contract has been properly entered into during the administration of HK Electric Investments and within the powers conferred by the Trust Deed and in the absence of fraud, wilful default or negligence by the Trustee-Manager. Similarly, where the Trustee-Manager has acted within its powers under the Trust Deed, it will be entitled to an indemnity in respect of claims in tort by third parties, in the absence of fraud, wilful default or negligence on the part of the Trustee-Manager.

Creditors', other contractual counterparties' and other third parties' only means of access to the Trust Property is by subrogation to the Trustee-Manager's right to be indemnified out of the Trust Property in the circumstances described above.

KEY DIFFERENCES BETWEEN HK ELECTRIC INVESTMENTS AND OTHER COMMON FORMS OF TRUSTS

There are many types of trusts established for a variety of different purposes. Trusts may be listed or unlisted. The key distinguishing features of HK Electric Investments, as compared to other types of trusts are as follows:

(a) HK Electric Investments is a fixed single investment trust and may only invest in securities and other interests in the Company. The Trustee-Manager has a specific and limited role, which is to administer HK Electric Investments. The Trustee-Manager is not actively involved in the

management of the Electricity Business, which is owned and managed by the Group. The trustees or managers of other trusts typically have wider powers of investment and would typically invest in and manage a portfolio of securities issued by different entities and/or other assets, albeit consistent with a stated investment theme or mandate.

(b) While HK Electric Investments remains in effect, the Share Stapled Units cannot be repurchased or redeemed by HK Electric Investments or the Company unless and until specific regulations which expressly permit that are introduced by the SFC. The Holders of Share Stapled Units have no right to request the Trustee-Manager to repurchase or redeem their Share Stapled Units.

(c) Any issue by HK Electric Investments and the Company of new Share Stapled Units on a non-*pro rata* basis requires prior approval by an Ordinary Resolution of Registered Holders of Units.

(d) While HK Electric Investments is not permitted to incur any debt, the Trust Deed does not contain any restrictions on the ability of the Company or any of its subsidiaries to incur debt or any limit on the level of such indebtedness.

This section contains information relating to the electricity industry in Hong Kong. The information and statistics contained in this section and elsewhere in this prospectus have been derived partly from publicly available government and official sources. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information or statistics are false or misleading in any material respect or that any fact has been omitted that would render such information or statistics false or misleading in any material respect. Such information and statistics have not been independently verified by the Trustee-Manager, the Company or any of the Relevant Persons and no representation is given as to their correctness or accuracy. Accordingly, you should not place undue reliance on such information or statistics.

OVERVIEW OF THE HONG KONG ECONOMY

Hong Kong recorded an average real gross domestic product ("**GDP**") growth rate of 6.5% per annum from 2003 to 2007, which was driven partly by a closer integration with the PRC as well as robust financial and import and export trading sectors. In 2009, Hong Kong experienced a negative GDP growth rate as a result of the global economic slowdown. The local economy has since rebounded following quantitative easing measures introduced by major global economies.

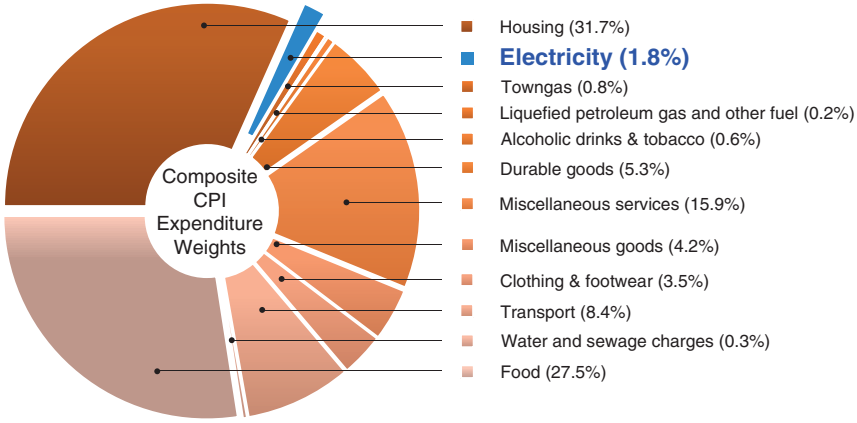
Comparing Hong Kong's real GDP growth rate with Hong Kong's electricity consumption growth rate, the electricity market has generally experienced a more stable growth rate, which reflects the mature and developed nature of Hong Kong's electricity market. The limited correlation between Hong Kong's economic growth and electricity usage is due to the fact that Hong Kong's economic growth depends more on the services sector and the electricity consumption by this sector is less affected by short-term economic fluctuations as compared to the industrial sector. As a result, electricity usage in Hong Kong is relatively stable and insulated from broader economic fluctuations.

Year	Real GDP Growth Rate	Electricity Consumption Growth Rate
	(%)	(%)
2008	2.1	0.2
2009	(2.5)	1.4
2010	6.8	0.9
2011	4.9	0.5
2012	1.4	2.3

Source: Census and Statistics Department, Hong Kong Government

According to the latest available Household Expenditure Survey ("**HES**"), which was published in April 2011 and conducted by the Census and Statistics Department of the Hong Kong Government between October 2009 and September 2010, the average monthly household expenditure in Hong Kong (after taking into account certain relief measures implemented by the Hong Kong Government during that period, such as the provision of an electricity charge subsidy) amounted to HK$21,623 and the expenditure weights of the composite consumer price index ("**CPI**") for housing and food accounted for approximately 31.7% and 27.5%, respectively, while electricity accounted for approximately 1.8%.

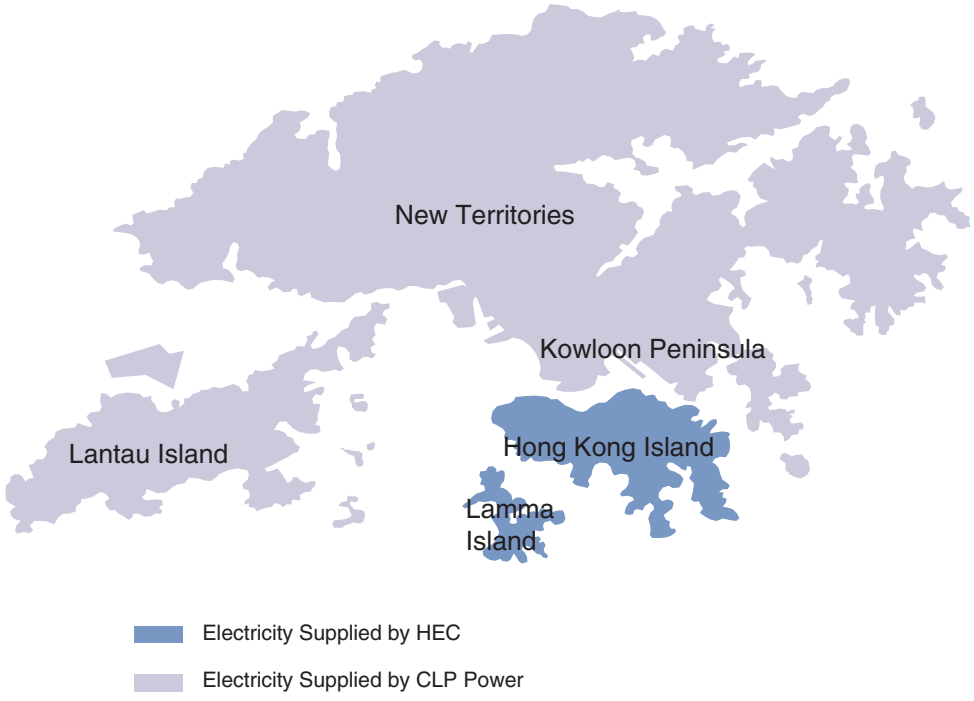
The chart below illustrates a breakdown of the composite CPI expenditure weights in Hong Kong between October 2009 and September 2010.



Source: Census and Statistics Department, Hong Kong Government

THE ELECTRICITY MARKET IN HONG KONG

Overview of the Hong Kong Electricity Market



Electricity was first made commercially available in Hong Kong during the late nineteenth century in selective districts. Currently, the Hong Kong electricity market comprises only two power companies, HEC and CLP Power. Both power companies are vertically integrated with their own power generation plants, transmission and distribution network, and supply capabilities.

There are only two suppliers of electricity in Hong Kong, being HEC and CLP Power. Although the relevant scheme of control agreements entered into by HEC and CLP Power with the Hong Kong Government do not define a licensed area for the operations of HEC or CLP Power, in practice, HEC is the only supplier of electricity to customers on Hong Kong Island and Lamma Island, with electricity generated from the Lamma Power Station, while CLP Power is the only supplier of electricity to customers in Kowloon, the New Territories, Lantau, Cheung Chau and most of the other outlying islands. CLP Power purchases power from Castle Peak Power Company Limited ("**CAPCO**"), Guangdong Nuclear Power Joint Venture Company, Limited ("**Guangdong Nuclear Power**") and Hong Kong Pumped Storage Development Company, Limited ("**Hong Kong Pumped Storage**"). CAPCO is a joint venture between CLP Holdings (40%) and ExxonMobil Energy Limited ("**EMEL**") (60%), and CLP Power operates all three generation facilities, Castle Peak Power Station, Black Point Power Station and Penny's Bay Power Station, which are owned by CAPCO. CLP Holdings also holds a 25% equity interest in Guangdong Nuclear Power, which owns Daya Bay Power Station, and a 49% equity interest in Hong Kong Pumped Storage, which has contractual rights to use 50% of the capacity of Phase 1 of Guangzhou Pumped Storage Power Station. CLP Power had approximately 2.4 million customers as at 31 December 2012. Both HEC and CLP Power are owned by entities listed on the Stock Exchange.

On 19 November 2013, CLP Holdings announced that CLP Power in collaboration with China Southern Power Grid International (HK) Co., Limited ("**CSG HK**"), a wholly-owned subsidiary of China Southern Power Grid Co., Limited, will each acquire half of EMEL's 60% interest in CAPCO. EMEL is a wholly-owned subsidiary of Exxon Mobil Corporation ("**ExxonMobil**"). CLP Power will acquire the 30% equity interest in CAPCO for an unadjusted consideration of HK$12 billion. In a separate arrangement, CLP Power will also purchase ExxonMobil's 51% equity interest in Hong Kong Pumped Storage for an unadjusted consideration of HK$2 billion. Following the completion of the two acquisitions (assuming the fulfilment of the conditions as set out in the acquisition agreements in respect of the equity interests in CAPCO and Hong Kong Pumped Storage), CLP Power will hold a 70% equity interest in CAPCO and 100% equity interest in Hong Kong Pumped Storage. CSG HK will own the remaining 30% equity interest in CAPCO.

There are a number of unique local factors which make it difficult to introduce competition to the Hong Kong electricity market, such as an established customer base within a developed market, the lack of indigenous fuel supply, the scarcity of suitable land in Hong Kong to support the establishment of a new power utility company, the difficulties in building new transmission and distribution networks in a highly urbanised and congested city with existing underground utilities, as well as the significant upfront investment that would be required to build a competitive and efficient customer service infrastructure to participate in retail competition.

Furthermore, under the terms of the relevant scheme of control agreements, the Hong Kong Government is required to take into account all relevant factors, including the availability of new reliable and environmentally sound supply sources, safety, reliability and efficiency as well as compatibility with the environmental and economic needs of the community, before it implements any changes to the electricity supply regulatory framework. Such factors would need to be considered before incentives to encourage or facilitate duplicate infrastructure investment are introduced to the electricity market in Hong Kong to allow for the emergence of new potential competitors to HEC and CLP Power. The relevant scheme of control agreements also provide that in the period prior to 1 January 2016, the Hong Kong Government will discuss with HEC and CLP Power regarding the potential future changes to the electricity supply regulatory framework and transition issues.

The table below sets out the key operational data of HEC and CLP Power.

As at or for the Year ended 31 December 2012	HEC	CLP Power
Units of electricity sold	11,036 million kWh	33,833 million kWh
Number of customers ('000)	567	2,400
Installed capacity[(1)]	3,737 MW	8,888 MW
Peak demand	2,494 MW	6,769 MW
Net tariff[(2)]	131 cents/kWh	98.7 cents/kWh
Network circuit length	168 km (275 kV) 289 km (132 kV) 447 km (22 kV) 3,010 km (11 kV) 2,069 km (380/220 V)	555 km (400 kV) 1,581 km (132 kV) 27 km (33 kV) 12,074 km (11 kV)

Source: Data from HEC and information publicly disclosed by CLP Holdings' Annual Report 2012

Notes:

(1) Please refer to the table under " — *Electricity Sources and Fuel Supply"* below for a breakdown of the installed capacity for each of HEC and CLP Power.

(2) The scheme of control for each of HEC and CLP Power provides that "Net tariff" comprises (i) the Basic Tariff Rate, (ii) any Fuel Clause Charge or Fuel Clause Rebate and (iii) any Rate Reduction Rebate.

Hong Kong's electricity transmission and distribution networks mainly comprise 400 kV, 275 kV and 132 kV cables/lines. Electricity transmitted to switching stations is either first stepped down to 132 kV and subsequently stepped down at zone substations to 11 kV or 22 kV or directly stepped down at zone substations to 11 kV or 22 kV before distribution to customer substations. The voltage is further stepped down to 380 V three-phase or 220 V single-phase and supplied via the low voltage cables/lines to end users. In 2012, HEC had 25 switching stations, 27 zone substations and 3,755 distribution substations, and CLP Power had 13,752 substations in its transmission and distribution network (according to CLP Holdings' Annual Report 2012).

The transmission networks of HEC and CLP Power have been interconnected by a cross-harbour link since the early 1980s through a 720 MVA interconnector jointly funded and maintained by HEC and CLP Holdings. This interconnector is governed by an Interconnection Agreement which was entered into between HEC and CLP Holdings in 1981. The interconnector is primarily used for emergency mutual support in the event of generator failure, some reserve capacity sharing and small-scale economy power exchange when required, thereby reducing the risk of loss of electricity supply to the customers.

The use of underground cables on Hong Kong Island in the transmission system ensures supply reliability even in inclement weather such as typhoons and is ideal for a densely populated area like Hong Kong. For instance, underground cable circuits are used primarily in the transmission network on Hong Kong Island. Hong Kong's electricity services are among the most reliable in the world, with HEC delivering less than one minute of unplanned power interruptions each year in the three year period ended 31 December 2012 (according to PAH's Sustainability Report 2012), and CLP Power delivering 2.6 minutes of unplanned power interruptions per year on average in the three year period ended 31 December 2012 (according to CLP Holdings' 2012 Sustainability Report).

The Hong Kong Government regulates the safety, environmental and economic aspects of electricity supply in Hong Kong through the various regulatory frameworks. In addition, the operations of HEC and CLP Power are subject to a scheme of control entered into by each of them with the Hong Kong Government.

The scheme of control arrangement has been in place for regulating the electricity supply sector in Hong Kong for more than 40 years. It has been the instrument for making available reliable and adequate supply of electricity to customers in Hong Kong and for providing a stable and clearly defined regulatory environment for HEC and CLP Power to invest in and operate to meet their respective obligations to the customers.

The current Scheme of Control between HEC and the Hong Kong Government was entered into on 7 January 2008 for a term of ten years from 1 January 2009 to 31 December 2018, with an option for the Hong Kong Government to extend it for a further term of five years ending on 31 December 2023, and similarly, the current scheme of control agreement between CLP Power and the Hong Kong Government was entered into on 7 January 2008 for a term of ten years from 1 October 2008 to 30 September 2018, with an option for the Hong Kong Government to extend it for a further term of five years ending on 30 September 2023.

For details regarding the Scheme of Control and the key laws and regulations that govern the Hong Kong electricity market, see *"Scheme of Control and Regulatory Overview"*.

Supply and Demand for Electricity in Hong Kong

In 2010, 2011 and 2012, the total annual electricity generation in Hong Kong amounted to 49.3 TWh, 50.4 TWh and 50.6 TWh, respectively. The table below sets out information on the installed capacity and electricity generation in Hong Kong for the years from 2008 through 2012.

Year	Installed Capacity	Change in Installed Capacity	Electricity Generation	Change in Electricity Generation	Utilisation Hours
	(MW)	(%)	(TWh)	(%)	(h)
2008	12,624	(0.2)	49.3	(1.2)	3,904.2
2009	12,624	0.0	50.3	2.1	3,985.9
2010	12,624	0.0	49.3	(1.9)	3,908.2
2011	12,624	0.0	50.4	2.1	3,989.7
2012	12,625	0.0	50.6	(0.4)	4,004.7

Source: Hong Kong Census and Statistics Department, Hong Kong Government

By the end of 2012, Hong Kong had an aggregate installed capacity of electricity generation of 12,625 MW. In order to ensure a long-term supply of electricity, the Hong Kong Government signed a Memorandum of Understanding on Energy Cooperation with the National Energy Administration of the PRC in 2008, which provides a continued supply of nuclear power to Hong Kong for two decades. In 2012, Hong Kong imported approximately 11.8 TWh of electricity from the PRC (primarily from Daya Bay Nuclear Power Station), which accounted for 27.4% of the total electricity consumption in Hong Kong during that year. Also in 2012, 70% of the total electricity generated by Daya Bay Nuclear Power Station was imported to Hong Kong and the remaining 30% was supplied locally to Guangdong Province. On the other hand, Hong Kong has also been exporting electricity to Guangdong Province since the late 1970s. Of the two electricity suppliers in Hong Kong, HEC has not imported nuclear power from, nor exported electricity to, the PRC.

Over the past years, HEC and CLP Power have made substantial long-term investments to provide reliable and safe electricity supply, enabling Hong Kong to enjoy a high Electricity Supply Reliability Rating that is currently above 99.999%, which is among the highest in the world as compared to certain major cities with supply reliability ranging between 99.95% and 99.99%. This supply reliability is crucial in supporting Hong Kong's economic development. To ensure safe and reliable electricity supply in Hong Kong, the EMSD conducts regular inspections of electricity supply facilities and issues codes of practice to provide technical guidelines for electricity suppliers. In enforcing the Electricity Supply Lines (Protection) Regulation, the EMSD requires that any person who carries out works in the vicinity of electricity supply lines must take reasonable steps and measures to prevent the electricity lines from being damaged.

In 2010, 2011 and 2012, total electricity consumption in Hong Kong amounted to 41.9 TWh, 42.1 TWh and 43.0 TWh, respectively. The table below sets out a breakdown of electricity consumption by types of end-users from 2008 to 2012.

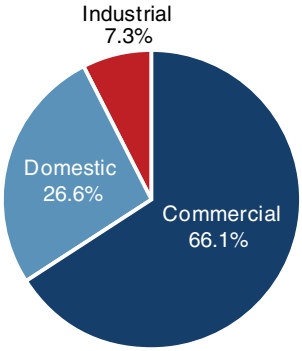
Year	Commercial		Domestic		Industrial		Total
	(TWh)	(%)	(TWh)	(%)	(TWh)	(%)	(TWh)
2008	27.2	66.6	10.3	25.2	3.4	8.3	40.9
2009	27.6	66.4	10.8	26.1	3.1	7.5	41.5
2010	27.9	66.5	10.9	26.1	3.1	7.4	41.9
2011	27.9	66.3	11.1	26.3	3.1	7.3	42.1
2012	28.5	66.1	11.4	26.6	3.1	7.3	43.0

Source: Census and Statistics Department, Hong Kong Government

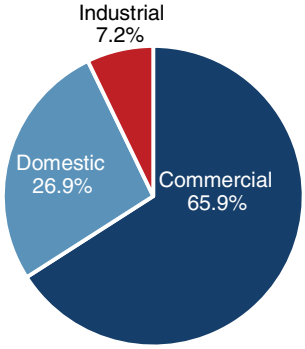
The consumption mix of electricity users in Hong Kong has been relatively consistent over the past five years, with the most electricity being consumed by commercial customers, followed by domestic customers and industrial customers. Stability in electricity consumption mix highlights the steady and balanced development of Hong Kong's electricity market.

The charts below illustrate the local consumption of electricity by type of users for the period from January 2012 to December 2012 and the period from January 2013 to September 2013.

January 2012 - December 2012



January 2013 - September 2013

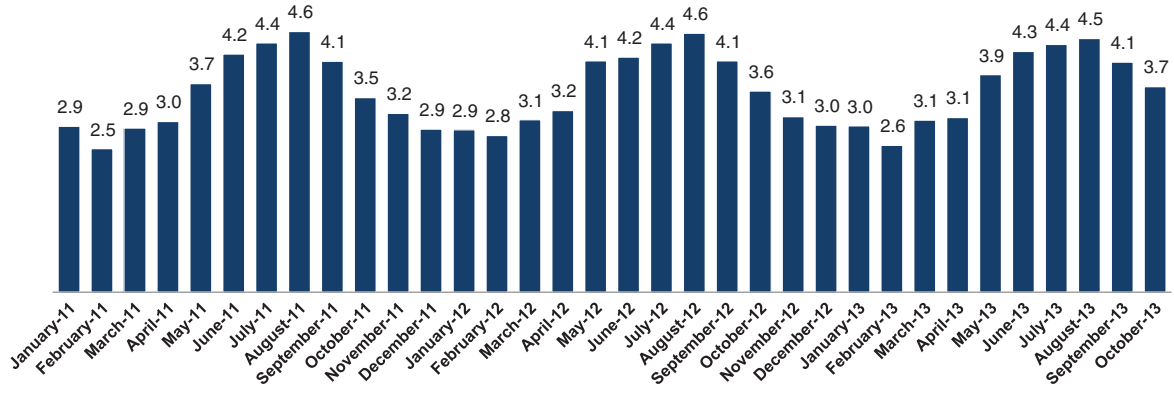


Source: Census and Statistics Department, Hong Kong Government

Peak Demand and Seasonality

Demand for electricity in Hong Kong is fairly predictable. On a seasonal basis, electricity demand peaks during the summer months (generally between June and August) as a result of summer cooling requirements.

Hong Kong Monthly Electricity Consumption (TWh)



Source: Census and Statistics Department, Hong Kong Government

Tariffs

In 2010, 2011 and 2012, the average electricity tariffs in Hong Kong amounted to 99.0 cents/kWh, 101.7 cents/kWh, and 107.0 cents/kWh, respectively, representing a compound annual growth rate of 4.0%. Hong Kong's electricity tariff rates are competitive as compared to many major cities around the world.

The table below sets out tariff rates of certain major cities, where electricity is supplied by privately-owned electricity suppliers (save as otherwise specified below), which have been selected based on readily available information and which are believed by the Directors to be representative of the fact that Hong Kong's electricity tariff rates are competitive relative to those of other major cities.

	Domestic Tariff [(1), (2)] (HK$/kWh)	Commercial Tariff [(1), (3)] (HK$/kWh)
Kuala Lumpur	0.60[(4)]	1.11[(5)]
Beijing	0.62[(6)]	1.12[(7)]
HEC	**1.00[(8)]**	**1.36[(8)]**
CLP Power	1.00[(9)]	1.16[(10)]
Singapore	1.73[(11)]	1.73[(12)]
Tokyo	2.05[(13)]	1.66[(14)]
Sydney	2.62[(15)]	2.64[(16)]
Berlin	3.14[(17)]	2.94[(18)]

Notes:

(1) Based on exchange rates as at 3 October 2013.

(2) Based on an average monthly consumption of 275 kWh.

(3) Based on an average monthly consumption of 1,700 kWh.

(4) Based on the "Tariff A — Domestic Tariff" published on Tenaga Nasional Berhad's website. Tenaga Nasional Berhad is a government-owned electricity supplier.

(5) Based on the "Tariff B — Low Voltage Commercial Tariff" published on Tenaga Nasional Berhad's website. Tenaga Nasional Berhad is a government-owned electricity supplier.

(6) Based on the "Tiered Pricing for Domestic Tariff" ("居民階梯電價") (including value added tax) published on State Grid Beijing Electric Power Company's website. State Grid Beijing Electric Power Company is a government-owned electricity supplier.

(7) Based on the "General Industrial and Commercial Tariff — Less than 1 kV" ("一般工商用電 — 不滿1千伏") (including value added tax) published on Beijing Municipal Commission of Development and Reform's website.

(8) Based on data from HEC.

(9) Based on the "Domestic Tariff" of CLP Power published by Census and Statistic Department of the Hong Kong Government in the Hong Kong Energy Statistics 2nd Quarter 2013 Quarterly Report.

(10) Based on the "General Service Tariff" of CLP Power published by Census and Statistic Department of the Hong Kong Government in the Hong Kong Energy Statistics 2nd Quarter 2013 Quarterly Report.

(11) Based on the "Low Tension Supplies — Domestic Tariff" (including goods and services tax) published on Singapore Power Group's website.

(12) Based on the "Low Tension Supplies — Non-domestic Tariff" (including goods and services tax) published on Singapore Power Group's website.

(13) Based on the "Tariff B — Meter Rate Lighting" ("從量電燈 B") (including value added tax and surcharges) published on Tokyo Electric Power Company's website.

(14) Based on the "Low Voltage Power" ("低壓電力") tariff (including value added tax and surcharges) published on Tokyo Electric Power Company's website.

(15) Based on the "Domestic All Time" regulated retail tariff (including goods and services taxes) published on EnergyAustralia's website.

(16) Based on the "General Supply All Time (Low Voltage)" regulated retail tariff (including goods and services taxes) published on EnergyAustralia's website.

(17) Based on the "Berlin Basis Privatstrom" tariff (including taxes) for the postal code area 12305 in Berlin which is published on Vattenfall's website. Vattenfall is a government-owned electricity supplier.

(18) Based on the "Berlin Profi Plus" tariff (including taxes) published on Vattenfall's website. Vattenfall is a government-owned electricity supplier.

Electricity Sources and Fuel Supply

Electricity demand in Hong Kong is largely supplied by local power plants (except nuclear and pumped storage generation) operated by HEC and CLP Power and electricity supply relies on a diverse fuel mix. In particular, most of the electricity generated locally relies on coal, with coal-fired power plants accounting for 52.3% of the total installed capacity in Hong Kong as of 31 December 2012.

The table below sets out details of the installed capacity of HEC and CLP Power as at 31 December 2012.

	Coal-fired	Gas-fired	Oil-fired Gas Turbine	Diesel Fired	Wind Turbine	Solar Photovoltaic	Nuclear	Pumped Storage	Total
					(in MW)				
HEC									
Lamma Power Station	2,500	680	555			0.934[(1)]			3,735.9
Lamma Wind					0.8				0.8
% of Sub-Total	**66.9%**	**18.2%**	**14.9%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	
CLP Power									
Castle Peak Power Station	4,108								4,108
Black Point Power Station		2,500							2,500
Penny's Bay Power Station				300					300
Daya Bay Power Station							1,378[(2)]		1,378
Pumped Storage								600[(3)]	600
% of Sub-Total	**46.2%**	**28.1%**	**0.0%**	**3.4%**	**0.0%**	**0.0%**	**15.5%**	**6.8%**	
% of Total	**52.3%**	**25.2%**	**4.4%**	**2.4%**	**0.0%**	**0.0%**	**10.9%**	**4.8%**	

Source: Data from HEC and information publicly disclosed in CLP Holdings' Annual Report 2012

Notes:

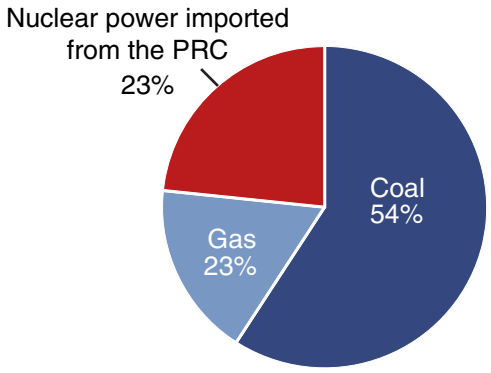
(1) Installed capacity was expanded to approximately 1 MW in March 2013.

(2) Representing 70% of 1,968 MW of gross capacity.

(3) Representing 50% of 1,200 MW of gross capacity.

HEC and CLP Power use a diverse fuel mix for electricity supply in the generation of electricity. Most of the electricity generated locally relies on imported coal and natural gas as a fuel source. The chart below sets out the fuel mix for electricity generation in Hong Kong, including nuclear power imported from the PRC for the year 2009.

Fuel Mix for Electricity Generation



Source: Environment Bureau of the Hong Kong Government

Coal

In recent years, Indonesia has been a major supplier of steam coal and other coal to Hong Kong. The remaining coal supplies are imported from other countries, including Australia and Russia.

Gas

Gas supplies are sourced from several countries, mainly the PRC (in gas form). Gas which is supplied in liquid form is re-gasified at liquefied natural gas terminals in the PRC before transmission to Hong Kong via submarine pipelines.

Nuclear Power

Nuclear power, which is imported from the PRC, has been an energy source for Hong Kong since the mid-1990s. The introduction of nuclear power in Hong Kong started with investments in Daya Bay Power Station by CLP Holdings in the form of a joint venture. Daya Bay Power Station commenced full scale operations in 1994 and has provided electricity to Hong Kong since then.

Solar Energy

Solar energy was introduced in Hong Kong in recent years, with the Hong Kong Government taking a lead in implementing solar technologies in government projects. This includes the installation of a 350kW photovoltaic system on the roof of the EMSD headquarters in Kowloon Bay, as well as large-scale solar water heating installations in government buildings, such as public swimming pools. HEC has set up photovoltaic panel installations to generate electricity into its power grids and CLP Power has also set up photovoltaic panel installations off their power grids.

Wind Energy

Despite Hong Kong's geographical and natural constraints in developing wind energy, HEC and CLP Power have taken initial efforts to develop wind farms as an alternative energy source. HEC has submitted its feasibility study on its offshore wind farm project to the Hong Kong Government for approval in April 2013. Subject to the determination of the fuel mix policy for electricity generation in Hong Kong by the Hong Kong Government, which is currently under review, HEC's proposed offshore wind farm is currently intended to be located at an approximately 600-hectare site featuring up to 33 wind turbines, each with a generation capacity of up to approximately 3.0 MW to 3.6 MW. It is expected that the offshore wind farm will have a total generating capacity of up to approximately 100 MW and an annual production of up to approximately 175 million kWh of electricity, which will represent approximately 1% to 2% of HEC's annual electricity output, and is expected to supply electricity to approximately 50,000 4-person households on Hong Kong Island.

Reducing Carbon Footprint

The Hong Kong Government has been proactive in reducing the city's carbon footprint, with a target to reduce energy intensity by at least 25% by 2030. In January 2012, the Hong Kong Government announced the adoption of the proposed new air quality objectives which have been drawn up with reference to recommendations of the World Health Organisation and the practices of advanced countries, together with a package of air quality improvement measures to better protect public health. It is expected that the proposed new air quality objectives will be implemented by way of an amended Air Pollution Control Ordinance, which will take effect in 2014.

In September 2010, the Hong Kong Government issued a public consultation document, "Hong Kong's Climate Change Strategy and Action Agenda" (the "**Consultation Paper**"), which proposed that Hong Kong should adopt a voluntary carbon intensity reduction target of 50% to 60% by 2020 as compared with 2005 level, representing a 19% to 33% absolute reduction in the total greenhouse gas emissions in Hong Kong.

According to the Environment Bureau of the Hong Kong Government, coal, natural gas and imported nuclear energy accounted for approximately 54%, 23% and 23% of Hong Kong's fuel mix for electricity generation, respectively, in 2009. Given the substantial reliance on fossil fuels, which are highly carbon-emitting, the Hong Kong Government has proposed in its Consultation Paper to gradually retire existing coal-fired generating units, and to increase the share of non-fossil fuels and clean and low-carbon fuels, including importing of more nuclear energy from the PRC. In 2010, the Hong Kong Government has proposed to substantially improve the fuel mix for electricity generation by 2020 such that imported nuclear energy, natural gas, coal and renewable energy will account for approximately 50%, 40%, less than 10% and 3% to 4% of Hong Kong's fuel mix for electricity generation, respectively. However, in light of the tsunami and earthquake in 2011, which resulted in damage to the nuclear reactors at Fukushima, Japan, various countries have been reviewing the safe use of nuclear power. The Hong Kong Government is in the process of reviewing the overall fuel mix for electricity generation, taking into account the development in the international arena and views of the local community, while striving to strike a balance among the four competing energy policy objectives of safety, reliability, affordability and environmental protection. The Hong Kong Government has indicated that it will undertake a public consultation as part of its fuel mix policy review.

SCHEME OF CONTROL

Our operations have been subject to a scheme of control regime since 1979. The Scheme of Control, which is entered into among HEC, PAH and the Hong Kong Government, sets out our rights and obligations, in particular our right to earn a Net Return for the sale of electricity which are designed to recover our operating costs (including tax), and provides a framework for the Hong Kong Government to monitor our financial affairs and operating performance. The Scheme of Control establishes the procedures governing the Hong Kong Government's review of our financial affairs through the Development Plan review, the auditing review and tariff review mechanisms.

The current Scheme of Control was entered into on 7 January 2008 for a term of ten years from 1 January 2009 to 31 December 2018, with an option for the Hong Kong Government to extend it for a further term of five years ending on 31 December 2023. If the Hong Kong Government does not exercise such option to extend the term of the Scheme of Control, under the current Scheme of Control we will, for the period from 1 January 2019 to 31 December 2023, through reasonable arrangements determined by the Hong Kong Government after consultation with us, continue to be entitled to earn from the market the same Permitted Return annually which we currently earn under the Scheme of Control (after recovery of tax and total operating costs and subject to deduction of certain interest on borrowed capital for the financing of Fixed Assets and other applicable deductions, with the assets to be taken into account for calculating the Permitted Return to include only assets that continue to be used in HEC's Electricity Related activities, and not to include any assets acquired or invested in after 31 December 2018 unless they have been reasonably and prudently purchased for use in HEC's Electricity Related activities and only if the purchase of such assets has been approved by the Hong Kong Government). For further details, see *"— Non-renewal of the Scheme of Control"* below.

Under the current Scheme of Control, each of HEC and the Hong Kong Government had the right during FY2013 and, if the term of the current Scheme of Control is extended until 2023, has the right during FY2018, to request modifications to the Scheme of Control. However, any modifications must be mutually agreed by the parties in writing before they take effect. An interim review of the Scheme of Control was conducted in 2013 and the conclusions are summarised in *"— 2013 and 2018 Interim Reviews of the Scheme of Control"* below.

Tariff

The net tariff charged to our customers is made up of the Basic Tariff Rate, a Fuel Clause Charge or Rebate and a Rate Reduction Rebate.

(a) *Basic Tariff Rate*

Customers are charged for the electricity used by them at their applicable Basic Tariff Rate. Residential, commercial and industrial customers are subject to different tariff levels. For further details, see *"Business — Customers"*. We calculate our proposed Basic Tariff Rates by aggregating the annual forecasts of our operating costs, Net Return and transfers to or from the Tariff Stabilisation Fund and dividing that aggregate amount by our forecast unit sales of electricity. Operating costs include, among other things, the standard cost of fuel, generation, transmission, distribution and administration expenses, depreciation, interest expense and tax.

(b) *Fuel Clause Charge or Fuel Clause Rebate*

In setting the Basic Tariff Rate, we and the Hong Kong Government agreed upon a standard cost of fuel as an operating cost, which was set in 1986 based on the prevailing oil price at that time which was required to produce one unit of electricity. The difference between the actual cost of fuel (including coal, natural gas and oil) and the standard cost of fuel recovered through the Basic Tariff Rate is charged or credited to a Fuel Clause Recovery Account maintained in our books and passed on, or rebated, to our customers by way of a Fuel Clause Charge or a Fuel Clause Rebate, respectively. We are entitled to adjust tariffs through the Fuel Clause Recovery Account from time to time to reflect changes in the cost of fuel consumed by us for the generation of electricity. There is no fuel cost to recover for electricity generated by renewable energy.

(c) *Rate Reduction Reserve and Rate Reduction Rebate*

The balance in the Tariff Stabilisation Fund represents a liability in our financial statements and we are obliged in each year to pay a charge equal to the average one month HIBOR per annum on the average of the opening and closing balances of the Tariff Stabilisation Fund for that year to be credited to the Rate Reduction Reserve. The Rate Reduction Reserve may be reduced by rebates which are applied to the tariffs normally in the following year to effect tariff reductions or to minimise tariff increases. The balance of the Rate Reduction Reserve may not exceed the total annual charges for the current and the preceding three years. In November 2013, as part of the 2013 interim review of the Scheme of Control, we have agreed in principle with the Hong Kong Government, among other things, to streamline the administration of the Rate Reduction Reserve from the end of 2013 such that the year-end balance of the Rate Reduction Reserve for any given year will be transferred to the Tariff Stabilisation Fund in the subsequent year. For further details of the Tariff Stabilisation Fund, the Rate Reduction Reserve and the 2013 interim review of the Scheme of Control, see *"— Tariff Stabilisation Fund"* and *"— 2013 and 2018 Interim Reviews of the Scheme of Control"* below.

Permitted Return

The Scheme of Control regulates the tariffs which we can charge our customers by providing for a Permitted Return for each year during the term of the Scheme of Control. The Permitted Return for each year is equal to the aggregate of two components:

(i) 9.99% of the total value of our Average Net Fixed Assets other than those attributable to our Average Renewables Net Fixed Assets for that year; and

(ii) 11% of the total value of our Average Renewables Net Fixed Assets for that year.

Net Return

Our Net Return for each year during the term of the Scheme of Control, which is the return accruing to the shareholders of HEC, is computed from the Permitted Return by taking into account certain deductions from, or adjustments to, the Permitted Return as set out below.

The following items are deducted from the Permitted Return for each year:

(i) interest of up to a maximum of 8% per annum on the principal outstanding from time to time in respect of borrowings to finance Fixed Assets which have been capitalised or charged to total operating costs;

(ii) interest of up to a maximum of 8% per annum on the principal outstanding from time to time in respect of borrowings which have been swapped into another currency to finance Fixed Assets;

(iii) a charge of average one-month HIBOR per annum on the average of the opening and closing balances of the Tariff Stabilisation Fund for that year (for further details, see *"— Tariff Stabilisation Fund"* below);

(iv) interest of up to a maximum of 8% per annum on the increase in our customers' deposits which represent the average of the opening and closing balances of our customers' deposits for that year in excess of the balance as at 31 December 1998; and

(v) an excess capacity adjustment of 9.99% multiplied by the average of the opening and closing balances of the Excess Capacity Expenditure less an allowed interest charge of up to 8% per annum on the average of the opening and closing balances of the Excess Capacity Expenditure.

In addition, the Scheme of Control also contains certain adjustments to the Permitted Return in the form of performance-based financial incentives which seek to encourage emission reduction, supply reliability, operational efficiency and customer services and promote energy efficiency and renewable energy while financial penalties are included to discourage under-performance in the foregoing factors. These performance related adjustments are in the range of -0.4% to +0.1% on the Average Net Fixed Assets minus the Average Renewables Net Fixed Assets (in the case of the incentive for emission reduction) or the Average Net Fixed Assets (in the case of other incentives), which are taken into account for the purposes of calculating the Net Return for each year.

Tariff Stabilisation Fund

We are required to maintain the Tariff Stabilisation Fund, the main purpose of which is to accumulate and provide funds to ameliorate tariff increases or facilitate tariff reductions where appropriate. The Tariff Stabilisation Fund also serves as a buffer for our return. In each year where the Gross Tariff Revenue exceeds the aggregate of our total operating costs, Permitted Return (after taking into account deduction of certain interest on borrowed capital for the financing of Fixed Assets and certain other deductions and adjustments) and Scheme of Control taxation charges, the amount of such excess is transferred from our statement of profit or loss to the Tariff Stabilisation Fund. Conversely, where the Gross Tariff Revenue is less than the aggregate of our total operating costs, Permitted Return (after taking into account deduction of certain interest on borrowed capital for the financing of Fixed Assets and certain other deductions and adjustments) and Scheme of Control taxation charges, the amount of such deficit is transferred from the Tariff Stabilisation Fund to our statement of profit or loss for that year, provided that the amount transferred may not exceed the balance of the Tariff Stabilisation Fund, which may not go into a deficit position.

Each year, a charge equal to the average one-month HIBOR multiplied by the average of the opening and closing balances of the Tariff Stabilisation Fund for that year is transferred from the statement of profit or loss of HEC to a Rate Reduction Reserve, which amount shall be reduced by rebates applied to the tariffs normally in the following year so as to effect tariff reductions or to minimise tariff increases.

Under the Scheme of Control, for each year's tariff review, projections for the then current year will take into account an upper limit on the projected year-end balance of the Tariff Stabilisation Fund, with a one-off rebate or tariff adjustment applied in the subsequent year to reduce any excess to or below the upper limit. The upper limit specified in the Scheme of Control is currently 8% of the annual total revenues of HEC from sales of electricity to our customers (including the Fuel Cost Account Adjustment and excluding rebates and charges made during that year). In November 2013, as part of the 2013 interim review of the Scheme of Control, we have agreed in principle with the Hong Kong Government, among other things, that such upper limit on the projected year-end balance of the Tariff Stabilisation Fund will be lowered from 8% to 5% once a written agreement is executed by all parties to the Scheme of Control. For further details relating to the tariff review and the 2013 interim review of the Scheme of Control, see *"— Tariff Review"* and *"— 2013 and 2018 Interim Reviews of the Scheme of Control"* below, respectively.

Development Plan

The Development Plan is a plan under the Scheme of Control which relates to the provision and future expansion of our electricity generation and supply system. A Development Plan review is conducted jointly by the Hong Kong Government and us in order to establish an agreement relating to the level of projected Basic Tariff Rate:

(i) whenever a Development Plan for major additions to our electricity generation, transmission and distribution system has been finalised for review and approval;

(ii) whenever a Development Plan has been finalised for review and approval in respect of major variations to our electricity generation, transmission and distribution system, which would increase the projected Basic Tariff Rates significantly above those in the one previously approved;

(iii) six months before the period covered by the previous Development Plan expires; and/or

(iv) if, as a result of a tariff review, the proposed Basic Tariff Rate for the following year exceeds the limit equal to 5% above the projected Basic Tariff Rate most recently approved for that year by the Executive Council, by more than 5%,

following which the Development Plan will be submitted to the Executive Council for review and approval. Each Development Plan covers a period of at least five successive years or for the remaining term of the Scheme of Control, whichever is shorter.

2004-2008 Development Plan

Under the 2004-2008 Development Plan, which covered the period from 1 January 2004 to 31 December 2008 and which was approved by the Executive Council on 28 June 2005, we incurred capital expenditures of approximately HK$11.9 billion of which approximately 52% was approved for our power generation system and new projects for minimising environmental impact, approximately 30% was approved for our transmission network and approximately 18% was approved for our distribution network. Our capital expenditure under the 2004-2008 Development Plan included investments in the commissioning of a gas-fired combined cycle unit at the Lamma Extension, the conversion of the

previously oil-fired combined cycle unit to a gas-fired unit, the construction and commission of Lamma Winds, retrofitting two coal-fired units with low nitrogen oxide burners and flue gas desulphurisation plants, construction of new substations, reinforcement of existing circuits and replacement or upgrading of certain existing cables.

2009-2013 Development Plan

The 2009-2013 Development Plan, which covered the period from 1 January 2009 to 31 December 2013, was approved by the Executive Council on 16 December 2008. The 2009-2013 Development Plan included approved capital expenditure of approximately HK$12.3 billion in new and existing capital projects over its five year term, of which approximately HK$4.4 billion was approved for our power generation system (including emission reduction projects and post-commission projects), approximately HK$6.2 billion was approved for our transmission and distribution networks and approximately HK$1.7 billion was approved for our customer and corporate services development. For FY2010, FY2011, FY2012 and 9M2013, we invested approximately HK$2,426.8 million, HK$2,886.9 million, HK$2,612.9 million and HK$1,192.7 million, respectively, in fixed assets, primarily for the retrofitting of emission control facilities, increasing the gas-fired generation capacity, station building and plant facilities improvement (including upgrading steam turbines, constructing new service buildings and installing a 1 MW TFPV system at Lamma Power Station), the replacement of overhead lines with underground cable circuits, the installation of cable circuits and equipment for electricity connection to new MTR lines, general transmission and distribution system expansion and other projects for improving supply reliability. From 1 January 2009 to 31 December 2012, we incurred capital expenditures of approximately HK$10.4 billion (net of write-offs and disposals).

2014-2018 Development Plan

The 2014-2018 Development Plan, which covers the period from 1 January 2014 to 31 December 2018, was approved by the Executive Council on 10 December 2013. The 2014-2018 Development Plan provides for an estimated total investment of approximately HK$13.0 billion in new and existing capital projects over its five year term, of which approximately HK$6.1 billion will be spent on our power generation system (inclusive of the estimated HK$3.0 billion in relation to the L10 Project), approximately HK$5.3 billion will be spent on our transmission and distribution networks and approximately HK$1.6 billion will be spent on our customer and corporate services development. This estimated total capital expenditure of approximately HK$13.0 billion represents an increase of approximately 5.7% over the approved total capital expenditure of approximately HK$12.3 billion under the 2009-2013 Development Plan, and is expected to be funded by cash from our operating activities, bank loans and/or other debt markets fund raising activities. The estimated total capital expenditure as approved under the 2014-2018 Development Plan represents our continued commitment to provide a safe and reliable electricity supply to our customers.

Under the 2014-2018 Development Plan, we propose to implement the following investments in three main areas:

(i) *Power generation system*

We propose to carry out refurbishment projects for aged equipment and improvement works for our generating units at the Lamma Power Station as part of our efforts to improve operating efficiency and reliability, as well as to alleviate the tariff increase pressure that would arise from the

installation of additional new generating units. In particular, we will carry out improvement works to one of our existing coal-fired units (L2), which has already been retrofitted for environmental reasons with a flue gas desulphurisation plant, to extend its useful life for another five years from the originally scheduled retirement in 2017.

We also propose to start the construction of the L10 Project in 2016, for which the capital expenditure is estimated to be approximately HK$3.0 billion in respect of the period covered by the 2014-2018 Development Plan. The L10 Project comprises the construction of a new gas-fired power plant unit (L10) targeted to be commissioned by 2020, which is needed to sustain our current level of approximately 30% electricity generation from natural gas and to maintain the reliability of our electricity supply given the scheduled retirement of two of our existing coal-fired units (L1 and L3) in 2017 and 2018, respectively, and one gas-fired combined cycle unit (GT57) in 2020.

The Hong Kong Government's energy consultant considers that the refurbishment projects and the L10 Project mentioned above are necessary and justified for ensuring operational reliability and the proposed budgets to be reasonable. However, as the Hong Kong Government will undertake a review of the future fuel mix policy for electricity generation in Hong Kong and a review of the electricity supply regulatory framework for the electricity market after the expiry of the current scheme of control agreements in respect of the two power companies (collectively, the "**Reviews**"), the Hong Kong Government has included the L10 Project in the 2014-2018 Development Plan on a provisional basis only. The commencement of the L10 Project is subject to the receipt of a written confirmation from the Hong Kong Government to HEC which may only be issued after it has completed the Reviews. Accordingly, unless and until the Hong Kong Government issues such written confirmation, we may not include the capital expenditure of HK$3.0 billion in respect of the L10 Project in the 2014-2018 Development Plan, or apply the Basic Tariff Rates categorised as "projected Basic Tariff Rate with L10 Project" as detailed below. If the L10 Project proceeds, our projected Basic Tariff Rates for each of the years from FY2016 to FY2018 will be higher. For further details about our projected Basic Tariff Rates, see below.

(ii) *Transmission and distribution networks*

The proposed projects for our transmission and distribution networks include the construction of new substations and additional circuits and improvements to and reinforcements of our existing system, in order to ensure that adequate transmission and distribution facilities are in place to meet new demand and to maintain the reliability of the supply and safety of our systems.

(iii) *Customer and corporate services development*

The proposed projects for our customer and corporate services development include customer information system development, energy and distribution management systems development, metering system development, motor vehicles and building renovation.

During our negotiations with the Hong Kong Government on the 2014-2018 Development Plan, and in light of the Reviews to be conducted by the Hong Kong Government, we agreed to shelve a few major capital projects, which we had included in our original proposals for the 2014-2018 Development Plan. Such major capital projects included the proposed installation of a second additional gas-fired generating unit (L11), the proposed construction of an offshore wind farm at Southwest Lamma Channel, and the proposed construction of a second gas pipeline from Gaolan in Zhuhai, the PRC to provide an alternative source of gas supply to meet an adequate, secured and long term supply of natural gas at a reasonable price level to our existing and future new gas-fired units at the Lamma Power Station. We may resubmit

such major capital projects to the Hong Kong Government for its further consideration as and when the conclusions of the future fuel mix policy review are available. Furthermore, the Hong Kong Government has encouraged us to explore further opportunities to increase the use of renewable energy in our future developments.

On 10 December 2013, the Executive Council also approved, under the 2014-2018 Development Plan, the projected Basic Tariff Rate for each of the years from FY2014 to FY2018 as follows:

	FY2014	FY2015	FY2016	FY2017	FY2018
	(Hong Kong cents per kWh)				
Projected Basic Tariff Rate without L10 Project	101.8	101.7	100.9	100.0	99.0
Projected Basic Tariff Rate with L10 Project	101.8	101.7	101.0	100.4	100.0

The above "projected Basic Tariff Rate without L10 Project" category will apply during the period from FY2014 to FY2018. If the L10 Project commences in 2016 as scheduled, the above "projected Basic Tariff Rate with L10 Project" category will be applicable in the relevant period instead. In either case, the effect of the fluctuations in the projected Basic Tariff Rate during the period from FY2014 to FY2018 on the net tariff to be charged to our customers is expected to be offset by an adjustment in the Fuel Clause Charge such that the average net tariff is expected to be largely stable for the period from FY2014 to FY2018.

Tariff Review

In October of each year, under the Scheme of Control, a tariff review is conducted jointly by the Hong Kong Government and us to determine, among other things, the actual Basic Tariff Rate for the following year, which may vary from the projected Basic Tariff Rate as previously approved for that year by the Executive Council in the latest approved Development Plan. During the tariff review, we and the Hong Kong Government shall agree on any revision, if necessary, of the major items of the latest approved Development Plan in respect of the then current year and the subsequent year. For each year's tariff review, projections for the then current year will take into account an upper limit on the projected year-end balance of the Tariff Stabilisation Fund, with a one-off rebate or tariff adjustment applied in the subsequent year to reduce any excess to or below the upper limit. For further details relating to such upper limit on the projected year-end balance of the Tariff Stabilisation Fund, see *"— Tariff Stabilisation Fund"* above.

A proposed Basic Tariff Rate for a particular year that is not higher than 5% above the projected Basic Tariff Rate most recently approved for that year by the Executive Council would not require any further approval by the Executive Council. Any proposed Basic Tariff Rate exceeding this limit but not exceeding the limit by more than 5% would require the approval of the Executive Council without a full Development Plan review. However, a proposed Basic Tariff Rate which exceeds the 5% limit referred to above by more than 5% will necessitate a full Development Plan review, following which the approval of the Executive Council will be required.

As part of the approval of the 2014-2018 Development Plan, the projected Basic Tariff Rates for the five years from FY2014 to FY2018 were also approved by the Executive Council. The Basic Tariff Rate for FY2014 was determined on the basis of the approved projected Basic Tariff Rate for FY2014 under the 2014-2018 Development Plan. In comparison to FY2013, the Basic Tariff Rate for FY2014 will be

increased by HK$0.071 per kWh, or approximately 7.5%, to HK$1.018 per kWh. However, such increase in the Basic Tariff Rate for FY2014 will be offset by a corresponding reduction of HK$0.071 per kWh in the Fuel Clause Charge such that the average net tariff charged to our customers for FY2014 will remain unchanged at HK$1.349 per kWh. Accordingly, we do not expect this will cause any material adverse impact on our tariff revenues for FY2014. For details relating to the projected Basic Tariff Rate for each of the years from FY2015 to FY2018, which was approved by the Executive Council on 10 December 2013 as part of the 2014-2018 Development Plan, see *"— Scheme of Control — Development Plan — 2014-2018 Development Plan"* above.

In addition, we will continue to maintain the existing tariff structure whereby we will offer a concessionary tariff scheme for our elderly, disabled, single-parent family or unemployed domestic customers as well as a "super saver discount" on electricity bills to our domestic customers to encourage energy conservation. For details, see *"Business — Customers"*.

Auditing Review

An annual auditing review is performed jointly by the Hong Kong Government and us not later than three months after the end of our financial year. The purpose of the annual auditing review is to review financial, technical and environmental performance for the preceding financial year and, if necessary, review and agree to revise major items in the latest approved Development Plan.

2013 and 2018 Interim Reviews of the Scheme of Control

The Scheme of Control provides that each of HEC and the Hong Kong Government had the right during FY2013 and, if the term of the Scheme of Control is extended, has the right during FY2018, to request modifications to the Scheme of Control. However, any modifications must be mutually agreed by the parties in writing before they take effect. In the course of its preparation for the interim review in FY2013, the Hong Kong Government engaged experts, academics, green groups and other stakeholders to solicit their comments and suggestions. While we did not request any modifications to the Scheme of Control pursuant to the interim review in FY2013, we discussed with the Hong Kong Government regarding their proposed modifications to the Scheme of Control.

In November 2013, as part of the 2013 interim review of the Scheme of Control, we agreed in principle with the Hong Kong Government to implement the following modifications to the Scheme of Control:

(i) to promote energy efficiency, we will establish an energy efficiency fund to provide, subject to a ceiling, subsidies on a matching basis to owners of non-commercial buildings to carry out improvement works to enhance the energy efficiency of their buildings, with priority to be given to single residential blocks. We will pay into the energy efficiency fund an amount equal to the financial incentive payments that we will from time to time receive under the energy efficiency incentive mechanism in the Scheme of Control for outperforming the energy audits and energy saving targets set for each of the years from 2014 until the expiry of the current term of the Scheme of Control. It is expected that this energy efficiency fund will be launched in the first half of 2014. In addition, a loan fund established by HEC under the Scheme of Control, which amounted to HK$12.5 million per annum over a five-year period, to provide interest-free loans to non-Hong Kong Government customers to implement energy-saving initiatives will be extended for a further period of five years from the original expiry date;

(ii) as part of our efforts to pursue continuous improvement in our supply reliability, operational efficiency and customer services, we will raise the performance thresholds for both the incentives which may be awarded and penalties which are payable in respect of those areas;

(iii) we will lower the cap on the balance of the Tariff Stabilisation Fund from 8% to 5% of our annual total revenues from sales of electricity to our customers (including Fuel Cost Account Adjustment and excluding rebates and charges made during that year). This arrangement will help ensure that the balance of the Tariff Stabilisation Fund can be used to alleviate the impact of tariff increases on our customers as soon as possible. For further details relating to the upper limit on the Tariff Stabilisation Fund, see *"— Tariff Stabilisation Fund"* above;

(iv) as part of our efforts to promote transparency of our operations, beginning in 2014, we agreed to publicly disclose on a dedicated website certain financial and operating data relating to the latest approved Development Plan and the proposed tariff adjustments for the upcoming year upon the conclusion of each annual tariff review exercise. The data to be publicly disclosed include our capital expenditure forecast, the projected year-end balance of the Tariff Stabilisation Fund and the Fuel Clause Recovery Account, and an analysis of the tariff adjustments;

(v) to ensure the prompt and timely use of the Rate Reduction Reserve for the benefit of our customers, we agreed to streamline the administration of the Rate Reduction Reserve from the end of 2013 such that the year-end balance of the Rate Reduction Reserve for any given year will be transferred to the Tariff Stabilisation Fund in the subsequent year; and

(vi) relevant expenditures incurred in respect of our pre-project studies and assessments will initially be placed in a separate suspense account, and will only be counted as Fixed Assets for the purpose of calculating the Permitted Return after a decision is made to proceed with the projects.

The above modifications will take immediate effect once a written agreement modifying the terms of the Scheme of Control is executed by all parties to the Scheme of Control. While an agreement in principle has been reached in respect of the above modifications to the Scheme of Control, during our discussions with the Hong Kong Government, we have maintained our position that no fundamental changes to the Scheme of Control should be made during the 2013 interim review and have rejected the proposals from the Hong Kong Government in the following areas:

(i) reduction of the rates of Permitted Return;

(ii) tightening of the mechanism for treating excess generating capacity by excluding any generating unit that fails the excess capacity test from earning the Permitted Return;

(iii) exclusion of investments in any new or existing emission control facilities from earning the Permitted Return;

(iv) return to customers 50% of the capital gain from the disposal of fixed assets if the proceeds exceed the original costs;

(v) prior approval from the Executive Council to be obtained if a tariff increase exceeds the composite consumer price index published by the Hong Kong Government's Census and Statistics Department; and

(vi) removal of the Emissions Performance Linkage Mechanism as set out in the Scheme of Control, which currently awards incentive for the outperformance or imposes penalty for the underperformance in respect of emission reduction thresholds.

Accordingly, no changes will be introduced to the Scheme of Control in relation to these rejected proposals as a result of the 2013 interim review. The Hong Kong Government has indicated that it will take into account views and comments received when conducting an overall review of the future regulatory framework for the electricity market after the expiry of the current Scheme of Control, and that such overall review will be conducted in 2014 as a separate exercise.

Non-renewal of the Scheme of Control

If the Hong Kong Government does not exercise its option to extend the term of the Scheme of Control for a further term of five years ending on 31 December 2023, under the current Scheme of Control we will, for the period from 1 January 2019 to 31 December 2023, through reasonable arrangements determined by the Hong Kong Government after consultation with us, continue to be entitled to earn from the market the same Permitted Return annually which we are currently entitled to earn under the Scheme of Control (after recovery of tax and total operating costs and subject to the deductions set out in paragraphs (i) and (ii) and, if applicable, paragraphs (iii) and (iv) of *"— Net Return"* above, or such other amounts as may have been mutually agreed in accordance with the interim reviews).

In such event, under the current Scheme of Control, the Average Renewables Net Fixed Assets and the Average Net Fixed Assets (other than Average Renewables Net Fixed Assets) to be taken into account for calculating the Permitted Return for the period from 1 January 2019 to 31 December 2023 will only include assets that continue to be used in HEC's Electricity Related activities, and will not include assets acquired or invested in after 31 December 2018 unless they have been reasonably and prudently purchased for use in HEC's Electricity Related activities and only if the purchase of such assets has been approved by the Hong Kong Government.

Stranded Costs

The Scheme of Control provides for us to recover stranded costs arising as a result of a change or a proposed change implemented by the Hong Kong Government to the electricity market structure, which causes a material impact to us in respect of our Electricity Related activities. Stranded costs are costs incurred by us in relation to our investments made or agreements entered into under the Scheme of Control in respect of Electricity Related activities (which include, among other things, costs of investments and fuel and power agreements previously approved by the Hong Kong Government). In the event of such stranded costs arising, we and the Hong Kong Government shall in good faith discuss measures that are reasonably required to mitigate the amount of stranded costs. If there are residual stranded costs that cannot be mitigated after we have implemented mitigation measures reasonably required by the Hong Kong Government, we are entitled to recover them from the market, consistent with international practice. Three years prior to the effective date of any changes which are introduced to the electricity market and in any event no later than 31 December 2020, we and the Hong Kong Government will agree on the amount of stranded costs and the mechanism for their recovery from the market by us.

PAH's Obligation under the Scheme of Control

Under the Scheme of Control, PAH is obliged to include in its published annual report a scheme of control statement showing our results for each year under the Scheme of Control. PAH does not have any other material rights and obligations under the Scheme of Control. The obligations of PAH under the Scheme of Control will not change so long as PAH remains a party to the Scheme of Control. In the event that the Hong Kong Government and PAH mutually agree that the obligations of PAH under the Scheme of Control are to be novated to or otherwise assumed by the Company, the Company is prepared, and is able, to assume and fulfil those existing obligations of PAH after the Listing. No such arrangement in relation to the Scheme of Control has been agreed among the parties as at the Latest Practicable Date.

KEY LAWS, RULES AND REGULATIONS APPLICABLE TO THE GROUP

In addition to the Scheme of Control, our business and operations are subject to the relevant laws, rules and regulations of Hong Kong. In particular, the supply of electricity in Hong Kong is governed by a regulatory framework mainly comprising supply and safety regulations, environmental regulations and economic regulations. A summary of the key laws, rules and regulations which are material to our business and operations is set out below.

A. ELECTRICITY SUPPLY AND SAFETY REGULATIONS

The Electricity Ordinance

The Environment Bureau of the Hong Kong Government oversees all policy issues relating to the reliability, safety and efficiency of power generation, electricity supply and utilisation. In addition, the EMSD enforces the compliance by electricity suppliers with the provisions stipulated in the Electricity Ordinance (Chapter 406 of the Laws of Hong Kong).

The Electricity Ordinance, which establishes a regulatory framework to ensure electricity safety in Hong Kong, governs the generation, transmission, distribution and utilisation of electricity and is supported by a number of subsidiary regulations. It stipulates a number of powers and obligations of electricity suppliers who play a vital role in supplying safe and reliable power supply to the general public in Hong Kong. In general, an electricity supplier is required to connect electricity supply to a fixed electrical installation, which complies with the Electricity Ordinance, within a reasonable time after receiving such request from the owner of the installation, provided that it is not obliged to connect electricity supply to the fixed electrical installation where it is impracticable or unsafe to do so or where the owner does not agree to the supplier's usual contractual terms or to provide reasonable evidence of credit worthiness. For new installations, electrical safety is required to be assured and certified by a registered electrical contractor ("**REC**") and/or a registered electrical worker ("**REW**") and is further checked by the electricity supplier, subject to exemption under the exemption order(s) which may be obtained under the Electricity (Exemption) Regulations, as further discussed below.

The Electricity Supply Regulations

The Electricity Supply Regulations (Chapter 406A of the Laws of Hong Kong) set out technical specifications of electricity supply equipment as well as the technical requirements on voltage, testing and protective arrangements in respect of the distribution of electricity.

In April 2002, the Hong Kong Government issued a voluntary *Electricity Supply Code* which sets out the requirements and general guidelines related to the design, construction, operation and maintenance of power systems and associated equipment specifically for the use of power companies in Hong Kong. The Electricity Supply Code is an interim measure prior to the enactment of proposed amendments to the Electricity Supply Regulations to remove outdated provisions and to upgrade the technical standards to that of international practices.

The Electricity (Exemption) Regulations

The Electricity Ordinance provides that where the Director of Electrical and Mechanical Services (the "**EMS Director**") is satisfied that an owner of an electrical installation or generating facility is capable of installing and maintaining the owner's own fixed electrical installation safely, the EMS Director may exempt the owner, his electrical installations, his electrical workers or any combination of them, from any of the provisions of the Electricity Ordinance relating to electrical installations. The Electricity (Exemption) Regulations (Chapter 406C of the Laws of Hong Kong) stipulate that the EMS Director may only make the above exemption order in respect of fixed electrical installations that are used for the purpose of, among other things, generating and supplying electricity. HEC has been issued with exemption orders under the Electricity (Exemption) Regulations pursuant to which certain electrical workers and electrical installations of HEC are exempted from the provisions of the Electricity Ordinance to the extent prescribed in the orders.

The Electricity (Wiring) Regulations

The Electricity (Wiring) Regulations (Chapter 406E of the Laws of Hong Kong) set out the safety requirements for the design, installation, testing and certification of fixed electrical installations. The Electricity (Wiring) Regulations aim to ensure the quality and workmanship of electrical installations in Hong Kong through a regulatory framework of REC and REW. The Electricity (Wiring) Regulations specifically require that whenever a fixed electrical installation is installed, and after any repairs, alterations or additions to it are completed, it must be inspected, tested and certified by a REC/REW before being energised for use. In order to facilitate compliance with the statutory requirements of the Electricity (Wiring) Regulations, the EMSD published a code of practice relating to these regulations. The code of practice elaborates on how the statutory safety requirements stipulated in the Electricity (Wiring) Regulations for fixed electrical installations could be met and provides comprehensive practical guidelines to help REC/REW to properly design, install, test and certify electrical installations.

The Electricity Supply Lines (Protection) Regulation

The Electricity Supply Lines (Protection) Regulation (Chapter 406H of the Laws of Hong Kong) regulates construction works in the vicinity of underground power cables and overhead lines and imposes requirements to prevent electrical accidents and power interruption arising from such construction works.

The *Code of Practice on Working near Electricity Supply Lines* (the "**Electricity Supply Lines Code**") elaborates upon the requirements of the Electricity Supply Lines (Protection) Regulation and sets out the requirements for, and reasonable steps to be taken to ascertain the existence of, any underground power cables and overhead lines in close proximity to any proposed construction works. In particular, the Electricity Supply Lines Code outlines the "Safe System of Work", which requires site contractors and workers to obtain relevant information from power companies, engage a qualified "competent person" to locate underground cables and adopt safe working practices when carrying out

works in the vicinity of underground power cables and overhead lines. In addition, power companies are also required to provide information relevant to power cables and lines in the vicinity of works upon request. The EMSD maintains and administers a list of approved "competent persons" for locating underground power cables.

The Gas Safety Ordinance

The Gas Safety Ordinance (Chapter 51 of the Laws of Hong Kong) regulates, in the interests of safety, the importation, manufacture, storage, transport, supply and use of "gas", which includes town gas, liquefied petroleum gas and natural gas. The EMSD is responsible for the enforcement of the Gas Safety Ordinance and is primarily involved in the enforcement of gas safety practices and its safe utilisation through, among other things, maintaining and administering a register of gas supply companies, gas contractors and installers, monitoring their performance and enforcing safety measures when necessary.

The Gas Safety Ordinance is supported by subsidiary legislation, including, among other things, the Gas Safety (Gas Quality) Regulations (Chapter 51A of the Laws of Hong Kong) which stipulate the standard of purity for gas supplied in Hong Kong, and the Gas Safety (Gas Supply) Regulations (Chapter 51B of the Laws of Hong Kong) which stipulate the requirements for the construction, use and maintenance of notifiable gas installations (which include terminals for importation of natural gas in liquid form and high pressure gas mains/service pipes and gas holders). Furthermore, the Gas Safety (Installation and Use) Regulations (Chapter 51C of the Laws of Hong Kong) deal with the safe installation, maintenance and use of gas systems, including gas fittings, appliances and flues mainly in domestic and commercial premises. In addition, the Gas Safety (Registration of Gas Supply Companies) Regulations (Chapter 51E of the Laws of Hong Kong) impose a general self-regulating duty on a registered gas supply company to ensure, in carrying on its business as a gas supply company, so far as is reasonably practicable, the health and safety at work of all its employees and to conduct its operations in a safe manner so that members of the public are not exposed to undue risks from gas. HEC is subject to such requirements as a registered gas supply company in respect of its business involving importation of natural gas for use as fuel at its power station.

The Boilers and Pressure Vessels Ordinance

The Boilers and Pressure Vessels Ordinance (Chapter 56 of the Laws of Hong Kong) and its subsidiary legislation set out provisions relating to the control, use and operation of boilers and pressure vessels. They apply to pressure equipment which are engaged in commercial operation and do not apply to pressure equipment belonging to the Hong Kong Government, equipment used solely for domestic purposes, and equipment which forms part of fixed equipment used in a ship or a vehicle which is used for the carriage of passengers or goods. The Boilers and Pressure Vessels Ordinance generally regulates the registration, maintenance and examination of boilers, pressure vessels and steam containers, and control of their use and operation. In particular, it requires every boiler and steam receiver in Hong Kong to be operated under the direct supervision of a "competent person" holding a certificate of competency issued by the Boilers and Pressure Vessels Authority (currently, the Commissioner for Labour).

The enforcement of the provisions of the Boilers and Pressure Vessels Ordinance is carried out by the Boilers and Pressure Vessels Division of the Labour Department of the Hong Kong Government, whose major functions include the registration of boilers and pressure vessels, the conducting of examinations and the issuance of certificates of competency to qualified candidates as "competent

persons" for various types of boiler and steam receiver, and the carrying out of spot checks on pressure equipment in work sites. Various codes of practice are also issued under the Boilers and Pressure Vessels Ordinance for the purpose of ensuring acceptable standards in the design, manufacture, installation, maintenance, examination, testing and operation of boilers and pressure vessels.

B. ENVIRONMENTAL REGULATIONS

Enforcement Authorities

The EPD is responsible for the monitoring and enforcement of various regulated matters relating to environmental protection and impact, including those applicable to power generation and electricity supply operations in Hong Kong.

The Laws and Regulations Relating to Air Quality Control

The Air Pollution Control Ordinance

Overview

The Air Pollution Control Ordinance regulates the use of fuels for power generation, transportation and construction works, and plays a vital role in the regulation of air quality in Hong Kong by providing the statutory framework for establishing air quality objectives for Hong Kong as a whole, such as the provision of anti-pollution requirements for air pollution sources. Such air quality objectives set out concentration limits of key air pollutants in the ambient air, and are used as the basis for air quality impact assessments of projects and processes under the Air Pollution Control Ordinance, its subsidiary legislation and the Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong).

The Air Pollution Control Ordinance enables the enactment of subsidiary legislation and also empowers the EPD, among other things, to (i) impose licensing controls on major stationary emission sources, and (ii) issue legal notices to air pollution sources to demand remedial action. Such licensing controls range from requiring prior approval for the installation and operation of equipment producing emissions to the prohibition of high sulphur content fuels for commercial and industrial appliances.

In particular, the Air Pollution Control (Specified Processes) Regulations (Chapter 311F of the Laws of Hong Kong) provide an administrative framework for the licensing of polluting industrial processes stipulated as "specified processes", for the purposes of controlling and monitoring air pollution caused by industries with significant pollution potential. Under the Air Pollution Control Ordinance, electricity works are one of the specified processes subject to regulation, for which specified process licenses are necessary. Such licenses are renewable by the EPD for periods of not less than two years. HEC currently holds a specified process license in respect of Lamma Power Station which is due to expire on 31 December 2014.

Technical memoranda for the allocation of emission allowances in respect of specified licenses

The Air Pollution Control Ordinance further empowers the Hong Kong Government to periodically issue and publish technical memoranda for the purposes of practical prediction, measurement, determination and assessment of air pollution under the Air Pollution Control Ordinance (collectively, the "**Technical Memoranda**"). Among other things, each of the three Technical Memoranda stipulates the quantities of emission allowances for three air pollutants arising from electricity power plants, namely

sulphur dioxides, nitrogen oxides and respirable suspended particulates. The aim of the Technical Memoranda is to incentivise power companies in Hong Kong to maximise the use of generation units equipped with advanced emission abatement equipment and to require power companies to consider reducing emissions by the increased use of renewable energy and waste-to-energy facilities.

The Air Pollution Control (Amendment) Ordinance 2013

On 1 January 2014, the new Air Pollution Control (Amendment) Ordinance 2013 came into effect. The key change to the existing Air Pollution Control Ordinance resulting from this amendment ordinance is the implementation of new air quality objectives (as defined under the Air Pollution Control Ordinance), which are benchmarked against a combination of interim and ultimate targets under the World Health Organization's air quality guidelines. As discussed above, as part of the Hong Kong Government's ongoing commitment to protect public health and improve air quality, air quality objectives will continue to be used as the basis for the air quality impact assessment of projects or processes under the Air Pollution Control Ordinance and the Environmental Impact Assessment Ordinance.

Other applicable laws, rules and regulations to air quality control

The other main laws, rules and regulations in respect of air quality control which affect the electricity generation sector in Hong Kong include the Ozone Layer Protection Ordinance (Chapter 403 of the Laws of Hong Kong) and the Factories and Industrial Undertakings Ordinance.

The Ozone Layer Protection Ordinance gives effect to the international obligations of Hong Kong in respect of the Vienna Convention for the Protection of the Ozone Layer of 1985 and the Montreal Protocol on Substances that Deplete the Ozone Layer of 1987, which includes controls over the use and import of products which are considered "ozone depleting" under the Ozone Layer Protection Ordinance. The Factories and Industrial Undertakings Ordinance contains, among other things, measures that regulate the operation of certain industrial machinery and restrictions on the use of carcinogenic substances or asbestos in industrial processes.

The Environmental Impact Assessment Regime

The Environmental Impact Assessment Ordinance requires certain designated projects to follow an environmental impact assessment process and may also further require environmental permits for their construction and operation and/or, if applicable, decommissioning. Under the Environmental Impact Assessment Ordinance, designated projects include public utility electricity power plants as well as 400 kV electricity substations and transmission lines. The provisions of the Environmental Impact Assessment Ordinance are enforced by the Director of Environmental Protection of the EPD.

Controls on Noise Emissions

Under applicable Hong Kong laws, rules and regulations, certain controls are imposed on construction noise, noise from commercial and industrial premises, as well as neighbourhood noises. In particular, the Factories and Industrial Undertakings Ordinance requires the provision of adequate protective gear for workers working in a noisy environment, while the Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong) imposes restrictions on the length of time and use of equipment for certain construction activities.

The Noise Control Ordinance also empowers the Secretary for the Environment to issue technical memoranda setting out principles, procedures, guidelines and limits in respect of, among other things, the measurement and assessment of noise emanating from any place other than domestic premises, public places or construction sites. The *Technical Memorandum for the Assessment of Noise from Places other than Domestic Premises, Public Places or Construction Sites* (Second Edition), which came into operation on 19 June 1997, prescribes requirements for an "acceptable noise level" for fixed sources of noise, such as power plants, as well as the methodology used to determine such "acceptable noise level", the appropriate units of measurement, and the testing of compliance with such prescribed levels by the Noise Control Authority.

Regulation of Waste Management and Wastewater Discharges

Waste which may result from electricity generation operations in Hong Kong is regulated by the Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), which stipulates, among other things, the control schemes for, and disposal facilities of, all types of waste. In particular, the packaging, labelling and storage of chemical wastes resulting from generation operations are regulated by the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong), which provides specific requirements as to the packaging, labelling and storage of chemical wastes.

The discharge of wastewater as a result of, among other things, construction projects, the discharge of certain effluents and groundwater removal is regulated by the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong) and its subsidiary legislation. The Water Pollution Control Ordinance requires the designation of control zones, within which discharges of effluents other than domestic sewage must be licensed, and also sets limits on the effluents which may be discharged into foul sewers, storm water drains and inland and coastal waters.

Other key laws and regulations affecting the waste management and wastewater disposal activities of electricity providers in Hong Kong include the Foreshore and Sea-bed (Reclamations) Ordinance (Chapter 127 of the Laws of Hong Kong), which affects the laying of submarine cables and construction of landing points in the context of electricity generation activities, as well as the Shipping and Port Control Ordinance (Chapter 313 of the Laws of Hong Kong) which prohibits, among other things, the pollution of the sea by oil from land-based and marine sources.

C. REGULATIONS IN RELATION TO INSTALLATION OF TRANSMISSION AND DISTRIBUTION LINES

The Land (Miscellaneous Provision) Ordinance

Under the Land (Miscellaneous Provision) Ordinance (Chapter 28 of the Laws of Hong Kong), the Director of Highways is the authority for controlling excavations on all public roads and the Director of Lands is the authority for controlling excavations in unleased land other than public roads. The purpose of this ordinance is to strengthen the control on road excavations and to minimise delays and inconvenience to the public. The Hong Kong Government will charge a fee to cover the administrative cost for issuing excavation permits and carrying out audit inspections in streets, according to the "user-pays" principle. HEC is required to obtain excavation permit(s) in respect of the excavation works involved in the installation of transmission and distribution lines and currently holds excavation permits authorising the making and maintenance of such excavations.

OVERVIEW

HK Electric Investments is the first fixed single investment trust in Hong Kong with a focus on the power industry. We are a vertically integrated power utility and our operations comprise the generation, transmission, distribution and supply of electricity to Hong Kong Island and Lamma Island. We are the sole electricity provider to Hong Kong Island and Lamma Island with an Electricity Supply Reliability Rating of above 99.999% in each year since 1997. Our principal operating subsidiary, HEC, which was incorporated in January 1889 and first commenced operations in 1890, is one of the world's longest established utility companies.

HEC's sole power generation facility is the Lamma Power Station which, as at 30 September 2013, had an aggregate installed capacity of approximately 3,737 MW. As at 30 September 2013, we provided electricity to approximately 568,000 registered customers on Hong Kong Island and Lamma Island.

Our operations are subject to a Scheme of Control entered into with the Hong Kong Government. Under the terms of the Scheme of Control, we are entitled to full recovery of our total operating costs from our Gross Tariff Revenue, and a permitted level of earnings based principally on a return on HEC's capital investment in electricity generation, transmission and distribution assets. The first Scheme of Control was entered into in 1980 for a term of 15 years beginning on 1 January 1979 and it was renewed in 1993 for a similar term until the end of 2008.

The current Scheme of Control was entered into on 7 January 2008 for a term of ten years from 1 January 2009 to 31 December 2018, with an option for the Hong Kong Government to extend it for a further term of five years ending on 31 December 2023. If the Hong Kong Government does not exercise its option to extend the Scheme of Control for a further term of five years after 31 December 2018, the current Scheme of Control provides that for the period from 1 January 2019 to 31 December 2023, through reasonable arrangements determined by the Hong Kong Government after consultation with us, we will continue to be entitled to earn from the market the same Permitted Return annually which we currently earn under the Scheme of Control (after recovery of tax and total operating costs and subject to any deduction of certain interest on borrowed capital for the financing of Fixed Assets and other applicable deductions, with the assets to be taken into account for calculating the Permitted Return to include only assets that continue to be used in HEC's Electricity Related activities, and not to include any assets acquired or invested in after 31 December 2018 unless they have been reasonably and prudently purchased for use in HEC's Electricity Related activities and only if the purchase of such assets has been approved by the Hong Kong Government). For further details, see *"Scheme of Control and Regulatory Overview"*.

COMPETITIVE STRENGTHS

We believe that our strong market position in the electricity market in Hong Kong is a result of our competitive strengths which are set out below:

Favourable business profile governed by the well-established Scheme of Control entered into with the Hong Kong Government

Our operations are subject to the Scheme of Control entered into with the Hong Kong Government, which provides for a 9.99% Permitted Return on the total value of our Average Net Fixed Assets for each financial year, other than those attributable to our Average Renewables Net Fixed Assets for that year for

which the Permitted Return is 11% on the total value of our Average Renewables Net Fixed Assets for that year. Our Net Fixed Assets have increased from approximately HK$46.6 billion in FY2008 to approximately HK$49.3 billion in FY2012, which represented a compound annual growth rate of approximately 1.5% over this period.

The Scheme of Control has an established track record of stability and transparency since its initial implementation in relation to HEC, which was first entered into in 1980 for a term of 15 years beginning on 1 January 1979 and has since been renewed on two occasions, and is widely regarded as a regulatory framework that is able to deliver to efficient operators a favourable business risk profile, comparable to that of regulated electric utilities in other markets such as the United Kingdom and Australia. The Scheme of Control provides for financial incentives designed to promote prudent and efficient investment by us to ensure reliable electricity supply to our customers.

Vertically integrated operations with captive customer base

We are a vertically integrated operator which generates, transmits, distributes and supplies electricity to approximately 568,000 registered customers on Hong Kong Island and Lamma Island as at 30 September 2013, where stable demand is underpinned predominantly by commercial and residential customers. Our unique market position is difficult to replicate due to an established customer base within a developed market, the lack of indigenous fuel supply, the scarcity of suitable land in Hong Kong to support the establishment of a new power utility company, the difficulties in building new transmission and distribution networks in a highly urbanised and congested city with existing underground utilities, as well as the significant upfront investment that would be required to build a competitive and efficient customer service infrastructure to participate in retail competition.

Well-established local brand and long-term relationship with customers

Established in 1889, we are Hong Kong's oldest power company and one of the longest established utility companies in the world. We are also one of most well-established and highly regarded brand names in Hong Kong. In June 2013, our service to small and medium enterprises resulted in us being named the *"Best SME's Partner"* for 2013 by the Hong Kong General Chamber of Small and Medium Business. We are committed to excellent customer services and we aim to exceed our customers' expectations and achieve total customer satisfaction by continually improving our services. Our ongoing commitment has led to us being named *"Public Service of the Year (Public Utility)"* for three consecutive years in 2010, 2011 and 2012 by the Asia Pacific Customer Service Consortium.

Established supply reliability and operational excellence

We consider it imperative to maintain high efficiency while complying with all regulatory requirements. Our facilities and systems are operated to the highest international standards, with our Electricity Supply Reliability Rating maintained at above 99.999% in each year since 1997. We consider the reliability rating of electricity supply as one of our self-pledged customer service standards which we have consistently achieved. We also take pride in the continued supply of uninterrupted power to our customers despite the vulnerability of our service area to adverse weather conditions such as typhoons due to the geographic proximity of Hong Kong to the South China Sea. According to "The Global Competitiveness Report 2013-2014" dated 3 September 2013, which was published by the World Economic Forum, Hong Kong's quality of electricity supply (which the report defines as the lack of interruptions and lack of voltage fluctuations) was ranked first among 148 countries.

We emphasise prevention and prudence in our approach to network design, repair and maintenance, upgrades and monitoring, which we believe contributes to our reliable performance. Our electricity generation, transmission, distribution and supply systems have been progressively computerised since the late 1970s with the continuous upgrading and introduction of advanced technologies. We monitor our network around the clock, and utilise early detection and advanced diagnostic techniques to help prevent problems from occurring. We also take steps to ensure reliable and quality fuel supply through close monitoring of our supply chain and diversification of our fuel procurement.

Competitive tariff levels to other developed markets

Our overall tariff levels are competitive to other developed markets regionally and internationally such as Singapore, Tokyo, Sydney and Berlin. For further details, see *"Industry Overview — The Electricity Market in Hong Kong — Tariffs"*. We also apply a progressive tariff system to both domestic and commercial customers to allow low consumption households and small and medium enterprises to enjoy lower tariffs and to encourage efficient use of energy. Our consistent business priority, which focuses on supply reliability, operational performance and cost control, ensures that tariffs in our service area remain at affordable and competitive levels.

Strong and experienced management team

Each member of our senior management team has extensive experience in his or her area of expertise, such as electricity supply, investment and finance, human resources management and communications. Our General Managers in charge of our electricity supply operations are all experienced engineering professionals, who are highly knowledgeable in energy infrastructure development and construction, power assets operation and maintenance as well as project development and management. Throughout the years, we have provided extensive training to our employees and strive to retain talent within the firm from which we nurture our future leaders. Our General Manager (Generation), General Manager (Transmission & Distribution), General Manager (Projects), General Manager (Group Commercial) and General Manager (Corporate Development) have all served with us for more than 30 years. Many of our senior managers also have extensive experience working overseas through secondments to other power businesses of PAH. Our Chief Executive Officer, Mr. WAN Chi Tin, has worked for HEC and the PAH group of companies since 1978, holding various positions including chief executive officer of Powercor Australia Limited and CitiPower Pty, which are overseas power businesses that PAH has invested in.

Track record of prudent financial performance

During the Track Record Period, we have maintained a strong financial position with stable earnings and cashflow from our operations. Our net cash flow from operating activities was approximately HK$6,616.3 million, HK$6,437.8 million, HK$6,689.7 million and HK$5,934.6 million for FY2010, FY2011, FY2012 and 9M2013, respectively, whereas our profit after taxation was approximately HK$4,678.7 million, HK$4,434.5 million, HK$4,471.1 million and HK$3,328.7 million during the same periods, respectively.

BUSINESS STRATEGIES

We aim to continue our excellence in supply reliability, provision of world-class customer service, dedication to greener energy and constructive and on-going dialogue with our stakeholders to deliver a sustainable and optimal performance for the Holders of Share Stapled Units, our customers and the environment.

Maintain world-class supply reliability

Our service areas are Hong Kong Island and Lamma Island. Maintaining the highest level of supply reliability is critical to Hong Kong's economic and commercial prosperity. We aim to maintain operational excellence at all times through further network expansion, enhancement and improvement, as well as implementation of more advanced and intelligent systems.

We carry out continuous asset enhancement work to upgrade our system. In addition to burying most of our transmission and distribution lines directly underground, six dedicated cable tunnels have been built to accommodate some of the 275 kV cable circuits. This not only ensures that our system is less affected by external events such as extreme weather conditions but also allows us flexibility to expand our capacity in the future.

Our system control centre has adopted advanced energy and distribution management systems with smart grid features to ensure safe, reliable and efficient operations across our entire transmission and distribution networks. We have upgraded our system through the deployment of intelligent programmes to enhance the work efficiency of the system control centre and increased automation of our control process. A roadmap was developed in 2012 to prepare our computer system for future developments such as low carbon fuel mix and the increasing use of smart devices.

Provide outstanding customer service

Excellent customer service is core to our business philosophy. We are able to achieve enhanced customer satisfaction as a result of continuous efforts to introduce innovative and value-added services. We have dedicated ourselves to a rigorous set of 18 customer service standards. We value customer opinions and feedback and conduct regular meetings with our customer liaison group and routine customer satisfaction surveys.

We require all of our customer-facing staff to receive training on customer service skills to reinforce our service-oriented culture. We also continue to tailor our services to key customer groups, including offering one-stop support to small and medium enterprises, providing free energy audits to business customers to encourage smart use of electricity and supporting energy efficiency and conservation campaigns for our customers.

Continue focusing on greener energy

We were one of the first utility companies to introduce green energy to Hong Kong with the installation of Lamma Winds which was Hong Kong's first commercial-scale wind turbine station. To this end, we have been expanding our investment in solar and wind energy sources as well as striving to achieve a cleaner fuel mix.

Our strategic 2014-2018 Development Plan, which covers the period from 1 January 2014 to 31 December 2018, envisions further expansion of our generation capacity to low-emission energy. We currently maintain approximately 30% of our electricity output from natural gas and approximately 70% of our electricity output from coal.

In addition, we have further continued our efforts to reduce emissions and our carbon footprint through the use of clean technology and cleaner fuel, improvements and upgrades within our generation process, and better energy management of our operations. All our coal-fired units are now using ultra low sulphur diesel oil as start-up fuel instead of heavy fuel oil to cope with the Hong Kong Government's policy of cutting sulphur dioxide emissions. Furthermore, we have installed flue gas desulphurisation plants at six coal-fired units and low nitrogen oxide burners at five coal-fired units to reduce our emissions during power generation.

We have undertaken green initiatives in our business, such as the adoption of the "4R" (Reduce, Reuse, Recycle and Recover) philosophy in our operations. Furthermore, we have been stepping up efforts towards achieving energy efficiency and promoting clean energy through various public engagements, school project sponsorships and the provision of related energy efficiency/audit services. We are also a supporter of the Hong Kong Government's promotion of electric vehicles to improve roadside air quality. We have built seven electric vehicle standard charging stations and four quick charging stations in car parks across Hong Kong Island, which are free for use by the public until the end of 2014. Moreover, we are using electric vehicles as part of our corporate fleet to help reduce roadside emissions.

Engagement with the community and stakeholders

We actively engage in discussions with our various stakeholders including employees, customers, shareholders, business partners, non-governmental organisations, local communities, the government and opinion leaders. We have an on-going schedule of formal and informal engagements with each of these groups and take their suggestions into consideration during our various business decision making processes.

We are an integral part of the Hong Kong community, and attach importance to our social responsibility. A corporate social responsibility committee, consisting of members of our senior management, spearheads our wide variety of corporate social responsibility strategies and campaigns.

Strive for prudent financial and operational management and deliver sustainable returns to the Holders of Share Stapled Units

We strive for prudent financial and operational management in all aspects of our business to ensure that we are able to deliver sustainable returns to the Holders of Share Stapled Units.

We intend to maintain a strong balance sheet and an appropriate gearing ratio. We may use a combination of bank loans, bonds and other types of debt and equity instruments to fund future acquisitions and asset enhancements. We will consider diversifying our sources and tenors of financing in the future to minimise our financing costs and concentration risks. We will seek to manage the risk of potential interest rate and foreign exchange volatility through the use of fixed-rate borrowings, swaps and other hedging instruments.

We rigorously manage operating costs amidst rising international fuel prices and inflation. We aim to adopt and maintain an optimal capital structure, leverage our business profile to access cost effective funding and maintain sufficient flexibility for us to implement prudent capital expenditure programmes while continuously returning cash to the Holders of Share Stapled Units.

SELECTED OPERATING STATISTICS

Set out below are our selected operating statistics during the Track Record Period:

	FY2010	FY2011	FY2012	9M2013
Installed capacity (MW)				
Gas turbines and standby units	555	555	555	555
Coal-fired units	2,500	2,500	2,500	2,500
Gas-fired combined cycle unit	680	680	680	680
Wind turbine and photovoltaic system[1]	1	1	2	2
Total (MW)	**3,736**	**3,736**	**3,737**	**3,737**

	As at 31 December			As at 30 September
	2010	2011	2012	2013
Number of switching stations[2]	25	25	25	24
Number of zone substations[2]	27	27	27	27
Number of distribution substations[3]	3,710	3,741	3,755	3,770

	FY2010	FY2011	FY2012
System maximum demand[4] (MW)	2,510	2,498	2,494
Annual increase/(decrease) (%)	(1.1)	(0.5)	(0.2)
Annual load factor[5] (%)	55.8	55.9	56.6
Thermal efficiency[6] (%)	36.2	36.2	36.0
Plant availability[7] (%)	85.6	84.4	84.6
Capital expenditure[8] (HK$ million)	2,427	2,887	2,613

Notes:

(1) The 800 kW wind turbine was installed in September 2005. The 550 kW TFPV system was installed in July 2010 and its expansion to approximately 1 MW was completed in March 2013.

(2) Save for the Rumsey Street 132/11 kV zone substation, which is located within government premises, we are the registered owner of the properties on which our switching stations and zone substations are located.

(3) We are the registered owner of the properties on which 16 of our distribution substations are located. The interests in the properties on which the rest of our distribution substations are located are owned by third parties.

(4) "System maximum demand" refers to the highest electricity demand of our customers as a whole.

(5) "Annual load factor" refers to the ratio of average electricity demand to the system maximum demand.

(6) "Thermal efficiency" refers to the ratio of the electricity generated from a power plant to the fuel input.

(7) "Plant availability" refers to the percentage of time that a power plant is able to produce electricity by taking into account the outage hours of the generating units that are completely out of service.

(8) "Capital expenditure" refers to expenditure incurred for the acquisition and/or upgrading of our fixed assets, which generate future economic benefits to us.

OUR OPERATIONS

Our operations comprise the generation, transmission, distribution and supply of electricity to Hong Kong Island and Lamma Island.

A. Generation of Electricity

1. Lamma Power Station



Lamma Power Station

Overview

Since January 1990, Lamma Power Station has been our sole power generation facility and is located on an approximately 85.8-hectare site at Po Lo Tsui on Lamma Island. The lease of the site of the Lamma Power Station was granted to us by the Hong Kong Government in December 1978 for a term ending on 30 June 2047.

As at 30 September 2013, the Lamma Power Station had an aggregate installed capacity of approximately 3,737 MW, which comprised the following generating units:

(i) eight coal-fired units (comprising three 250 MW units (L1, L2 and L3) and five 350 MW units (L4, L5, L6, L7 and L8)), which have an aggregate installed capacity of 2,500 MW;

(ii) five oil-fired gas turbine units (comprising one 55 MW unit (GT1A and GT1B (twin)) and four 125 MW units (GT2, GT3, GT4 and GT6)), which have an aggregate installed capacity of 555 MW;

(iii) two gas-fired combined cycle units (comprising one 335 MW unit (L9) and one 345 MW unit (GT57)), which have an aggregate installed capacity of 680 MW;

(iv) one wind turbine unit at Lamma Winds, which has an aggregate installed capacity of 800 kW; and

(v) a cluster of thin film photovoltaic (or TFPV) systems (i.e., our solar power system), which, after completion of the recent expansion of our TFPV systems in March 2013, have an aggregate installed capacity of approximately 1 MW.

The eight coal-fired units have been generating approximately 70% of the electricity from the Lamma Power Station each year since 2010. The two gas-fired combined cycle units have been used as our base-load machines (i.e., the generating units are running continuously except in the event of maintenance) for the Lamma Power Station since October 2006 and January 2010, respectively. The five oil-fired gas turbine units are presently used for "peak lopping", which is a process by which generation is used for short periods of time to meet necessary demands for peaks in load as well as serving as a back-up for emergency operations in the event any of our other generators fail.

Construction and Development of the Lamma Power Station

Construction of the Lamma Power Station commenced in 1978 and was developed in three stages:

(i) **Stage One (1978 - 1983)**

Stage one comprised the construction of three 250 MW coal-fired units together with common station facilities and auxiliary plants (including water/oil/coal/ash handling and storage plants, coal jetty and coal yard). It was completed in December 1983.

(ii) **Stage Two (1983 - 1993)**

Stage two comprised the construction of three 350 MW coal-fired units with semi-outdoor-type coal-fired boilers, one 55 MW and six 125 MW oil-fired open cycle gas turbine units. It was completed in September 1993.

(iii) **Stage Three (1988 - 2001)**

Stage three comprised the construction of an ash lagoon, extension of the coal jetty and two 350 MW coal-fired units, which were completed in August 2001.

In March 2002, to meet the increasing demand for electricity, two of the 125 MW oil-fired open cycle gas turbine units (which were completed during stage two of the development of the Lamma Power Station) were converted into a combined-cycle block with the addition of two heat recovery steam generators and one steam turbine, which created an aggregate electricity generation capacity of 345 MW. The oil-fired gas turbines of the combined-cycle block were further converted in February 2008 to use natural gas as the primary fuel to generate electricity.

Lamma Extension

In the mid-1990s, we identified the need to build an extension to the Lamma Power Station to meet the expected growth in the demand for electricity in Hong Kong. The Lamma Extension was developed on a 22-hectare reclaimed land adjoining the Lamma Power Station, which is linked by two short bridges. With the aim of improving the environment of Hong Kong in the long term, in particular minimising the emissions resulting from electricity generation, the Lamma Extension was designed to accommodate six gas-fired combined cycle units with a total installed capacity of 1,800 MW. The first 335 MW gas-fired combined cycle unit and associated gas receiving station at the Lamma Extension were commissioned and commenced commercial operations in October 2006.

2. Electricity Generation from Coal-Fired, Gas-Fired and Oil-Fired Generating Units

Coal-Fired Generating Units

Our eight coal-fired generating units are designed for 100% coal firing but are also able to use oil firing for lower output as backup fuel. However, for economic reasons, all eight coal-fired units burn 100% coal under normal operating conditions, with oil firing mainly used for start-up, shutdown or flame stabilisation at low loads.

Coal first enters our coal-fired generating units through the coal bunker, coal feeder, pulverising mill and finally the boiler. Inside the boiler, the burning pulverised fuel generates heat which turns water into steam. The steam moving under high pressure hits the turbine blades to turn the shaft of a three-pressure stage steam turbine. The turbine is connected to the generator which produces electricity. In 2010 and each year thereafter, approximately 70% of the electricity from the Lamma Power Station was generated by the eight coal-fired generating units.

Gas-Fired Generating Units

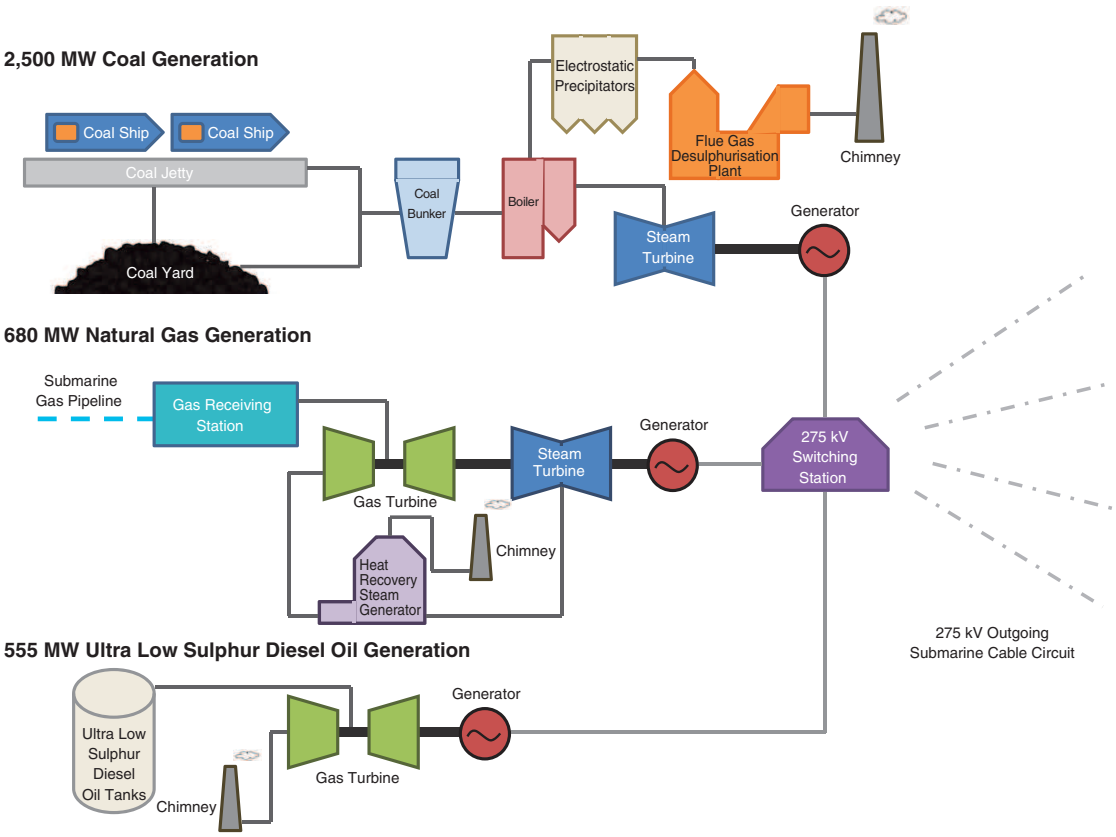
We introduced the use of natural gas as fuel to generate electricity at the Lamma Power Station with our first 335 MW gas-fired combined-cycle unit, which started commercial operations in October 2006. Natural gas-fired electricity generation is environmentally friendly as it emits almost no sulphur dioxide and dust particulates, while nitrogen oxide and carbon dioxide emission are greatly reduced compared to coal-fired generating units. Our 335 MW gas-fired combined-cycle unit is the most efficient generating unit among all the existing generating units at the Lamma Power Station. Our second gas-fired combined-cycled unit, which was converted to use natural gas as the primary fuel in February 2008, has a lower thermal efficiency compared to current modern technology but is still more efficient and outperforms our coal-fired generating units in terms of emissions.

Combustion of the natural gas generates power in the gas turbine. A heat recovery steam generator utilises the waste heat from the flue gas of the gas turbine exhaust to produce steam that drives a steam turbine, which increases the electricity generation capacity and boosts the overall thermal efficiency of the unit. In 2010 and each year thereafter, approximately 30% of the electricity from the Lamma Power Station was generated by the two gas-fired combined cycle units.

Oil-Fired Generating Units

Ultra low sulphur diesel oil is utilised by our five open cycle oil-fired gas turbine units to generate electricity. Oil is burned in the gas turbine combustion chambers to produce mechanical energy that in turn drives the generator to produce electricity. Even though the open cycle oil-fired gas turbine units have relatively lower thermal efficiency and are significantly more costly to run, their quick starting characteristics and capacity flexibility are instrumental in load peak lopping and responding to contingencies.

A simplified diagram illustrating our electricity generation process at the Lamma Power Station is set out below:



3. Renewable Energy Generation

As part of our renewable energy programme, we also generate electricity from wind and solar energy sources. Since 2010, over 1.0 million kWh of renewable electricity was generated and transferred to our distribution network each year. With the completion of the extension of the solar energy system in Lamma Power Station in March 2013, our annual renewable electricity generation capacity has been increased to approximately 2.0 million kWh.

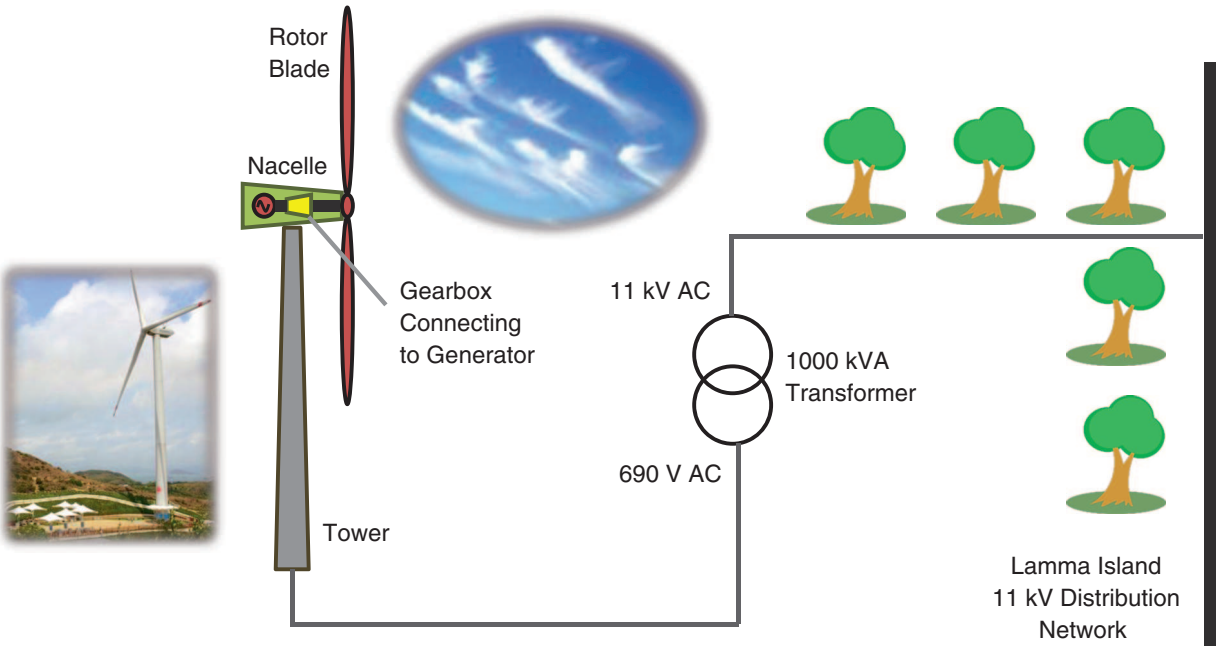
Wind Power Generation at Lamma Winds



Lamma Winds

Lamma Winds is Hong Kong's first commercial-scale wind turbine station located at Tai Ling on the northern part of Lamma Island. Commissioning and testing of the wind turbine first took place in September 2005 and October 2005, respectively, and full commercial operations commenced in February 2006.

A simplified diagram illustrating the electricity generation process of Lamma Winds is set out below:



Lamma Winds — 800 kW Wind Turbine

The Lamma Winds turbine has a rated power of 800 kW and is designed for a service life of 20 years. The wind turbine uses the profile of the rotor blades to transform the lift forces generated by wind into a rotating motion. The rotor blade shaft drives the generator via a gearbox to produce electricity. The electricity generated is transmitted to the nearby 11 kV power grid via a power cable. Lamma Winds is operated and monitored remotely by the central control rooms at the Lamma Power Station.

From its commencement of commercial operations in February 2006 until 30 September 2013, Lamma Winds has produced approximately 6.9 million kWh of electricity, which has saved approximately 2,500 MT of coal from being used and avoided carbon dioxide emissions of approximately 5,800 MT during the same period.

Subject to the determination of the fuel mix policy for electricity generation in Hong Kong by the Hong Kong Government, which is currently under review, we intend to further expand our wind power generation capacity by developing an offshore wind farm in the Southwest Lamma Channel. For details, see *"— Future Expansions — Expansion of Wind Power Generation"* below.

Solar Power Generation

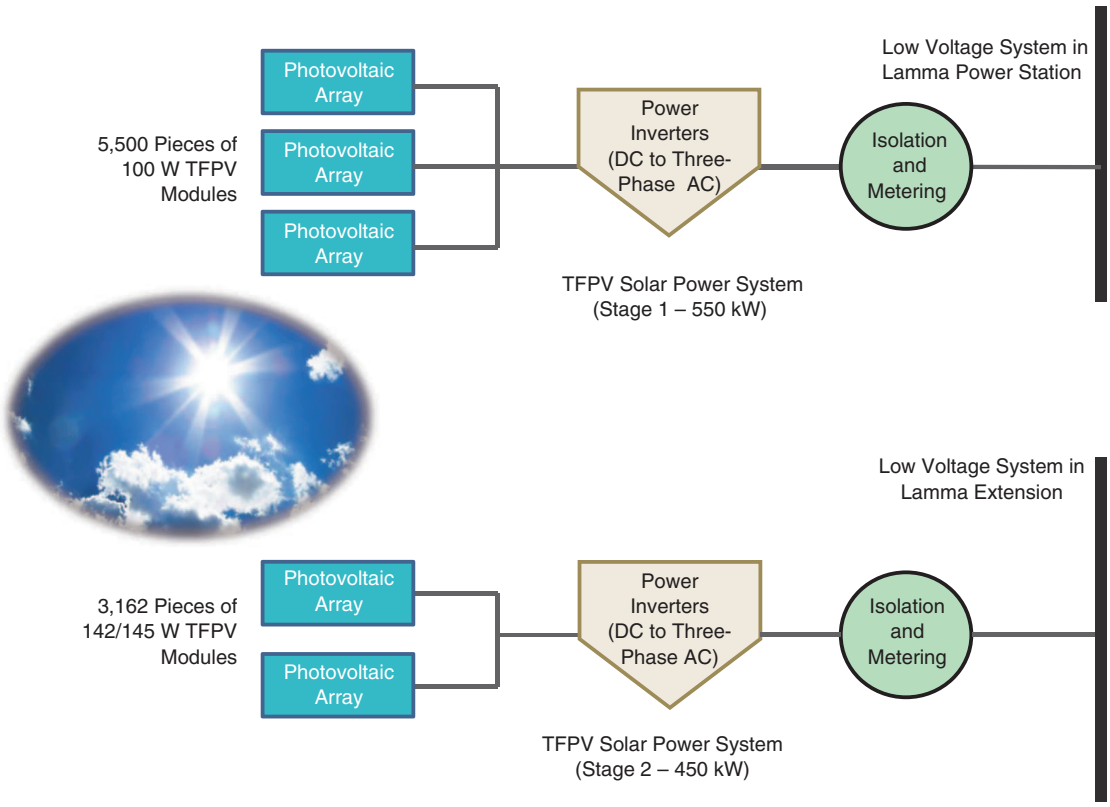


TFPV modules at the Lamma Extension

In July 2010, we completed the installation of a 550 kW commercial-scale solar power system, which is the largest of its kind in Hong Kong and also the first large scale project applying amorphous silicon TFPV panels in Hong Kong. In May 2012, the generating capacity of our solar power system was increased to 934 kW. In March 2013, we completed a further expansion of the solar power system to increase its generating capacity to approximately 1 MW. It is expected that the expanded solar power system will generate over 1.1 million kWh of electricity annually, which is equivalent to reducing 915 tonnes of carbon dioxide emissions or planting approximately 39,000 trees based on the carbon audit guidelines issued by the EPD and EMSD in 2010.

A simplified diagram illustrating the electricity generation process of our TFPV solar power system at the Lamma Power Station is set out below:

TFPV Solar Power System in Lamma Power Station
Total Installed Capacity – 1 MW



The solar power system now comprises 8,662 amorphous silicon TFPV modules situated on rooftops and open areas at various locations at the Lamma Power Station, covering an area of approximately 13,000 sq. m. The power generated from these solar panels is fed directly to our 380/220 V low voltage system via inverters, distribution boards and power cables.

From its initial commissioning in July 2010 to 30 September 2013, our solar power system generated approximately 2.8 million kWh of electricity, which is equivalent to reducing approximately 2,310 MT of carbon dioxide emissions or planting approximately 101,000 trees based on the carbon audit guidelines issued by the EPD and EMSD in 2010.

4. Reliability and Monitoring of Electricity Generation

Reliability

To ensure the reliability of our electricity supply, we have sufficient reserve capacity in our generating units to serve as a backup in the event of failure of any of our generating units. To maximise the overall thermal efficiency of the Lamma Power Station, we normally operate our 335 MW gas-fired combined cycle unit to its maximum capacity given it is our most efficient unit at Lamma Power Station. This operation mode also enables us to meet our contractual obligation for natural gas off-take and statutory emission caps. We are required by our specified process licence, which is issued by the EPD pursuant to the Air Pollution Control Ordinance and the Air Pollution Control (Specified Process)

Regulations (details of which are set out in *"Scheme of Control and Regulatory Overview — Environmental Regulations — The Laws and Regulations Relating to Air Quality Control"*) for the operation of the Lamma Power Station and is renewable every two years, to prioritise the running of our generating units according to their environmental performances. Our specified process licence also stipulates a set of air emission limits for certain air pollutants from different emission sources during operation as well as the requisite monitoring, reporting and compliance requirements. In the event one of our two gas-fired combined cycle units experiences any failure, our coal-fired units or quick start open cycle gas turbine units are able to make up for any loss in electricity generation.

Furthermore, we have a publicly available specification ("**PAS**") 55 asset management system for our apparatus and an ISO 9001 quality management system for our core business processes, each of which allows us to maintain a high level of reliability in our electricity supply and enables system audit by external auditors on an asset-by-asset basis. The PAS 55 is a specification for the optimised management of physical assets, which was published by the British Standards Institution together with the Institute of Asset Management, and is the first internationally recognised specification for asset management. The ISO 9001 is one of the standards within the range of ISO 9000 international standards that provide guidance to organisations on quality management systems. For further details regarding ISO 9000, see *"— Supply of Electricity"* below.

During the Track Record Period, we did not experience any power outages which had a material adverse effect on our business and operations.

Monitoring

The two central control rooms at the Lamma Power Station, which monitor the operation of all of our electricity generating units, are the operational "nerve centres" of the Lamma Power Station. Our computerised systems are installed for automated information display and system control. We also have a specially designed on-line monitoring device which monitors the composition, flow, pressure and temperature of the natural gas delivered through our submarine pipeline from Guangdong LNG Terminal to our gas receiving station at the Lamma Power Station. Gas facilities will be shut down automatically to ensure safety if any gas leakage is detected. Our central control rooms monitor, control and operate the systems 24 hours a day, all year round, and work in conjunction with our systems control centre at Ap Lei Chau to ensure that a safe and reliable power supply is delivered to our customers.

In addition, our generation, transmission and distribution management system is controlled and managed by our system control centre at Ap Lei Chau. Our system control centre operates 24 hours a day all year round to ensure that electricity is delivered to our customers safely, efficiently and reliably and also helps to co-ordinate equipment outages and to handle power system emergencies.

Our system control centre has two major functions:

(i) "**generation and transmission control**", which monitors and controls the generation and transmission network, including the three 132 kV submarine cable circuits interconnected with CLP Power through the energy management system ("**EMS**"); and

(ii) "**distribution control**", which monitors and controls the distribution network via the distribution management system ("**DMS**").

The EMS and DMS employ the Siemens EMPOWER Spectrum systems, which were commissioned in July 1999 with the hardware subsequently upgraded in November 2008. Both the EMS and DMS are built with full redundancy for all hardware to ensure that no function is lost due a single component failure and increase reliability. In addition to the normal supervisory control and data acquisition functions, the EMS and DMS also feature automatic control functions and advanced functions to provide our engineers with real time analytical reports on the status of the power system. The automated routine control also improves our operational efficiency and enables our engineers to locate and isolate faulty apparatus in the distribution network within a short period of time, greatly reducing the time of electricity supply outage.

B. Transmission and Distribution of Electricity

1. Overview

Our electricity networks can be divided into two major types of network:

(i) "**transmission network**", which consists of 275 kV and 132 kV switching stations and transmission lines, is designed to transfer bulk electricity from the Lamma Power Station to zone substations located near load centres; and

(ii) "**distribution network**", which consists of 22 kV, 11 kV and 380/220 V distribution substations and circuits, distributes electricity from our zone substations and distribution substations to our customers.

We transmit the electricity that we produce at the Lamma Power Station through ten submarine 275 kV 550 MVA cable circuits to various switching stations on Hong Kong Island. From these 275 kV switching stations, electricity is stepped down through 11 units of 365 MVA and two units of 300 MVA supergrid transformers to 132 kV for secondary transmission. From 275 kV and 132 kV, the voltage is further stepped down to either 22 kV or 11 kV at our 27 zone substations for supply to our customers. For our general low voltage customers, the voltage is stepped down from 22 kV or 11 kV to 380/220 V at the distribution substations, which are mainly located inside our customers' buildings, for supply to our customers' switchboards. There are also some high voltage customers who accept our electricity supply directly at 11 kV. Our transmission and distribution networks also include dedicated traction substations, which supply 525 V direct current to trams, and infeed substations, which supply 33 kV to the mass transit railway network.

2. Transmission and Distribution Lines

As at 30 September 2013, our transmission and distribution networks consisted of the following circuits:

Type of Circuit	Approximate Length (in km)
275 kV cable (underground and submarine)	168.4
132 kV overhead line	25.4
132 kV cable (underground and submarine)	264.5
22 kV cable	472.1
11 kV cable	3,035.4
380/220 V cable	2,081.5

Over the last two decades, we have been gradually retiring the use of our existing 132 kV overhead lines, which were constructed in the 1960s, to improve our system reliability and to eliminate their visual impact. It is our long-term strategy to phase out the remaining overhead lines. Since our transmission and distribution networks are almost entirely underground, this enhances the reliability of our electricity supply even under adverse weather conditions, such as typhoons.

In addition to burying our transmission lines directly underground, we have also built six dedicated cable tunnels to house our transmission lines. We were the first power company in Hong Kong to build cable tunnels in our transmission network. In addition to reducing the risk of cable damage under adverse weather or other contingency conditions, which enhances the reliability of our electricity supply, the use of underground cables and cable tunnels also eliminate obstruction to land development, thereby helping to preserve the environment. Furthermore, given that the cable routes in our cable tunnels are more direct, the cable lengths of our transmission lines are shorter, which results in greater cost effectiveness, and reduces the risk of third party damage to our transmission lines under public roads. Despite the relatively higher initial construction costs for cable tunnels, cable tunnels make provision for the installation of future circuits. In addition, the benefit of our cable tunnels has been proven in recent years as we have been able to install new 22 kV and 275 kV cable circuits in the two cable tunnels, which were completed in 1988 and 1993, respectively, with minimal disruption to public traffic, much lower trench excavation cost and shorter cable route lengths. It is our long-term strategy to install progressively additional transmission and distribution cables through our cable tunnels to improve the robustness of our transmission and distribution networks and thereby our supply reliability.



Wah Fu-Bowen Cable Tunnel, the first cable tunnel in Hong Kong

3. Monitoring

Our transmission and distribution networks, which comprised 24 switching stations, 27 zone substations and 3,770 distribution substations as at 30 September 2013, are monitored and controlled from our system control centre at Ap Lei Chau 24 hours a day. Our system control centre balances generation and loads in real time and ensures reliable operations of our generation, transmission and distribution systems. All our substations are equipped with remote control and monitoring facilities so that

the operation of switchgear and auxiliary equipment can be activated remotely from our system control centre. The condition of our substations is also continuously monitored from our system control centre. In the event of any failure of our transmission or distribution lines, restoration of electricity supply is achieved remotely from the system control centre and is normally carried out within a few minutes of a supply interruption. If electricity supply is unable to be remotely restored at our system control centre, emergency repair teams are despatched to the scene from our operations department, which is operated 24 hours a day, to respond to our customers' calls on power interruptions. On average, our response time in urban areas is less than 28 minutes.

4. Improvements and Protection to Transmission and Distribution Networks

We conduct regular network reliability and operational reviews to further enhance the supply reliability of our transmission and distribution networks. As highlighted in *"— Our Operations — Generation of Electricity — Reliability and Monitoring of Electricity Generation"*, we have a PAS 55 asset management system to ensure that our assets are continuously enhanced to maintain our supply reliability. We deploy advanced diagnostic techniques to identify and replace weak components in our transmission and distribution networks, enabling us to avert potential cable faults that might adversely affect supply. Furthermore, all of our switching stations, zone substations and distribution substations are equipped with monitoring facilities and alarms as well as automated isolation mechanisms for faulty equipment to ensure that they are adequately protected.

The Electricity Supply Lines (Protection) Regulation (Chapter 406H of the Laws of Hong Kong) (the "**ESLP Regulation**"), further details of which are set out in *"Scheme of Control and Regulatory Overview"*, regulates certain works which are carried out in the vicinity of our underground electricity cables and overhead electricity lines with the aim of preventing electrical accidents and power interruption. The ESLP Regulation requires that, among other things, any person who carries out certain works in the vicinity of underground electricity cables or overhead electricity lines must take reasonable steps and measures to prevent the occurrence of an electrical accident or an interruption to the supply of electricity arising from those works.

C. Supply of Electricity

We have maintained an Electricity Supply Reliability Rating of above 99.999% in each year since 1997. We believe this Electricity Supply Reliability Rating is the result of the good design, prudent operation and effective maintenance of our generation, transmission and distribution systems carried out by our experienced and dedicated workforce ranging from our senior management to frontline employees.

In addition, our transmission networks are connected by three 132 kV cross-harbour interconnector submarine cable circuits to the transmission networks of CLP Power, which supplies electricity to Kowloon, the New Territories, Lantau, Cheung Chau and most outlying islands. The interconnection of our transmission network with that of CLP Power allows us and CLP Power to provide emergency support to each other in the event of generator failure or other system disturbance, thereby reducing the risk of loss of electricity supply to customers.

We were the first in the Hong Kong electricity supply industry to obtain ISO quality certification for our operations and services from the Hong Kong Quality Assurance Agency. We first applied for the ISO quality certification in 1995 and as at the Latest Practicable Date, we have obtained a total of nine ISO 9001 certificates for our three major divisions (transmission and distribution, generation and projects (construction)). The ISO 9001 is an international standard on quality system, which provides guidance to organisations who want to ensure that their products and services consistently meet customers' requirements and that quality is consistently improved. We believe that our ISO 9001 certification demonstrates our continuous commitment to quality services and aim to continue our pursuit for further improvement in quality management.

We have also obtained two Hong Kong Laboratory Accreditation Scheme ("**HOKLAS**") ISO 17025 certificates (chemical testing and environmental testing) for our chemistry laboratory at the Lamma Power Station and one HOKLAS certificate for our standards laboratory under our transmission and distribution division. The HOKLAS accreditation is an official recognition meeting international standards of the quality management system set up to assure competent testing and calibration and to upgrade the standard of testing and management of Hong Kong laboratories.

COMPETITION

There are currently only two suppliers of electricity in Hong Kong, being us and CLP Power. Although the relevant scheme of control agreements entered into by us and CLP Power separately with the Hong Kong Government do not define a licensed area for our operations or the operations of CLP Power, in practice, we are the only supplier of electricity to customers on Hong Kong Island and Lamma Island while CLP Power is the only supplier of electricity to customers in Kowloon, the New Territories, Lantau and other outlying islands.

There are a number of unique local factors which make it difficult to introduce competition to the Hong Kong electricity market. They include an established customer base within a developed market, the lack of indigenous fuel supply, the scarcity of suitable land in Hong Kong to support the establishment of a new power utility company, the difficulties in building new transmission and distribution networks in a highly urbanised and congested city with existing underground utilities, as well as the significant upfront investment that would be required to build a competitive and efficient customer service infrastructure to participate in retail competition.

Furthermore, under the terms of the Scheme of Control, the Hong Kong Government will take into account all relevant factors including the availability of new reliable and environmentally sound supply sources, safety, reliability and efficiency as well as compatibility with the environmental and economic needs of the community before it implements any changes to the electricity supply regulatory framework. The Scheme of Control also provides that in the period prior to 1 January 2016, the Hong Kong Government will discuss with us regarding the market readiness, potential future changes to the electricity supply regulatory framework and transition issues.

For further details regarding the electricity industry in Hong Kong, see *"Industry Overview"*.

CAPITAL EXPENDITURE IN THE 2014-2018 DEVELOPMENT PLAN

A capital expenditure plan setting out our future levels of capital expenditure has been set out in the 2014-2018 Development Plan, which was approved by the Executive Council on 10 December 2013. The 2014-2018 Development Plan provides for an estimated total investment of approximately HK$13.0 billion in new and existing capital projects over its five year term. Our approved capital expenditure under the 2014-2018 Development Plan includes investments in our power generation system (approximately HK$6.1 billion, inclusive of the estimated HK$3.0 billion in relation to the L10 Project), our transmission and distribution networks (approximately HK$5.3 billion) and our customer and corporate services development (approximately HK$1.6 billion). This estimated total capital expenditure of approximately HK$13.0 billion represents an increase of approximately 5.7% over the approved total capital expenditure of approximately HK$12.3 billion under the 2009-2013 Development Plan, and is expected to be funded by cash from our operating activities, bank loans and/or other debt markets fund raising activities. The estimated total capital expenditure as approved under the 2014-2018 Development Plan represents our continued commitment to provide a safe and reliable electricity supply to our customers.

FUTURE EXPANSION

Expansion of Wind Power Generation

To further expand our renewable energy generating capacity, we submitted a proposal to the Hong Kong Government for the development of an offshore wind farm in the Southwest Lamma Channel in February 2010. In May 2010, the Hong Kong Government approved the environmental impact assessment report for our proposed offshore wind farm and an environmental permit for the project was issued in June 2010.

Full year wind measurements for the proposed offshore wind farm were completed in February 2013 and a project feasibility study was submitted to the Hong Kong Government for approval in April 2013. Results from the wind measurements have indicated better-than-expected power generation capacity. Subject to the Hong Kong Government's approval, we plan to conduct a further study to investigate the soil conditions at the proposed site and to ascertain the seabed conditions to facilitate the conceptual design of the wind turbine foundation.

The proposed offshore wind farm is currently intended to be located at an approximately 600-hectare site featuring up to 33 wind turbines, each with a generation capacity of up to approximately 3.0 MW to 3.6 MW. It is expected that the offshore wind farm will have a total generating capacity of up to approximately 100 MW and an annual production of up to approximately 175 million kWh of electricity, which will represent approximately 1% to 2% of our annual electricity output, and is capable of meeting electricity demand of approximately 50,000 households on Hong Kong Island. The operation of the proposed offshore wind farm is expected to save approximately 62,000 tonnes of coal from being used and avoid approximately 150,000 tonnes of carbon dioxide emissions each year. The outcome of our proposed offshore wind farm is subject to the determination of the fuel mix policy for electricity generation in Hong Kong by the Hong Kong Government, which is currently under review.

Expansion of Gas-Fired Generation

Pursuant to our vision to further expand our generation capacity for low-emission energy and sustain and/or improve our supply reliability, we intend to increase our gas-fired generation. Gas-fired generation is more fuel-efficient and produces lower levels of emissions than coal-fired generation. The useful lives of the generating units have been established under the Scheme of Control after consulting

the original equipment manufacturer. Subject to the approval of the Hong Kong Government, we plan to retire at least three coal-fired units and one converted gas-fired combined cycle unit which will reach the end of their useful lives within the next five to ten years. The Hong Kong Government is currently reviewing the optimum arrangements and the need to continue operating any of these ageing units after the end of their useful lives before the Hong Kong Government determines the fuel mix policy for electricity generation in Hong Kong. The capacity of the Lamma Extension to accommodate additional gas-fired combined cycle units will provide us with the potential to increase our gas-fired generation progressively to reduce emissions and our carbon footprint in response to the Hong Kong Government's fuel mix policy, which is currently under review, and the requirements of the Air Pollution Control Ordinance. The planned retirement of the three coal-fired units and the one converted gas-fired combined cycle unit will not create any material adverse impact on the Permitted Return as the four units are approaching the end of their depreciation period along with their useful lives. In this regard, the respective values of the units are close to zero contribution in terms of the overall value of the Average Net Fixed Assets when calculating the Permitted Return.

Although the proposed expansion of our gas-fired generation capacity will not require an expansion of the current transmission capacity of our submarine pipeline from the Guangdong LNG Terminal to the Lamma Power Station, it would take approximately one year for the supply of additional natural gas to be arranged to meet the demand of our proposed expansion of our gas-fired generation capacity. In the past few years, we have been approached by various PRC and international gas suppliers soliciting our interest for new gas supply. Given that the Hong Kong Government is currently reviewing the fuel mix policy for electricity generation in Hong Kong, other than the gas supply contracts that we have in place with CNOOC Gas and Guangdong Dapeng, we are not in a position to negotiate with any gas suppliers on the firm requirements for our future gas supply pending the review and approval of the fuel mix policy for electricity generation in Hong Kong by the Hong Kong Government. For further details regarding our current gas supply contracts, see *"— Fuel Supply — Natural Gas"* below.

FUEL SUPPLY

A. Coal

The primary fuel for electricity generation at the Lamma Power Station is coal, which is sourced predominantly from Indonesia, Australia and Russia. Since 2010, approximately 70% of the electricity generated by us was produced from generating units burning coal. Our coal supplies are delivered directly by vessels from overseas ports to our two jetties located at the Lamma Power Station. These two jetties, which are designed to accommodate up to 100,000 DWT coal vessels, and a dedicated navigation channel facilitate the delivery of coal from overseas to the Lamma Power Station. Coal is unloaded from the coal vessels via a conveyer belt system and is either delivered to the boiler house for immediate consumption or delivered and stored in the coal yard (north and south side) of the Lamma Power Station.

We purchased approximately 2.7 million, 3.2 million, 3.2 million and 2.3 million MT of coal for FY2010, FY2011, FY2012 and 9M2013, respectively. We purchase coal through a competitive sourcing and evaluation process, which focuses on the coal prices, environmental health and safety performance and quality management of qualified coal suppliers, among which Tiger Energy Trading Pte. Ltd. ("**Tiger Energy Trading**"), a wholly-owned subsidiary of Sakari Resources Limited, and Banpu Public Company Limited ("**Banpu**"), a company listed on The Stock Exchange of Thailand, are our two major suppliers of coal. Both Tiger Energy Trading and Banpu are independent third parties of the Company. Tiger Energy

Trading is our largest supplier of coal during the Track Record Period, having supplied approximately 0.7 million, 1.0 million, 1.3 million and 0.9 million MT of coal, which represents approximately 26.9%, 32.2%, 39.3% and 37.3% of our aggregate coal purchased for FY2010, FY2011, FY2012 and 9M2013, respectively.

Our coal supply contracts with each of Tiger Energy Trading and Banpu generally range from approximately four months to three years and are for a fixed number of shipments of coal during the contract period. The duration of our coal supply contracts may be extended by mutual agreement between us and each of Tiger Energy Trading or Banpu. Each of our coal supply contracts sets out the tonnage and quality of coal to be supplied for each shipment. The price of our coal is based on the market price of the particular type of coal supplied to us and is subject to adjustment depending on the quality of the coal which we receive. We are generally required to pay for our coal by telegraphic transfer within 14 banking days from the day of receipt of the provisional invoice from our suppliers.

B. Natural Gas

We started using natural gas in our fuel mix from 2006 onwards. Since 2010, approximately 30% of the electricity generated per year by us was produced from generating units burning natural gas. The natural gas is supplied mainly from Australia and Qatar in liquefied form and re-gasified at the Guangdong LNG Terminal, which is operated by Guangdong Dapeng, a joint venture in which PAH owns 3% interest as at 30 September 2013. An approximately 92 km submarine pipeline, which is 20 inches in diameter and is designed to operate at a pressure of between 80 to 90 bars, is used to transport the re-gasified natural gas from the Guangdong LNG Terminal to the Lamma Power Station, where it is filtered, heated and pressure-adjusted at the gas receiving station before being delivered to our gas-fired combined cycle units for electricity generation. The submarine pipeline commenced commercial operations in September 2006 and is wholly-owned by us.

The natural gas that we use is purchased by PAH and is supplied under long-term take-or-pay Gas Supply Contracts with two suppliers, CNOOC Gas, a wholly-owned subsidiary of China National Offshore Oil Corporation, and Guangdong Dapeng, a joint venture in which CNOOC Gas also owns 33% interest as at 30 September 2013. Both CNOOC Gas and Guangdong Dapeng are independent third parties of the Company. CNOOC Gas and Guangdong Dapeng are our only suppliers of natural gas. CNOOC Gas supplied approximately 15.9 million, 15.4 million, 15.9 million and 11.5 million GJ of natural gas, which represents approximately 50.4%, 49.1%, 50.3% and 52.6% of our aggregate natural gas purchased for FY2010, FY2011, FY2012 and 9M2013, respectively, whereas Guangdong Dapeng supplied approximately 15.7 million, 16.0 million, 15.7 million and 10.4 million GJ of natural gas, which represents approximately 49.6%, 50.9%, 49.7% and 47.4% of our aggregate natural gas purchased for the same periods, respectively.

Take-or-pay provisions are standard in gas sales contracts and provide that PAH must pay for specified quantities of natural gas annually, even if we are unable to take up such quantities. The CNOOC Gas Supply Contract with CNOOC Gas is for a term of five years ending on 31 December 2014 (renewable for another five years) whereas the Dapeng Gas Supply Contract with Guangdong Dapeng is for a term of 25 years ending on 27 September 2031 (renewable for a period of up to 12 months to allow for any outstanding make up gas (that is the amount of natural gas to make up for the shortfall in the delivery of the prescribed quantity of natural gas for the relevant contract year) to be recovered from Guangdong Dapeng). Both CNOOC Gas and Guangdong Dapeng issue an invoice for the sale of natural gas on a bi-weekly basis and settlement is made by telegraphic transfer within ten working days after each two week invoice period.

With effect from 8 December 2013, the CNOOC Gas Supply Contract was novated by PAH to HEC pursuant to the novation deed entered into between PAH, HEC and CNOOC Gas dated 22 November 2013. As a result, the Group will purchase natural gas from CNOOC Gas directly pursuant to the CNOOC Gas Supply Contract. After the Listing, PAH will continue to purchase natural gas from Guangdong Dapeng pursuant to the Dapeng Gas Supply Contract and will meet and defray all costs and expenses payable under the Dapeng Gas Supply Contract. The natural gas purchased by PAH from Guangdong Dapeng pursuant to the Dapeng Gas Supply Contract will then be on-sold to HEC pursuant to the Gas On-sale Agreement, further details of which are set out in *"Connected Transactions — Non-exempt Continuing Connected Transactions — On-sale of Gas from PAH to HEC"*. It is the intention of PAH and us that, once the consent of Guangdong Dapeng is obtained and the novation deed between PAH, the Group and Guangdong Dapeng becomes effective, the Dapeng Gas Supply Contract will be novated by PAH to the Group.

C. Ultra Low Sulphur Diesel Oil

Ultra low sulphur diesel oil is shipped by barges to our jetties at the Lamma Power Station. Upon arrival, the ultra low sulphur diesel oil is pumped through the pipelines for storage at the oil tank farm at the Lamma Power Station. We purchased approximately 43,534, 13,331, 16,151 and 1,620 MT of ultra low sulphur diesel oil for FY2010, FY2011, FY2012 and 9M2013, respectively. We purchased ultra low sulphur diesel oil, through tender, from two suppliers, Shell Hong Kong Limited ("**Shell**") and Sinopec (Hong Kong) Petroleum Company Limited ("**Sinopec**"). Both Shell and Sinopec are independent third parties of the Company. Sinopec is our largest supplier of ultra low sulphur diesel oil during the Track Record Period, having supplied approximately 7,538, 13,331, 16,151 and 1,620 MT of ultra low sulphur diesel oil, which represents approximately 17.3%, 100.0%, 100.0% and 100.0% of our aggregate ultra low sulphur diesel oil purchased for FY2010, FY2011, FY2012 and 9M2013, respectively. Our oil supply contracts with each of Shell and Sinopec are for a period of two years, which upon expiry are subject to tender. We are generally required to pay for our ultra low sulphur diesel oil within 30 calendar days against certified invoices from our suppliers provided that the ultra low sulphur diesel oil meets our requirements.

We have on average approximately six weeks of fuel reserves (comprising coal, natural gas and ultra low sulphur diesel oil) in order to prepare ourselves for any potential short-term shortages in our fuel supply. There was no material disruption in our coal, natural gas and ultra low sulphur diesel oil supplies during the Track Record Period. The aggregate purchases from our five largest suppliers accounted approximately 85.3%, 81.9%, 85.0% and 84.9% of our aggregate purchases for FY2010, FY2011, FY2012 and 9M2013, respectively. Purchases from our largest supplier represented approximately 39.8%, 38.6%, 41.3% and 44.7% of our aggregate purchases during the same periods, respectively.

None of the Directors, their associates or any Holders of Share Stapled Units (which to the knowledge of the Directors own more than 5% of the Share Stapled Units) has any interest in any of our five largest suppliers during the Track Record Period.

REPAIR AND MAINTENANCE

Under the framework of PAS 55 for asset management, we follow a prudent and cost-effective system in carrying out our maintenance and repair work. We have adopted on-line plant condition monitoring and predictive maintenance to enhance the availability of our generation plants and transmission and distribution equipment for the reliable supply of electricity to our customers. In addition to factory training and direct participation in plant construction, we provide continual refreshment training to our operation and maintenance teams. In addition, we regularly arrange experience sharing and bilateral visits to other owners/users of plant/equipment to advance the technical knowledge and skills of our operation and maintenance teams. We carry out repair and maintenance work with in-house resources led by our own engineers and technicians with occasional support from supervisors of original equipment manufacturers. For cost effectiveness, minor jobs and supply of low skill labours are outsourced where appropriate. To ensure speedy restoration to service after repairs and reduce equipment down time, we maintain sufficient inventory of certain spare equipment and parts for our power station and network.

The aggregate costs of repairs and maintenance expenses of the Lamma Power Station were approximately HK$36.8 million, HK$45.0 million, HK$48.3 million and HK$24.0 million for FY2010, FY2011, FY2012 and 9M2013, respectively, which represent approximately 1.3%, 1.6%, 1.6% and 1.0% of our aggregate operating expenses during the same periods, respectively.

INFORMATION TECHNOLOGY

Our information technology team is responsible for developing and maintaining information technology systems to support our business operations. Our computer system covers the generation, transmission and distribution management system, which is controlled and managed by our system control centre at Ap Lei Chau. For details of our system control centre, see *"— Our Operations — Reliability and Monitoring of Electricity Generation — Monitoring"* above.

Cyber security of our information technology systems is important to us. We conduct a biennial review on the protection of our information technology system to ensure that they meet the requirements of international standards, in particular the standards prescribed by the North American Electric Reliability Corporation, which is the electric reliability organisation for North America.

CUSTOMERS

As at 30 September 2013, we had approximately 568,000 registered customers on Hong Kong Island and Lamma Island. For 9M2013, we sold an aggregate of 8,315 million kWh of electricity, with commercial, domestic and industrial customers accounting for approximately 6,125 million kWh, 1,944 million kWh and 246 million kWh, which represents approximately 73.7%, 23.4% and 2.9% of our aggregate electricity sold, respectively.

We charge three different tariff rates for our domestic, commercial and industrial customers:

(i) "**domestic tariff**", which applies to our domestic customers, is charged in unit blocks and is based on the consumption of units of electricity (in kWh) in a month;

(ii) "**commercial, industrial and miscellaneous tariff**", which applies to our commercial and industrial customers, is charged in unit blocks and is based on the consumption of units of electricity (in kWh) in a month; and

(iii) "**maximum demand tariff**", which is only applicable to our commercial and industrial customers, is charged according to demand charge and energy charge. The demand charge is based on the maximum demand in kVA, while the energy charge depends on the consumption of units of electricity (in kWh) in a month. Maximum demand tariff is beneficial to electrical installations with a high load factor, which applies to our customers who consume a high level of electricity over a long period of time with a steady load.

For each tariff rate, we charge our customers a minimum monthly charge. We offer a concessionary tariff scheme for our elderly, disabled, single-parent family and unemployed domestic customers whereby they are entitled to receive a 60% discount for the first 200 units of electricity consumed in a month plus exemption from the payment of a security deposit and minimum monthly charge for electricity. Furthermore, to encourage energy conservation, we offer a "super saver discount" of 5% on electricity bills to our domestic customers who do not use more than 100 units of electricity in a month.

The aggregate turnover attributable to our five largest customers was less than 30% of our aggregate turnover for FY2010, FY2011, FY2012 and 9M2013, respectively.

The following table sets out the units sold and the average net tariff of different categories of customer during the Track Record Period.

	FY2010	FY2011	FY2012	9M2013
		(Millions of kWh)		
Units sold				
Commercial	8,124	8,081	8,164	6,125
Domestic	2,472	2,482	2,541	1,944
Industrial	337	334	331	246
Total	**10,933**	**10,897**	**11,036**	**8,315**
Annual increase/(decrease) (%)	0.1	(0.3)	1.3	N/A

	FY2010	FY2011	FY2012	9M2013
		(Hong Kong cents per kWh)		
Average net tariff				
Basic tariff	94.5	93.0	93.9	94.6
Fuel clause charge	25.4	30.2	37.0	40.2
Rate Reduction Rebate[(1)]	(0.1)	(0.1)	—	—
Net tariff	**119.8**	**123.1**	**130.9**	**134.8**

Note:

(1) Rate reduction rebate is only applicable from January 2010 to May 2011.

We strive to provide quality service to our customers. Initiatives designed to help us to achieve this objective include the setting up of a customer liaison group in 1992 as a channel for the exchange of views between us and our customers, the provision of concessionary tariff schemes for the elderly and the under-privileged, the provision of bills and brochures in four common Braille languages, a text-based

homepage and audio guides for the visually-impaired, short message system enquiry service for the hearing-impaired and the publication of services pamphlets in various languages. Our customer emergency services centre at our system control centre at Ap Lei Chau provides a 24 hour enquiry service for our customers in the event of an emergency outage in our electricity supply.

In order to facilitate the settlement of customer bills, we offer a variety of payment methods, including autopay, payment by various electronic means, by mail and in person at our customer centre(s) or our pay-in centre in Central or any branches of the Hong Kong Post Office, 7-Eleven, Circle K or VanGo convenience stores or CRVanguard superstores/shops.

We recognise the importance of using internet technology to connect with our customers, and since October 1999, our customers have been able to review account information and opt for monthly electronic bills via the internet through our account-on-line service. In 2005, we relaunched our website and introduced "Electricity @ Home" and "Electricity @ Office" to enable our customers to conduct an energy survey to estimate their monthly and annual electricity consumption and the annual savings if energy efficient appliances are used. As at 30 September 2013, we have published a total of 18 service standards which cover core customer service activities and have obtained nine ISO 9001 certifications for customer related services and major business processes which reflect our dedication to providing quality service.

During the Track Record Period, we have won various customer relationship excellence awards, including the following:

- *"Public Service of the Year (Public Utility)"* award for 2010, 2011 and 2012, which was awarded by the Asia Pacific Customer Service Consortium;

- *"Contact Center of the Year (Under 50 Seats)"* award for 2010, which was awarded by the Asia Pacific Customer Service Consortium;

- *"Inbound Contact Centre of the Year (Under 50 Seats) — Silver"* award for 2010 and 2011 and *"Inbound Contact Centre of the Year (Under 50 Seats) — Gold"* award for 2012, which was awarded by the Hong Kong Call Centre Association;

- *"Service Retailers of the Year — Retail (Services) Category"* award for 2011, 2012 and 2013, which was awarded by the Hong Kong Retail Management Association;

- *"Best Practice Award in the Customer Experience Management Category"* for 2012, which was awarded by the Best Practice Management Group;

- *"Best SME's Partner"* award for 2011, 2012 and 2013, which was awarded by the Hong Kong General Chamber of Small and Medium Business; and

- *"Hong Kong Star Brands Award (Enterprise)"* for 2013, which was awarded by the Hong Kong Small and Medium Enterprises Association, Hong Kong Trade Development Council and Hong Kong Productivity Council.

MARKETING

During the Track Record Period, we conducted activities to encourage the public to switch to electric cooking, which has many benefits such as providing a quiet, clean and cooler cooking environment. Our home management centre provides cooking and special interest courses to students and the public to promote electric living as well as supporting various events such as the Marathon Cooking Contest and the "Little Master Chef" Cooking Contest, which allows students and the public to experience the benefits and enjoyment of electric cooking.

EMPLOYEES

We endeavour to encourage a community spirit within our employees that thrives on mutual respect and equal opportunities. In particular, we have an equal opportunities policy that ensures zero tolerance of any discrimination, harassment, vilification or victimisation in the workplace. We have a diverse workforce and all of our employees are hired according to qualifications, capabilities and areas of expertise.

We have a longstanding policy of seeking to maintain an efficient workforce while continually reviewing our manpower requirements and improving employee productivity. We base our human resources strategy and policy on five principles — **S**ynergy, **H**olistic Development, **I**deal Workplace, **N**urturing Future Leadership and **E**xcellence, so as to encourage every employee to "SHINE". We aspire to provide our employees with the ideal workplace and our sustained investment in employee relations is reflected in the years of service of our employees. As at 30 September 2013, our employees have an average tenure of 20 years with us.

We believe that honesty, integrity and fairplay are important assets in business. In order to ensure that all our employees act in the best interests of the Company at all times and that our reputation is not tarnished by dishonest acts or corrupt practices, we require all our employees to attend a mandatory "Code of Conduct" training as part of the orientation process. For those employees who work closely with our customers and suppliers, they would go through refresher training on a regular basis.

As at 30 September 2013, we had a total of 1,691 full-time employees, who are all based in Hong Kong. The table below sets out the breakdown of our full-time employees by category as at 30 September 2013:

Category	Number
Corporate Development	41
Generation	605
Group Commercial	84
Group Finance	11
Human Resources and Administration	38
Information Technology	124
Projects	128
Public Affairs	8
System Control	35
Transmission and Distribution	617
Total	**1,691**

As at the Latest Practicable Date, certain employees of the PAH Group, who were engaged in the support and operations of HEC, have been transferred, or are expected to be transferred as soon as practicable, to HEC. As at the Latest Practicable Date, 133 of such employees had their employment contracts transferred to HEC in accordance with Hong Kong employment laws.

We place importance on our collaborative approach to employee relations. Within HEC, we have established seven joint consultation panels that act as important platforms to impart our employees' views while also acting as a medium for us to convey our policies to employees. As at 30 September 2013, the joint consultation panels comprise 73 elected members from all levels of our workforce (excluding management staff) and meet regularly with our management. We also engage in dialogue with trade unions upon their request.

We enter into individual employment contracts with our employees to cover matters such as wages, employee benefits, confidentiality and grounds for termination. We set targets for our employees based on their position and department and periodically review their performance. The results of such reviews are used in their salary reviews, bonus awards and promotions appraisals. Our employee remuneration package typically comprises one or more of the following elements: basic salary, discretionary annual bonus, incentive payments payable upon the attainment of certain annual goals, contributions to the Mandatory Provident Fund or Occupational Retirement Scheme Ordinance plans and electricity allowances on Hong Kong Island and Lamma Island which are commensurate with the seniority and years of service of our employees. The relative weight of each of these elements in an employee's remuneration package will depend on his or her seniority and department.

Our aggregate employee costs were approximately HK$383.1 million, HK$388.9 million, HK$432.9 million and HK$374.3 million for FY2010, FY2011, FY2012 and 9M2013, respectively, which represent approximately 13.2%, 13.5%, 14.4% and 16.0% of our aggregate operating expenses during the same periods, respectively.

During the Track Record Period, we did not experience any strikes, work stoppages, labour disputes or actions which had a material adverse effect on our business and operations.

Training and Development

Training and development is an essential part of the working life of our employees regardless of seniority. One of our principles is to inculcate strategic thinking and management principles among our employees to encourage personal growth. For FY2012, each of our employees spent an average of approximately 40 hours in training relating to both professional and personal development while trainees received in total approximately 2,552 hours of training.

INSURANCE

We maintain insurance in respect of a number of risks and which are in line with what is normal in our industry. The levels of coverage are assessed relative to our assessment of the risk exposure.

As at the Latest Practicable Date, we had, among others, the following insurance coverage: (i) industrial all risks insurance (which covers physical loss and damage to infrastructure, plant and equipment associated with the generation, transmission and distribution of electricity and non-power generating assets such as data processing equipment), (ii) pollution insurance (which covers loss arising from contamination as a result of damaged submarine cables), (iii) third party liability insurance and

terrorism insurance and (iv) other insurance policies which are customary for our industry and/or required by law. Our insurance policies are purchased from a number of insurers through our insurance brokers, who help to determine which insurance packages provide the appropriate coverage and pricing for us.

There are, however, certain types of risks that are not covered fully or at all by these insurance policies, including, among other things, acts of war, natural disasters, civil commotion and asbestos related claims. The Group will, in the future, obtain additional insurance policies as and when required.

On 1 October 2012, a passenger catamaran collided with one of our passenger launches near Lamma Island. The collision resulted in loss of life and injuries. As at the Latest Practicable Date, claims have been made, and we expect further claims to be made, against us in respect of which we have insurance policies taken out for the passenger launch, our employees and other passengers. Other than the claims relating to this collision, there have been no major insurance claims made by us under such policies during the Track Record Period. The Directors do not expect these claims to have a material adverse effect on our financial condition as a whole. For further details regarding the collision incident, see *"— Legal and Regulatory Matters — Litigation, Claims and Arbitration"* below.

PROPERTIES

As at 30 September 2013, HEC was the registered owner of 67 properties, which are all located in either Hong Kong Island or Lamma Island. Our properties are primarily used for power generation or as substations or for office, residential or commercial purposes. As at 30 September 2013, the 67 properties, of which HEC was the registered owner, comprise the following:

(i) two properties on which the Lamma Power Station and the Lamma Extension were situated (but excluding the properties on which the Lamma Winds and the pulverised fuel ash lagoon of the Lamma Power Station were situated as they were leased or licensed from the Hong Kong Government);

(ii) 43 properties which were used as substations;

(iii) two properties which were used as a substation and as office premises, respectively;

(iv) five properties which were used as commercial premises;

(v) four properties which were used as residential premises; and

(vi) 11 properties which were used for other power related purposes.

One residential property and three commercial properties were transferred to the PAH Group on 21 October 2013 as they were no longer required for our Electricity Business. Currently, the permitted usage of most of HEC's properties are for electricity related purposes only.

The Directors confirm that, as at 30 September 2013, no single property interest which forms part of our non-property activities had a carrying amount (within the meaning of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the laws of Hong Kong) (the "**Exemption Notice**") and Chapter 5 of the Listing Rules) of 15% or more of our total assets.

In light of the above, pursuant to Section 6(2) of the Exemption Notice, this prospectus is exempted from compliance with the requirements of Section 342(1)(b) of the Companies Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance, which requires a valuation report to be prepared in respect of all interests in land or buildings. Pursuant to Chapter 5 of the Listing Rules, valuations of our properties are not required to be included in this prospectus.

As a power utility in Hong Kong, we are given permission under the Land (Miscellaneous Provisions) Ordinance (Chapter 28 of the Laws of Hong Kong), subject to the approval of the Hong Kong Government, for the purpose of laying our transmission lines and distribution lines in and over unleased land in Hong Kong. Other rights for our cable routes, including the associated structures such as tunnels and landing points, are granted either in the form of license, wayleave or short term tenancy with the Lands Department of the Hong Kong Government.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we had 14 trademarks and 23 domain names, which are registered in HEC's name and are or may be material to our business. The "Hongkong Electric & Device" and "Hongkong Electric" trademarks have been duly registered by HEC in Hong Kong. As at the Latest Practicable Date, one patent as set out in *"Appendix VII — Statutory and General Information — Further Information about the Business — Intellectual Property"* has been assigned to HEC by PAH pursuant to an assignment agreement on 31 October 2013. An application has been made with the Patents Registry in Hong Kong on 11 November 2013 for the registration of such assignment.

As at the Latest Practicable Date, we have not been engaged in litigation or legal proceedings relating to the violation of intellectual property rights. For further details of our intellectual property, see *"Appendix VII — Statutory and General Information — Further Information about the Business — Intellectual Property"*.

ENVIRONMENTAL MATTERS

As a major utility company in Hong Kong, we support the Hong Kong Government's proposal to reduce greenhouse gas emissions as set out in the Hong Kong Government's public consultation document, "Hong Kong's Climate Change Strategy and Action Agenda", which was published in September 2010 and recognise our responsibility to preserve the environment of Hong Kong. As at the Latest Practicable Date, we have obtained three ISO 14001 certificates and one ISO 50001 certificate (for the Administration Building at Lamma Power Station) from the Hong Kong Quality Assurance Agency. ISO 14001 is one of the standards within the range of ISO 14000 international standards that provide guidance to organisations on environmental management, which cover, among other things, the minimisation of business operations or processes that negatively affect the environment and the continuous improvement of environmental performance. ISO 50001, an international energy management standard, specifies the requirements for organisations to establish an energy management system to enhance their overall energy performance, including energy efficiency, use and consumption.

We are committed to supporting sustainable development, and one of the long-term goals of the Lamma Power Station is green and clean electricity generation. Approximately 30% of Lamma Power Station's power output for 9M2013 was generated from natural gas, which is environmentally friendly as it emits almost no sulphur dioxide and dust particulates, while nitrogen oxide and carbon dioxide emissions are greatly reduced compared to coal-fired generating units. As highlighted in *"— Future Expansions"* above, we proposed expanding our renewable energy generating capacity by developing

an offshore wind farm in the Southwest Lamma Channel. We have continued to reduce emissions and our carbon footprint through the use of clean technology and cleaner fuel, improvements and upgrades within our generation process and better energy management of our operations, as further described below.

Although we are subject to extensive and increasingly stringent environmental protection laws, rules and regulations (including those related to waste disposal, air and water pollution and noise control), we believe that our operations are and have been in material compliance with those laws, rules and regulations. We regularly monitor the environmental risks to which we may be subject. For details regarding the relevant environmental protection laws and regulations which are material to our operations, see *"Scheme of Control and Regulatory Overview — Key Laws, Rules and Regulations Material to the Group — Environmental Regulations"*.

Emission Control

To support the Hong Kong Government's air quality improvement policy for the Pearl Delta Region, we have installed flue gas desulphurisation plants at six coal-fired generating units and low nitrogen oxide burners at five coal-fired generating units. We were the first power utility in Asia (excluding Japan) to install flue gas desulphurisation plants for reducing sulphur dioxide emissions during power generation. The flue gas desulphurisation plants, which adopt the limestone-gypsum wet scrubbing system, remove over 90% of the outgoing sulphur dioxide in the flue gas and create gypsum cakes which are a by-product of the flue gas desulphurisation process that can be used for industrial applications, such as making gypsum boards and cement. The use of low nitrogen oxide burners reduce the concentration of nitrogen oxide by two-thirds compared to a conventional unit.

Electrostatic precipitators installed in each boiler of our generating units remove over 99% of the fly ash in the flue gas, which is generated from the burning of fossil fuels. The three 210 metres tall chimneys at the Lamma Power Station, which were designed using advanced modelling techniques, effectively disperse the emissions at high altitudes and reduce pollutants to low concentrations when they reach ground level. We have high volume air samplers located at the boundaries of the Lamma Power Station which monitor the dust emissions from our generating units. In addition, we have five air monitoring systems in the south of Hong Kong Island and in Cheung Chau to monitor the impact of the Lamma Power Station on the quality of ambient air. Under our specified process licence, which is issued by the EPD pursuant to the Air Pollution Control Ordinance and the Air Pollution Control (Specified Process) Regulations (details of which are set out in *"Scheme of Control and Regulatory Overview — Environmental Regulations — The Laws and Regulations Relating to Air Quality Control"*), we are required to report our emission data to, and prepare an emission report on monthly, quarterly and yearly bases and file it with, the EPD. The specified process licence specifies the allowable emission concentrations and emission rates for nitrogen oxide, sulphur dioxide and respirable suspended particulates of all emission sources. During the Track Record Period, we have complied with the air emission standards under our specified process licence. Through our various measures to improve air quality, we have been able to reduce our nitrogen oxide, respirable suspended particulates and sulphur dioxide emissions by approximately 50%, 80% and 90%, respectively, in 2012 as compared to our emission levels in 2005.

In addition to air emission controls, we take active measures to preserve the quality of water, which is utilised in the electricity generation process. We have submerged scraper conveyers which handle furnace bottom ash from all coal-fired generating units. This significantly reduces the quantity of wastewater discharged from the Lamma Power Station. A foam suppression system comprising a retaining wall and water spray have been built to enclose and disintegrate the foam, which is created

from the cooling water used in our generating units, at the cooling water outfall. Our laboratory technicians take biological, seabed sediment and water samples from the coastline around the Lamma Power Station on a regular basis to ensure that marine life has not been affected by our operations. Under the Water Pollution Control Ordinance, we are required to obtain licences for the discharge of effluents other than domestic sewage. The licences also set limits on the effluents which we may discharge to inland and coastal waters. During the Track Record Period, we have complied with all of our obligations under our licences which are issued pursuant to the Water Pollution Control Ordinance.

For 9M2013, approximately 95% of the electricity output at the Lamma Power Station was generated by gas-fired units and coal-fired units fitted with emission control facilities. In continuing our efforts to lower emissions, we completed the modification of the six older coal-fired units in 2011 to allow them to use ultra low sulphur diesel oil. We started using ultra low sulphur diesel oil as the start-up fuel for all coal-fired units in 2012 that helped to further reduce sulphur dioxide emissions from our electricity generation process. Furthermore, as highlighted in *"— Our Operations — Generation of Electricity — Renewable Energy Generation"* above, the installation of Lamma Winds and the recent expansion of our solar power system has reduced our carbon dioxide emission.

Recycling

For 9M2013, approximately 141,654 MT of coal ash from the Lamma Power Station was taken by building materials contractors for use as raw materials with all other minor solid wastes, including chemical waste, being recycled or properly handled by licensed waste collection contractors. The processes by which water is collected, used, reused and discharged at the Lamma Power Station is monitored so that a minimum quantity of water is used in the generation process and such that the discharged water will not have an adverse impact on the environment. An environment management system has also been implemented at the Lamma Power Station.

CORPORATE SOCIAL RESPONSIBILITY

Since the establishment of HEC more than 120 years ago, we believe that our corporate social responsibility efforts reflect our corporate values. We believe that our corporate social responsibility means integrating social, economic and environmental consideration into our day-to-day operations and business. We make active efforts to be socially responsible and believe in giving back to local communities and supporting charitable causes such as environmental sustainability and protection, assisting the underprivileged, community engagement and youth development, which allows us to maintain and foster relationships with our customers, government institutions and non-governmental organisations.

Over the years, we have sponsored and participated in various environmental projects including major clean-up events, green walkathons and tree planting activities. We established the HEC Clean Energy Fund in February 2006 to commemorate the commissioning of Lamma Winds and to foster environmental education in Hong Kong by promoting the better understanding and application of renewable energy in Hong Kong. In 2011, we set up a Smart Power Centre showcasing various energy conservation measures to promote the smart and safe use of electricity to the public, and also launched an iPhone application, "HK Electric Low Carbon App", to promote a low carbon lifestyle.

To promote energy conservation among the younger generation, we have embarked on the "Smart Power Campaign" since 2003 to educate the public on how they can use electricity safely and to promote energy efficiency and conservation among the public, in particular the younger generations. We have also produced an "Energy Efficiency Education Kit for Secondary School", which provides learning and teaching resources on topics of energy efficiency for students and teachers in Hong Kong.

HEALTH AND SAFETY

Our business and operations involve risks and hazards that are inherent to companies operating in the power industry and we are committed to providing a safe and healthy workplace for our employees. The risks and hazards that we face could result in damage to, or destruction of, property or generation facilities, personal injury, environmental damage, business interruption and possible legal liability. For further details, see *"Risk Factors — Risks Relating to our Operations — Our assets and operations are subject to risks and hazards customary to the power industry and some of our operations could expose us to health and safety claims and accidents"*.

We aim to excel in occupational health and safety performance and achieve accident-free operations. Our safety management systems enable us to regularly review and improve our safety performance and minimise human errors. As at the Latest Practicable Date, we have obtained three Occupational Health and Safety Assessment Series ("**OHSAS**") 18001 certificates from the Hong Kong Quality Assurance Agency. The OHSAS 18001 is an international occupational health and safety management specification and is intended to help an organisation to control occupational health and safety risks. We take a proactive approach in planning and organising training and wellness programmes for our employees. Among the various health and safety measures that we have in place, we have a "Health and Safety Board" which monitors overall health and safety policies and issues, while the "Loss Prevention and Training Section" of our generation and transmission and distribution divisions focus on day-to-day health and safety matters. Our internal policies and systems are designed with a view to ensuring compliance with statutory requirements. In February 2012, our generation division and transmission and distribution division were designated "International Safe Workplaces" under the World Health Organisation's Safe Community Programme, which recognises organisations that apply best practices in proven injury prevention.

We are subject to the health and safety requirements of Hong Kong including, but not limited to, the Occupational Health and Safety Ordinance (Chapter 509 of the Laws of Hong Kong), which sets out general requirements for the safety and health protection to employees in workplaces, the Factories and Industrial Undertakings Ordinance, which imposes general duties on proprietors and persons employed in the industrial sector to ensure safety and health at work, and Gas Safety (Registration of Gas Supply Companies) Regulations (Chapter 51E of the Laws of Hong Kong), which impose a general self-regulating duty on a registered gas supply company to ensure, in carrying on its business as a gas supply company, so far as is reasonably practicable, the health and safety at work of all of its employees. We believe that we comply, and have been in compliance, with the statutory requirements in all material respects during the Track Record Period and from the end of the Track Record Period up to the Latest Practicable Date. Our liability to our employees is covered by insurance, which we are required by law to maintain. During the Track Record Period, save for the vessels collision accident on 1 October 2012, details of which are set out in *"— Legal and Regulatory Matters — Litigation, Claims and Arbitration"* below, there were no material accidents in the course of our operations.

LEGAL AND REGULATORY MATTERS

Litigation, Claims and Arbitration

As a major power utility, we are involved in legal proceedings from time to time, which arise in our ordinary course of business, such as third party damage to our underground cables. In addition, on 1 October 2012, a passenger catamaran collided with one of our passenger launches near Lamma Island. The collision resulted in loss of life and injuries and led to the following inquiry, litigation and claims.

(i) On 22 October 2012, the Chief Executive in Council appointed The Commission of Inquiry into the Collision of Vessels near Lamma Island on 1 October 2012 (the "**Commission**") to inquire into the facts and circumstances leading to and surrounding the collision. We were one of the parties involved in the inquiry. The Commission released a redacted version of its report on 30 April 2013 in which, among other things, recommendations were made to improve vessel safety. We have fully implemented the recommendations made by the Commission that are applicable to our operations.

(ii) On 19 August 2013, the Hong Kong Magistrates' Court fined us HK$900 for failure to deploy four crew members on our passenger launch as required under its operating licence. We have filed an appeal against the conviction on 30 August 2013 and we were informed on 4 September 2013 that the prosecution has applied for a review of the level of fine. On 25 October 2013, the Hong Kong Magistrates' Court increased the fine from HK$900 to HK$4,500.

(iii) In light of the loss of life and injuries as a result of the collision, claims have been made, and we expect further claims to be made against us. As at the Latest Practicable Date, we were unable to quantify the total amount of claims made and potential claims which may be made against us. We have insurance policies taken out for the passenger launch, our employees and other passengers, which we believe will provide sufficient insurance coverage for such claims. For further details regarding our insurance policies, see *"— Insurance"* above.

As at the Latest Practicable Date, save as disclosed above, no member of the Group was engaged in any litigation, claim or arbitration of material importance, nor, to the best of our knowledge, is any litigation, claim or arbitration of material importance pending or threatened against any member of the Group.

Regulatory Matters

We have challenged the Commissioner of Rating and Valuation's assessment of certain rates and government rent which are payable by us in relation to our properties for a number of years starting from 2004/2005. We have received some, and expect to receive further, refunds of such rates and government rent from the Hong Kong Government in this regard. The Hong Kong Government and we have not been able to reach a consensus as to how those refunds should be treated, and we are in the course of resolving the appropriate manner of dealing with those refund amounts. As at the Latest Practicable Date, all such rates and government rent received have been recorded as our trade and other payables and, accordingly, the outcome of the resolution with the Hong Kong Government is not expected to have any material adverse impact on our profit.

Key Laws, Rules and Regulations Applicable to the Group

A summary of the key laws, rules and regulations which are applicable to our operations are set out in *"Scheme of Control and Regulatory Overview"*.

Compliance with Laws, Rules and Regulations

During the Track Record Period and from the end of the Track Record Period up to the Latest Practicable Date, there were no material breaches or violations of the laws, rules and regulations applicable to the Group that would have a material adverse effect on our business, financial condition and results of operations taken as a whole. During the Track Record Period and from the end of the Track Record Period up to the Latest Practicable Date, we had obtained all material licences and permits necessary for our business in Hong Kong.

The following discussion and analysis should be read in conjunction with the consolidated financial information and the notes thereto as set out in the Accountants' Report in "Appendix I — Accountants' Report". The consolidated financial information included in the Accountants' Report is prepared for the Operating Group and not the Trust Group. Neither HK Electric Investments nor the Company carried on, or expect to carry on, any business from the dates of their respective establishment/incorporation until the date of completion of the Acquisition, which is the same date as the Listing Date, except for incurring certain insignificant costs relating to the Acquisition and the Listing, and neither HK Electric Investments nor the Company had any material assets or liabilities or revenue or expenses during the Track Record Period. Accordingly, we have used the consolidated financial information of the Operating Group below for the purpose of undertaking an analysis of the financial information of the Trust Group during the Track Record Period.

The consolidated financial information and notes as at and for the years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2013 have been prepared in accordance with HKFRS. The consolidated financial information and notes as at and for the nine months ended 30 September 2012 have been derived from our unaudited interim consolidated financial information. We have prepared the unaudited interim consolidated financial information on the same basis as the consolidated financial information and the notes thereto as set out in the Accountants' Report in "Appendix I — Accountants' Report".

This following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of any number of factors, including but not limited to, those set out in "Forward-Looking Statements" and "Risk Factors".

OVERVIEW

HK Electric Investments is the first fixed single investment trust in Hong Kong with a focus on the power industry. We are a vertically integrated power utility in Hong Kong with operations in all areas of power generation, transmission, distribution, supply and tariff setting. We are the sole electricity provider to Hong Kong Island and Lamma Island, with an Electricity Supply Reliability Rating of above 99.999% in each year since 1997. As at 30 September 2013, we provided electricity to approximately 568,000 registered customers and our sole power generation facility, the Lamma Power Station, had an aggregate installed capacity of approximately 3,737 MW.

Our operations are subject to a Scheme of Control entered into with the Hong Kong Government. Under the Scheme of Control, we are entitled to full recovery of our total operating costs from our Gross Tariff Revenue, and a permitted level of earnings based principally on a return on our capital investment in electricity generation, transmission and distribution assets. The first Scheme of Control was entered into in 1980 for a term of 15 years beginning on 1 January 1979 and it was renewed in 1993 for a similar term until the end of 2008. The current Scheme of Control was entered into on 7 January 2008 for a term of ten years from 1 January 2009 to 31 December 2018, with an option for the Hong Kong Government to extend it for a further term of five years ending on 31 December 2023.

For FY2010, FY2011, FY2012, 9M2012 and 9M2013, our total turnover amounted to HK$10,363.0 million, HK$10,184.8 million, HK$10,399.6 million, HK$8,061.5 million and HK$7,885.5 million, respectively. For FY2010, FY2011 and FY2012, the Net Return we were allowed to achieve under the Scheme of Control was HK$4,633.0 million, HK$4,584.0 million and HK$4,624.0 million, respectively.

SIGNIFICANT FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

During the Track Record Period, our financial condition and results of operations have been most significantly affected by the following factors:

Scheme of Control

Our operations are subject to the Scheme of Control entered into among HEC, PAH and the Hong Kong Government. The Scheme of Control sets out our rights and obligations, in particular our right to earn a Net Return for the sale of electricity which is designed to cover our operating costs (including tax). It provides a framework for the Hong Kong Government to monitor our financial affairs and operating performance. The current Scheme of Control was entered into on 7 January 2008 for a term of ten years from 1 January 2009 to 31 December 2018, with an option for the Hong Kong Government to extend it for a further term of five years ending on 31 December 2023.

In addition, each of HEC and the Hong Kong Government had the right during FY2013 and, if the term of the current Scheme of Control is extended until 2023, has the right during FY2018, to request modifications to the Scheme of Control. However, any such modifications must be mutually agreed by the parties in writing before they take effect. An interim review of the Scheme of Control took place in FY2013. In November 2013, as part of the 2013 interim review of the Scheme of Control, we agreed in principle with the Hong Kong Government to implement six modifications to the Scheme of Control, which are summarised as follows: (i) the establishment of an energy efficiency fund to subsidise owners of non-commercial buildings on a matching basis to carry out improvement works to enhance the energy efficiency of their buildings; (ii) higher performance thresholds for both the incentives which may be awarded and penalties which are payable in respect of our supply reliability, operational efficiency and customer services; (iii) lowering of the cap on the balance of the Tariff Stabilisation Fund from 8% to 5% of our annual total revenues from sales of electricity to our customers (including Fuel Cost Account Adjustment and excluding rebates and charges made during that year); (iv) improvement in the public disclosure of certain financial and operating data relating to the latest approved Development Plan and the proposed tariff adjustments for the upcoming year upon the conclusion of each annual tariff review exercise; (v) streamlining the administration of the Rate Reduction Reserve from the end of 2013 such that the year-end balance of the Rate Reduction Reserve for any given year will be transferred to the Tariff Stabilisation Fund in the subsequent year; and (vi) relevant expenditures incurred in respect of our pre-project studies and assessments will be initially placed in a separate suspense account and will only be counted as Fixed Assets for the purpose of calculating the Permitted Return after a decision is made to proceed with the projects. The above modifications will take immediate effect once the written agreement modifying the terms of the Scheme of Control is executed by all parties to the Scheme of Control. For further details relating to the 2013 interim review of the Scheme of Control, see *"Scheme of Control and Regulatory Overview — Scheme of Control — 2013 and 2018 Interim Reviews of the Scheme of Control"*.

If the Hong Kong Government does not exercise its option to extend the term of the Scheme of Control for a further term of five years after 31 December 2018, under the current Scheme of Control we will, for the period from 1 January 2019 to 31 December 2023, through reasonable arrangements determined by the Hong Kong Government after consultation with us, continue to be entitled to earn from the market the same Permitted Return annually which we currently earn under the Scheme of Control (after recovery of tax and total operating costs and subject to any deduction of certain interest on borrowed capital for the financing of Fixed Assets and other applicable deductions, with the assets to be taken into account for calculating the Permitted Return to include only assets that continue to be used

in HEC's Electricity Related activities, and not to include any assets acquired or invested in after 31 December 2018 unless they have been reasonably and prudently purchased for use in HEC's Electricity Related activities and only if the purchase of such assets has been approved by the Hong Kong Government). For further details, please refer to *"Scheme of Control and Regulatory Overview"*.

Permitted Return and Net Return

Our financial condition and results of operations are directly impacted by the Permitted Return and Net Return which we are allowed to achieve under the Scheme of Control. The Scheme of Control provides for a Permitted Return for each year equal to (i) 9.99% of the total value of our Average Net Fixed Assets other than those attributable to our Average Renewables Net Fixed Assets for that year and (ii) 11% of the total value of our Average Renewables Net Fixed Assets for that year. Our Net Return for each year is derived from the Permitted Return less certain deductions and after taking into account certain adjustments. For more information regarding the calculation of our Net Return, see *"Scheme of Control and Regulatory Overview — Scheme of Control — Net Return"*.

In particular, beginning in FY2002, the Permitted Return for each year has been determined after deducting certain amounts associated with (i) a premature site formation in connection with the Lamma Extension, which was designed with a capacity to accommodate six gas-fired combined cycle units to meet electricity demand in the future and allow for future expansion, and (ii) an excess capacity adjustment under the Scheme of Control in relation to our gas-fired combined cycle unit in the Lamma Extension. The deduction of these amounts safeguards customers' interests and reduces any return we could receive on the related incurred expenditures.

In addition, the Scheme of Control also contains performance-based incentives and penalties. These performance related adjustments are in the range of -0.4% to +0.1% on the Average Net Fixed Assets minus the Average Renewables Net Fixed Assets (in the case of the incentive for emission reduction) or the Average Net Fixed Assets (in the case of other incentives), which are taken into account for the purposes of calculating the Net Return for each year. During the Track Record Period, we received certain performance-based incentives and we did not incur any penalties under the Scheme of Control.

Tariff Stabilisation Fund

The Scheme of Control requires that we maintain a Tariff Stabilisation Fund, the main purpose of which is to accumulate and provide funds to ameliorate tariff increases or facilitate tariff reductions where appropriate. In each year where the Gross Tariff Revenue exceeds the Tariff Stabilisation Adjustments, the amount of such excess is transferred from our statement of profit or loss to the Tariff Stabilisation Fund. Conversely, when there is a deficiency, the amount of such deficiency is transferred from the Tariff Stabilisation Fund to our statement of profit or loss for that year, provided that the amount transferred may not exceed the balance of the Tariff Stabilisation Fund, which may not go into a deficit position. As such, if a shortfall were to occur, we would be required to absorb any amounts in excess of the balance of the Tariff Stabilisation Fund. We experienced such shortfalls from FY2003 to FY2006, which in turn resulted in a reduced Net Return. Please see " — *Scheme of Control"* below for further information.

Fuel Clause Recovery Account

Under the Scheme of Control, any difference between the actual cost of fuel (including coal, natural gas and ultra low sulphur diesel oil) and the standard cost of fuel recovered through the Basic Tariff Rate is charged or credited to a Fuel Clause Recovery Account maintained in our books and passed on, or rebated, to our customers by way of a Fuel Clause Charge or a Fuel Clause Rebate, respectively. During the Track Record Period, our actual fuel costs exceeded the standard cost of fuel recovered through the Basic Tariff Rate. As a result, our Fuel Cost Account Adjustments for FY2010, FY2011, FY2012, 9M2012 and 9M2013 were HK$2,794.7 million, HK$3,755.0 million, HK$3,867.3 million, HK$2,953.4 million and HK$2,519.7 million, respectively.

If the Scheme of Control is modified to change the percentages we are allowed to receive as part of the Permitted Return, the formula for calculating the Permitted Return, any of the currently existing government incentives or penalties or any of the rules governing contributions to the Tariff Stabilisation Fund or the Fuel Clause Recovery Account, our financial condition and results of operations may be materially and adversely affected.

Tariffs Charged to Our Customers

Our financial condition and results of operations are directly impacted by the net tariff we are able to charge to our customers. For FY2010, FY2011, FY2012 and 9M2013, the average net tariff charged to our customers was 119.8 Hong Kong cents per kWh, 123.1 Hong Kong cents per kWh, 130.9 Hong Kong cents per kWh and 134.8 Hong Kong cents per kWh, respectively. The fluctuations were primarily due to increases in Fuel Clause Charges. Our net tariff is also impacted by the Development Plan review and annual tariff review, both of which are governed by the Scheme of Control.

The net tariff charged to our customers consists of (i) the Basic Tariff Rate, (ii) any Fuel Clause Charge or Fuel Clause Rebate and (iii) any Rate Reduction Rebate. For further information, see *"Scheme of Control and Regulatory Overview — Scheme of Control — Tariff"*.

The following table sets out our average net tariff charged for the periods indicated:

	FY2010	FY2011	FY2012	9M2013
		(Hong Kong cents per kWh)		
Average net tariff				
Basic Tariff Rate	94.5	93.0	93.9	94.6
Fuel Clause Charge	25.4	30.2	37.0	40.2
Rate Reduction Rebate[(1)]	(0.1)	(0.1)	—	—
Net tariff	**119.8**	**123.1**	**130.9**	**134.8**

Note:

(1) Rate Reduction Rebate is only applicable from January 2010 to May 2011.

In addition to the above, our net tariff rates are directly impacted by a Development Plan review and annual tariff review. Each Development Plan sets out the projected Basic Tariff Rate and our projected capital expenditure for each of the five years covered. The 2009-2013 Development Plan expired at the end of 2013. The 2014-2018 Development Plan was submitted to the Hong Kong Government for review in April 2013. The projected Basic Tariff Rate and projected capital expenditures agreed by us and the

Hong Kong Government pursuant to the 2014-2018 Development Plan were approved by the Executive Council on 10 December 2013. The Basic Tariff Rate charged to our customers under the 2014-2018 Development Plan will be impacted by the L10 Project, the commencement of which is subject to the receipt of a written confirmation from the Hong Kong Government to HEC. For further information regarding the L10 Project, see *"Scheme of Control and Regulatory Overview — Scheme of Control — Development Plan — 2014-2018 Development Plan"*. The following table sets out our projected Basic Tariff Rate under the 2014-2018 Development Plan for each of the years from FY2014 to FY2018:

	FY2014	FY2015	FY2016	FY2017	FY2018
			(Hong Kong cents per kWh)		
Projected Basic Tariff Rate without L10 project	101.8	101.7	100.9	100.0	99.0
Projected Basic Tariff Rate with L10 project	101.8	101.7	101.0	100.4	100.0

The above "projected Basic Tariff Rate without L10 Project" category will apply during the period from FY2014 to FY2018. If the L10 Project commences in 2016 as scheduled, the above "projected Basic Tariff Rate with L10 Project" category will be applicable in the relevant period instead. In either case, the effect of the fluctuations in the projected Basic Tariff Rate during the period from FY2014 to FY2018 on the net tariff to be charged to our customers is expected to be offset by an adjustment in the Fuel Clause Charge such that the average net tariff is expected to be largely stable for the period from FY2014 to FY2018.

For further details of the 2014-2018 Development Plan and the tariff review, see *"Scheme of Control and Regulatory Overview — Scheme of Control — Development Plan"* and *"Scheme of Control and Regulatory Overview — Scheme of Control — Tariff Review"*.

Units Sold and Installed Capacity

Our turnover and results of operations are also affected by customer demand and the number of units of electricity we are able to sell. Our customers' demands affect the amount of turnover we are able to generate, as we adjust net tariffs charged based on their specific consumption levels. For FY2010, FY2011, FY2012, 9M2012 and 9M2013, we sold 10,933 million kWh, 10,897 million kWh, 11,036 million kWh, 8,545 million kWh and 8,315 million kWh, respectively. The table below sets out our total units sold by customer type for the periods indicated:

	FY2010	FY2011	FY2012	9M2012	9M2013
			(Millions of kWh)		
Units sold					
Commercial	8,124	8,081	8,164	6,231	6,125
Domestic	2,472	2,482	2,541	2,064	1,944
Industrial	337	334	331	250	246
Total	**10,933**	**10,897**	**11,036**	**8,545**	**8,315**

In addition to the above, installed capacity also impacts the amount of electricity we are able to generate and sell, and to a lesser extent, impacts the amount of turnover we are able to generate. As at 30 September 2013, our power station had a total installed capacity of approximately 3,737 MW. The table below sets out a breakdown of our installed capacity for the periods indicated:

	FY2010	FY2011	FY2012	9M2012	9M2013
			(MW)		
Installed capacity					
Gas turbines and standby units	555	555	555	555	555
Coal-fired units	2,500	2,500	2,500	2,500	2,500
Gas-fired combined cycle unit	680	680	680	680	680
Wind turbine and photovoltaic system	1	1	2	2	2
Total installed capacity	**3,736**	**3,736**	**3,737**	**3,737**	**3,737**

Fuel Supply and Costs

Fuel supply and costs impact our financial condition and results of operations. The primary types of fuel consumed at the Lamma Power Station are coal, natural gas and ultra low sulphur diesel oil. The prices for the types of fuel we use are volatile and are affected by, among other things, increases and decreases in regional and global demand. While we have historically offset such volatility through the Fuel Cost Account Adjustments, prices may increase at a sudden or significant rate or to a level that, for various reasons, cannot be immediately passed on to our customers but would need to be recovered in subsequent years. Such an event could affect our cash flow and liquidity. For further information, see *"Risk Factors — Risks Relating to Our Coal-Fired, Gas-Fired and Oil-Fired Businesses — We are subject to the volatility of coal, natural gas and ultra low sulphur diesel oil prices, and we may encounter difficulties in immediately passing on sudden or significant increases in such prices to our customers."*

The following tables set out the levels of our fuel consumption, our actual fuel costs, our actual cost of fuel per unit and actual cost of fuel per unit of electricity sold for the periods indicated:

	FY2010	FY2011	FY2012	9M2012	9M2013
Fuel Consumption					
Coal (metric tonne)	3,011,379	3,042,772	3,199,795	2,559,071	2,401,679
Fuel oil[(1)] (metric tonne)	17,531	12,366	13,969	11,413	7,145
Natural gas (gigajoule)	31,532,314	31,392,200	31,627,053	23,182,622	21,883,701

Note:

(1) During FY2010 and FY2011, fuel oil consumed consisted primarily of ultra low sulphur diesel oil and other types of oil. Beginning in FY2012, fuel oil consumed has consisted of ultra low sulphur diesel oil only.

	FY2010	FY2011	FY2012	9M2012	9M2013
			(HK$ in millions)		
Actual Fuel Costs					
Coal	2,278.7	2,825.7	2,796.9	2,306.8	1,778.0
Fuel oil[(1)]	79.3	71.1	86.8	71.1	46.2
Natural gas	2,192.1	2,621.5	2,931.9	2,127.6	2,041.7
Interconnection	—	—	(165.6)	(165.6)	—
Interest and other fuel expenses	20.6	20.1	22.9	17.8	14.7
Total	**4,570.8**	**5,538.4**	**5,672.9**	**4,357.7**	**3,880.5**

	FY2010	FY2011	FY2012	9M2012	9M2013
Actual Cost of Fuel Per Unit					
Coal (HK$ per metric tonne)	756.7	928.7	874.1	901.4	740.3
Fuel oil[(1)] (HK$ per metric tonne)	4,523.4	5,749.6	6,213.8	6,229.7	6,466.1
Natural gas (HK$ per gigajoule)	69.5	83.5	92.7	91.8	93.3

	FY2010	FY2011	FY2012	9M2012	9M2013
Actual Cost of Fuel Per Unit of Electricity Sold (Hong Kong cents per kWh)	41.8	50.8	51.4	51.0	46.7

Note:

(1) During FY2010 and FY2011, fuel oil purchased consisted primarily of ultra low sulphur diesel oil and other types of oil. Beginning in FY2012, fuel oil purchased has consisted of ultra low sulphur diesel oil only.

Government Policies and Regulations

Government policies and regulations directly affect our financial condition and results of operations. Our business operations, including the Permitted Return and chargeable net tariff, are governed and regulated by the Scheme of Control. In addition, we are also subject to such policies and regulations as the fuel mix policy and the Air Pollution Control Ordinance. As part of the fuel mix policy, the Hong Kong Government has proposed that by 2020, natural gas should account for approximately 40% of Hong Kong's fuel mix for power generation, coal should account for no more than 10%, renewable energy resources should account for approximately 3% to 4%, and the balance of approximately 50% should be accounted for by imported nuclear energy. However, with the recent issues that have arisen with respect to nuclear power in Japan, it is uncertain whether the Hong Kong Government will implement all aspects of this policy, as the Hong Kong Government has indicated that it may alter or reconsider its current fuel mix proposal. Under the Air Pollution Control Ordinance, permitted emission levels from power generation facilities are limited. In addition to the above, the Hong Kong Government could potentially introduce additional competition at any or all levels of our operations, such as the power generation, transmission, distribution and retail levels. The Scheme of Control provides for us to recover stranded costs arising as a result of a change or a proposed change implemented by the Hong Kong Government to the electricity market structure, which causes a material impact to us in respect of our Electricity

Related activities. Stranded costs are costs incurred by us in relation to our investments made or agreements entered into under the Scheme of Control in respect of our Electricity Related activities. See *"Scheme of Control and Regulatory Overview — Scheme of Control — Stranded Costs"* for further details. These policies and any future policies promulgated could impact our Development Plan or future installed capacity and could cause us to lose market share or require us to reduce our tariffs in order to remain competitive. The occurrence of any of these events could affect our turnover and profit and could also potentially require us to significantly increase our capital expenditures.

Capital Expenditures

Most of our capital expenditures relate to upgrading and refurbishment work, construction expenditures and construction related costs and they have, and will continue to have, a significant impact on our financial condition, results of operations and liquidity. For FY2010, FY2011, FY2012 and 9M2013, we invested approximately HK$2,426.8 million, HK$2,886.9 million, HK$2,612.9 million and HK$1,192.7 million, respectively, in fixed assets, primarily for the retrofitting of emission control facilities, increasing the gas-fired generation capacity, station building and plant facilities improvement (including upgrading steam turbines, constructing new service buildings and installing a 1 MW TFPV system at Lamma Power Station), the replacement of overhead lines with underground cable circuits, the installation of cable circuits and equipment for electricity connection to new MTR lines, general transmission and distribution system expansion and other projects for improving supply reliability.

The 2014-2018 Development Plan, which covers the period from 1 January 2014 to 31 December 2018, was approved by the Executive Council on 10 December 2013. The 2014-2018 Development Plan provides for an estimated total investment of approximately HK$13.0 billion in new and existing capital projects over its five year term. Our approved capital expenditure under the 2014-2018 Development Plan includes investments in our power generation system (approximately HK$6.1 billion, inclusive of the estimated HK$3.0 billion in relation to the L10 Project), our transmission and distribution networks (approximately HK$5.3 billion) and our customer and corporate services development (approximately HK$1.6 billion). This estimated total capital expenditure of approximately HK$13.0 billion represents an increase of approximately 5.7% over the approved total capital expenditure of approximately HK$12.3 billion under the 2009-2013 Development Plan, and is expected to be funded by cash from our operating activities, bank loans and/or other debt markets fund raising activities. The estimated total capital expenditure as approved under the 2014-2018 Development Plan represents our continued commitment to provide a safe and reliable electricity supply to our customers. For further details of the 2014-2018 Development Plan, see *"Scheme of Control and Regulatory Overview — Scheme of Control — Development Plan — 2014-2018 Development Plan"*. We anticipate that our future level of capital expenditures and construction costs will affect our short term cash flow and the amount of our Net Fixed Assets, which in turn will affect the amount of the Permitted Return. In addition, any delay in obtaining the Executive Council's approval for our future Development Plans could materially and adversely impact our targeted installed capacity and our future capital expenditures as well as delay our potential development plans.

Weather Conditions and Seasonality

Our electricity-related business and the number of units of electricity we are able to sell are affected by the supply of and demand for our services, which are subject to weather conditions and seasonality. Demand for electricity typically increases during the period when weather conditions in Hong Kong are hot and humid. For example, electricity consumption levels during the third quarter are typically higher than in other quarters. In addition, our sales of electricity for 9M2013 were approximately 2.2% lower than the corresponding period in 2012, primarily due to milder weather during the period and drier

weather in the early months of the year when compared to the previous year, which exerted downward pressure on demand for electricity. While our turnover and profit remain relatively stable from year to year, weather conditions and seasonality may have an impact on demand for our electricity services, which could affect our turnover and profit. As a result, comparisons of results of operations between different periods within a single year may not be meaningful and should not be relied upon as indicators of our performance.

BASIS OF PRESENTATION

The financial information in this prospectus (excluding the Accountants' Report as set out in the *"Appendix I — Accountants' Report"*), which reflects the consolidated financial results of the Operating Group, is presented in Hong Kong dollars rounded to the nearest million except as stated otherwise. Such financial information is prepared using a historical cost basis except as set out in the accounting policies in note 1 of Section B of *"Appendix I — Accountants' Report"*.

CRITICAL ACCOUNTING POLICIES

The methods, estimates and judgements our management used in applying our accounting policies have a significant impact on our financial position and operating results. Some of the accounting policies require us to apply estimates and judgements on matters that are inherently uncertain. In addition, the estimates and judgements may also have a significant effect on the carrying amount of our assets and liabilities. Please see note 34 of Section B of *"Appendix I — Accountants' Report"* for the critical accounting estimates and judgements used in applying our accounting policies.

When reviewing our financial information, you should consider: (i) our selection of critical accounting policies, (ii) the judgement and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions. We believe the following accounting policies are the most significant or involved a higher degree of estimates and judgements in the preparation of our financial information.

Revenue Recognition

Regulation of Earnings Under the Scheme of Control Agreement

Our earnings are regulated by the Hong Kong Government under the Scheme of Control, which provides for a permitted level of earnings based principally on a return on our capital investment and performance-based incentives and penalties.

Income Recognition

Electricity income is recognised based on the actual and accrued units of electricity consumed by customers during the year at the basic tariff.

Fuel Clause Recovery Account

Under the Scheme of Control, any difference between the total standard cost of fuel and actual cost of fuel consumed is transferred to the Fuel Clause Recovery Account. Fuel Clause Charges (or Rebates) are charged (or rebated) to customers by adding to (or deducting from) the basic tariff to produce a net tariff payable by customers.

For further information on revenue recognition, see note 1(r) of Section B of *"Appendix I — Accountants' Report"* and *"Scheme of Control and Regulatory Overview — Scheme of Control"*.

Capital Expenditure

The cost of self-constructed items of property, plant and equipment includes (i) the cost of materials, (ii) direct labour, (iii) the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located and (iv) an appropriate proportion of production overheads and borrowing costs. Subsequent expenditure to replace a component of a fixed asset that is accounted for separately, or to improve its operational performance, is included in the asset's carrying amount or recognised as a separate asset as appropriate when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to us and the cost of the item could be measured reliably. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Depreciation and Amortisation

Fixed assets are depreciated on a straight-line basis over their estimated useful lives after taking into account the estimated residual value. We review annually the useful life of an asset and its residual value, if any. Interests in leasehold land held for our own use under finance leases are amortised on a straight-line basis over the unexpired lease term. Both the period and methods of amortisation are reviewed annually. Depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

Impairment

In considering the impairment losses that may be required for our fixed assets, the recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to estimate precisely the fair value less costs to sell because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by our assets are discounted to their present value, which requires significant judgement. We use all readily available information in determining an amount that is a reasonable approximation of the recoverable amount. Any increase or decrease in impairment losses, recognised as set out above, would affect our net profit in future years.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. Other borrowing costs are expensed in the period in which they are incurred. The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

DESCRIPTION OF KEY CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME LINE ITEMS

Turnover

Our principal activity is the generation, transmission, distribution and supply of electricity to Hong Kong Island and Lamma Island. The table below sets out a breakdown of our turnover and each item as a percentage of total turnover for the periods indicated:

	FY2010		FY2011		FY2012		9M2012 (unaudited)		9M2013	
	Turnover	%	Turnover	%	Turnover	%	Turnover	%	Turnover	%
	(HK$ in millions except percentages)									
Sales of electricity	10,337.6	99.8	10,140.1	99.6	10,363.7	99.7	8,044.7	99.8	7,871.1	99.8
Concessionary discount on sales of electricity	(6.0)	(0.1)	(6.5)	(0.1)	(6.9)	(0.1)	(5.2)	(0.1)	(4.9)	(0.1)
Electricity-related income	31.4	0.3	51.2	0.5	42.8	0.4	22.0	0.3	19.2	0.2
Total	**10,363.0**	**100.0**	**10,184.8**	**100.0**	**10,399.6**	**100.0**	**8,061.5**	**100.0**	**7,885.5**	**100.0**

Our turnover primarily consists of (i) revenue from our sales of electricity and (ii) electricity related income, which consists primarily of (a) service charges for permanent supply, primarily associated with the supply of electricity to customer substations for large new developments and to small new developments without customer substation provisions, and (b) site service income primarily associated with the temporary supply of electricity to construction sites or special functions. Such items are partially offset by concessionary discounts on sales of electricity, which are discounts that we offer to individuals and families with special needs as part of a concessionary tariff scheme organised between us and the Hong Kong Council of Social Service.

Standard Fuel Costs

The standard cost of fuel, as an operating cost, was set in 1986 in an agreement with the Hong Kong Government based on the prevailing oil price at that time which was required to produce one unit of electricity. The difference between (i) the total standard cost of fuel and (ii) the actual cost of fuel consumed represents the Fuel Cost Account Adjustments, which are transferred to (or from) the Fuel Clause Recovery Account. The following table sets out our standard fuel costs for the periods indicated:

	FY2010	FY2011	FY2012	9M2012 (unaudited)	9M2013
	(HK$ in millions)				
Actual fuel costs	4,570.8	5,538.4	5,672.9	4,357.7	3,880.5
Fuel Cost Account Adjustments	(2,794.7)	(3,755.0)	(3,867.3)	(2,953.4)	(2,519.7)
Standard Fuel Costs	**1,776.0**	**1,783.4**	**1,805.6**	**1,404.4**	**1,360.8**

The following table sets out our standard fuel costs per unit of electricity for the periods indicated:

	FY2010	FY2011	FY2012	9M2012	9M2013
			(Hong Kong cents per kWh)		
Standard fuel costs per unit of electricity[(1)]	16.2	16.4	16.4	16.4	16.4

Note:

(1) Standard fuel costs per unit of electricity are calculated by dividing standard fuel costs by the number of units of electricity sold.

Direct Costs

Our direct costs primarily comprise staff costs, material and direct expenses (including maintenance and contract services) and depreciation, with depreciation accounting for the majority of our total direct costs. The following table sets out a breakdown of our direct costs for the periods indicated:

	FY2010	FY2011	FY2012	9M2012 (unaudited)	9M2013
			(HK$ in millions)		
Staff costs	312.5	330.4	349.2	259.9	302.6
Material and direct expenses	117.7	128.3	135.7	92.4	85.1
Depreciation	1,729.0	1,780.7	1,862.3	1,376.8	1,434.5
Direct costs	2,159.2	2,239.4	2,347.2	1,729.1	1,822.2

Other Revenue and Other Net Income

The table below sets out our other revenue and other net income for the periods indicated:

	FY2010	FY2011	FY2012	9M2012 (unaudited)	9M2013
			(HK$ in millions)		
Net profit on sale of fixed assets	3.1	0.8	0.3	0.8	1.9
Interest income	0.3	0.1	0.3	0.3	—
Sundry income	30.9	49.5	31.6	25.0	20.5
Total	**34.2**	**50.4**	**32.1**	**26.0**	**22.4**

Our net profit on the sale of fixed assets primarily comprises profit derived from the sale of two of our staff holiday houses and motor vehicles in FY2010, the sale of transmission and distribution machinery and motor vehicles in FY2011 and the sale of motor vehicles in FY2012. Our interest income primarily comprises interest income on our bank deposits. Sundry income comprises customers' deposits forfeited, rental income, scrap sales and others.

Other Operating Costs

Our other operating costs primarily comprise administration costs, rates and government rent, depreciation and fixed assets written off. The following table sets out a breakdown of our other operating costs for the periods indicated:

	FY2010	FY2011	FY2012	9M2012 (unaudited)	9M2013
			(HK$ in millions)		
Administration costs	274.2	267.6	295.5	206.0	254.1
Rates and government rent	309.8	236.6	214.5	169.9	173.0
Depreciation	65.0	56.8	58.1	40.4	50.5
Fixed assets and stock written off	58.5	51.8	56.8	22.1	20.8
Insurance	26.9	27.1	27.1	20.3	22.4
Other operating costs	734.4	639.9	652.0	458.7	520.8

Finance Costs

Finance costs represent our interest expense on our overdrafts, bank loans and MTNs less (i) interest capitalised to fixed assets and (ii) interest transferred to fuel costs. For further information, see *"— Indebtedness"* below. The following table sets out our finance costs for the periods indicated:

	FY2010	FY2011	FY2012	9M2012 (unaudited)	9M2013
			(HK$ in millions)		
Interest on overdrafts, bank loans and MTNs repayable within five years	91.1	144.1	150.7	106.8	111.2
Interest on bank loans and MTNs repayable after five years	81.1	174.7	202.3	149.0	167.8
Total interest expense	172.2	318.8	353.0	255.8	279.0
Interest capitalised to fixed assets	(42.6)	(50.0)	(67.7)	(50.0)	(49.4)
Interest transferred to fuel costs	(16.8)	(19.6)	(20.4)	(15.2)	(15.0)
Total	**112.9**	**249.2**	**264.9**	**190.6**	**214.6**

Income Tax

We are subject to Hong Kong profits tax. The Hong Kong profits tax rate is currently 16.5% of assessable profit. All profits tax assessed for the Track Record Period has been paid when due. Our income tax for FY2010, FY2011, FY2012, 9M2012 and 9M2013 was HK$936.1 million, HK$888.9 million, HK$890.9 million, HK$715.2 million and HK$660.7 million, respectively. Our effective tax rate was 16.7%, 16.7%, 16.6%, 16.6% and 16.6% during the same periods, respectively.

Scheme of Control Transfers

Our Scheme of Control transfers consist of transfers from/to the Tariff Stabilisation Fund and transfers to the Rate Reduction Reserve.

Our financial results are affected by the Scheme of Control, which provides for a Permitted Return and requires that we maintain a Tariff Stabilisation Fund in order to accumulate and provide funds to ameliorate tariff increases or facilitate tariff reductions, where appropriate. Should the Gross Tariff Revenue exceed or be less than the total Tariff Stabilisation Adjustments, such excess is added to or such deficiency is deducted from the Tariff Stabilisation Fund, provided that in the case of a deficiency, the transferred amount may not exceed the balance of the Tariff Stabilisation Fund. In other words, if our Scheme of Control net revenue is lower than our Permitted Return, we transfer an amount equal to the deficiency from the Tariff Stabilisation Fund to our statement of profit or loss, and if our Scheme of Control net revenue exceeds the Permitted Return, an amount equal to the excess is transferred from our statement of profit or loss to the Tariff Stabilisation Fund. The balance in the Tariff Stabilisation Fund represents a liability in our financial statements.

In terms of the Rate Reduction Reserve, in each year, charges to be credited to such reserve are calculated by applying the average one month HIBOR per annum on the average of the opening and closing balances of the Tariff Stabilisation Fund for that year. The resulting amount is then transferred from our statement of profit or loss to the Rate Reduction Reserve and is subsequently rebated to customers. The purpose of the Rate Reduction Reserve is to reduce, by means of rebates, electricity tariffs to customers.

RESULTS OF OPERATIONS

The following table sets out selected items in our consolidated statements of profit or loss and consolidated statements of comprehensive income:

	FY2010	FY2011	FY2012	9M2012 (unaudited)	9M2013
			(HK$ in millions)		
Turnover	10,363.0	10,184.8	10,399.6	8,061.5	7,885.5
Standard fuel costs	(1,776.0)	(1,783.4)	(1,805.6)	(1,404.4)	(1,360.8)
Direct costs	(2,159.2)	(2,239.4)	(2,347.2)	(1,729.1)	(1,822.2)
	6,427.8	6,162.0	6,246.8	4,928.0	4,702.4
Other revenue and other net income	34.2	50.4	32.1	26.0	22.4
Other operating costs	(734.4)	(639.9)	(652.0)	(458.7)	(520.8)
Finance costs	(112.9)	(249.2)	(264.9)	(190.6)	(214.6)
Profit before taxation	5,614.7	5,323.4	5,362.0	4,304.8	3,989.4
Income tax	(936.1)	(888.9)	(890.9)	(715.2)	(660.7)
Profit after taxation	4,678.7	4,434.5	4,471.1	3,589.6	3,328.7
Scheme of Control transfers (to)/from:					
Tariff Stabilisation Fund	(58.2)	46.1	72.0	(152.3)	235.0
Rate Reduction Reserve	(0.9)	(1.0)	(1.4)	(1.1)	(0.4)
Profit attributable to the equity shareholders of HEC	4,619.5	4,479.5	4,541.7	3,436.1	3,563.3
Other comprehensive income/(losses) for the year/period, net of tax	394.3	(726.8)	13.3	(149.7)	590.1
Total comprehensive income for the year/period attributable to the equity shareholders of HEC	5,013.8	3,752.8	4,555.0	3,286.5	4,153.4
			(HK$)		
Earnings per share — Basic and diluted	3.83	3.71	3.77	2.85	2.96

9M2013 compared to 9M2012

Turnover

Our turnover decreased by 2.2% from HK$8,061.5 million for 9M2012 to HK$7,885.5 million for 9M2013, primarily due to decreases in sales of electricity.

Sales of Electricity

Turnover from sales of electricity decreased by 2.2% from HK$8,044.7 million for 9M2012 to HK$7,871.1 million for 9M2013, primarily due to a decrease in the number of units of electricity sold to our customers as a result of milder weather during the period and drier weather in the early months of the year, which exerted downward pressure on electricity demand.

Concessionary Discount on Sales of Electricity

Our concessionary discount on sales of electricity decreased by 6.1% from HK$5.2 million for 9M2012 to HK$4.9 million for 9M2013, primarily due to a decrease in the number of customers who qualify for a concessionary discount.

Electricity-related Income

Turnover from electricity-related income decreased by 12.4% from HK$22.0 million for 9M2012 to HK$19.2 million for 9M2013, primarily due to a decrease in service charges for summation meters which was partially offset by an increase in service charges for permanent supply.

Standard Fuel Costs

Our standard fuel costs decreased by 3.1% from HK$1,404.4 million for 9M2012 to HK$1,360.8 million for 9M2013, primarily due to a decrease in the number of units of electricity sold.

Direct Costs

Our direct costs increased by 5.4% from HK$1,729.1 million for 9M2012 to HK$1,822.2 million for 9M2013, primarily due to an increase in staff costs and depreciation. The increase in staff costs primarily reflected an increase in salaries paid to our employees. The increase in depreciation primarily reflected an increase in the amount of our fixed assets. For further information regarding our fixed assets purchased, see " — *Cash Used in Investing Activities"* below.

Other Revenue and Other Net Income

Our other revenue and other net income decreased by 14.0% from HK$26.0 million for 9M2012 to HK$22.4 million for 9M2013, primarily due to a decrease in sundry income resulting from a decrease in customers' deposits forfeited and scrap sales, together with a decrease in interest income.

Other Operating Costs

Our other operating costs increased by 13.6% from HK$458.7 million for 9M2012 to HK$520.8 million for 9M2013, primarily due to an increase in administration costs, primarily reflecting an increase in administrative staff costs, together with an increase in depreciation primarily as a result of the commissioning of our ERP (Enterprise Resource Planning) system in 2012.

Finance Costs

Our finance costs increased by 12.6% from HK$190.6 million for 9M2012 to HK$214.6 million for 9M2013, primarily due to an increase in average effective interest rates.

Profit Before Taxation

As a result of the foregoing, our profit before taxation decreased by 7.3% from HK$4,304.8 million for 9M2012 to HK$3,989.4 million for 9M2013.

Income Tax

Our income tax decreased by 7.6% from HK$715.2 million for 9M2012 to HK$660.7 million for 9M2013 as a result of a decrease in profit before taxation. Our effective tax rate remained stable at 16.6% for 9M2012 and 9M2013.

Profit After Taxation

As a result of the foregoing, our profit after taxation decreased by 7.3% from HK$3,589.6 million for 9M2012 to HK$3,328.7 million for 9M2013.

Scheme of Control Transfers

We recorded net Scheme of Control transfers to the Tariff Stabilisation Fund and the Rate Reduction Reserve of HK$153.4 million for 9M2012 and net Scheme of Control transfers from the Tariff Stabilisation Fund and the Rate Reduction Reserve of HK$234.6 million for 9M2013.

Tariff Stabilisation Fund

We recorded a Scheme of Control transfer to the Tariff Stabilisation Fund of HK$152.3 million for 9M2012 and a Scheme of Control transfer from the Tariff Stabilisation Fund of HK$235.0 million for 9M2013. The transfer to the Tariff Stabilisation Fund for 9M2012 was primarily due to the excess of the Gross Tariff Revenue over the Tariff Stabilisation Adjustments. The transfer from the Tariff Stabilisation Fund for 9M2013 was primarily due to the Gross Tariff Revenue falling short of the Tariff Stabilisation Adjustments.

Rate Reduction Reserve

Our Scheme of Control transfer to the Rate Reduction Reserve decreased by 68.7% from HK$1.1 million for 9M2012 to HK$0.4 million for 9M2013, primarily reflecting a decrease in the average balance of the Tariff Stabilisation Fund.

Profit Attributable to the Equity Shareholders of HEC

As a result of the foregoing, profit attributable to the equity shareholders of HEC increased by 3.7% from HK$3,436.1 million for 9M2012 to HK$3,563.3 million for 9M2013.

Other Comprehensive Income/(Losses) for the Period, Net of Tax

For 9M2012, we recorded other comprehensive losses for the period net of tax of HK$149.7 million. For 9M2013, we recorded other comprehensive income for the period net of tax of HK$590.1 million. The income recorded in 9M2013 was primarily due to a HK$693.9 million remeasurement of net defined benefit obligations, partially offset by a HK$114.5 million deferred tax charge to other comprehensive income in 9M2013. This re-measurement of net defined benefit obligations primarily resulted from a change in discount rates used in the actuarial valuation method (1.5% at the beginning of 9M2012 to 0.8% at the end of 9M2012 and further to 2.3% at the end of 9M2013) by our independent actuaries. The discount rate used by our independent actuaries is based on the market interest rates which are based on Hong Kong exchange fund note yields. The change in discount rates was primarily attributable to changes in such interest rates from 9M2012 to 9M2013.

Total Comprehensive Income for the Period and Attributable to the Equity Shareholders of HEC

Total comprehensive income for the period and attributable to the equity shareholders of HEC increased by 26.4% from HK$3,286.5 million for 9M2012 to HK$4,153.4 million for 9M2013, primarily due to an increase in our other comprehensive income for the period, net of tax and, to a lesser extent, an increase in our profit attributable to the equity shareholders of HEC.

FY2012 compared to FY2011

Turnover

Our turnover increased by 2.1% from HK$10,184.8 million for FY2011 to HK$10,399.6 million for FY2012, primarily due to an increase in sales of electricity. This amount was partially offset by (i) a decrease in electricity-related income and (ii) an increase in concessionary discounts on sales of electricity.

Sales of Electricity

Turnover from sales of electricity increased by 2.2% from HK$10,140.1 million for FY2011 to HK$10,363.7 million for FY2012, primarily due to (i) an increase in the number of units of electricity sold and (ii) an increase in the average basic tariff charged to our customers. The increase in the number of units of electricity sold was primarily the result of warmer weather in certain months in FY2012 which resulted in increased demand for electricity.

Concessionary Discount on Sales of Electricity

Our concessionary discount on sales of electricity increased by 6.5% from HK$6.5 million for FY2011 to HK$6.9 million for FY2012, primarily due to an increase in the average amount of discount per concessionary customer.

Electricity-related Income

Turnover from electricity-related income decreased by 16.5% from HK$51.2 million for FY2011 to HK$42.8 million for FY2012, primarily due to a decrease in service charges for permanent supply. Such decrease was partially offset by an increase in service charges for summation meters.

Standard Fuel Costs

Our standard fuel costs increased by 1.2% from HK$1,783.4 million for FY2011 to HK$1,805.6 million for FY2012, primarily due to an increase in the number of units of electricity sold.

Direct Costs

Our direct costs increased by 4.8% from HK$2,239.4 million for FY2011 to HK$2,347.2 million for FY2012, primarily due to increases in staff costs and depreciation. The increase in staff costs primarily reflected an increase in salaries paid to our employees. The increase in depreciation primarily reflected an increase in the amount of our fixed assets. For further information regarding our fixed assets purchased, see " — *Cash Used in Investing Activities"* below.

Other Revenue and Other Net Income

Our other revenue and other net income decreased by 36.2% from HK$50.4 million for FY2011 to HK$32.1 million for FY2012, primarily due to a decrease in sundry income resulting from the recovery of administrative expenses from prior years in FY2011. This recovery did not occur in FY2012.

Other Operating Costs

Our other operating costs increased by 1.9% from HK$639.9 million for FY2011 to HK$652.0 million for FY2012, primarily due to an increase in administration costs, primarily reflecting an increase in administrative staff costs. This amount was partially offset by a decrease in rates and government rent.

Finance Costs

Our finance costs increased by 6.3% from HK$249.2 million for FY2011 to HK$264.9 million for FY2012, primarily due to (i) an increase in average effective interest rates and (ii) front-end fees paid for new bank facilities.

Profit Before Taxation

As a result of the foregoing, our profit before taxation increased by 0.7% from HK$5,323.4 million for FY2011 to HK$5,362.0 million for FY2012.

Income Tax

Our income tax remained relatively stable at HK$888.9 million for FY2011 and HK$890.9 million for FY2012. Our effective tax rate also remained relatively stable at 16.7% for FY2011 and 16.6% for FY2012.

Profit After Taxation

As a result of the foregoing, our profit after taxation increased by 0.8% from HK$4,434.5 million for FY2011 to HK$4,471.1 million for FY2012.

Scheme of Control Transfers

We recorded net Scheme of Control transfers from the Tariff Stabilisation Fund and the Rate Reduction Reserve of HK$70.6 million for FY2012, an increase of 56.7% from HK$45.0 million for FY2011.

Tariff Stabilisation Fund

We recorded a Scheme of Control transfer from the Tariff Stabilisation Fund of HK$72.0 million for FY2012, an increase of 56.3% from HK$46.1 million for FY2011. The increase in the transfer amount was primarily due to the Gross Tariff Revenue falling short of the Tariff Stabilisation Adjustments.

Rate Reduction Reserve

Our Scheme of Control transfer to the Rate Reduction Reserve increased by 38.0% from HK$1.0 million for FY2011 to HK$1.4 million for FY2012, primarily reflecting an increase in average one month HIBOR per annum.

Profit Attributable to the Equity Shareholders of HEC

As a result of the foregoing, profit attributable to the equity shareholders of HEC increased by 1.4% from HK$4,479.5 million for FY2011 to HK$4,541.7 million for FY2012.

Other Comprehensive Income/(Losses) for the Year, Net of Tax

For FY2011, we recorded other comprehensive losses for the year net of tax of HK$726.8 million. For FY2012, we recorded other comprehensive income for the year net of tax of HK$13.3 million. The income recorded in FY2012 was primarily due to a HK$124.5 million re-measurement of net defined benefit obligations offset by a HK$130.8 million deferred tax credit to other comprehensive income in FY2012. This re-measurement of net defined benefit obligations primarily resulted from a change in discount rates used in the actuarial valuation method (3.0% at the beginning of FY2011 to 1.5% at the end of FY2011 and further to 0.8% at the end of FY2012) by our independent actuaries. The discount rate used by our independent actuaries is based on the market interest rates which are based on Hong Kong exchange fund note yields. The change in discount rates was primarily attributable to changes in such interest rates from FY2011 to FY2012.

Total Comprehensive Income for the Year Attributable to the Equity Shareholders of HEC

Total comprehensive income for the year and attributable to the equity shareholders of HEC increased by 21.4% from HK$3,752.8 million for FY2011 to HK$4,555.0 million for FY2012. This was primarily due to increases in our other comprehensive income for the year, net of tax, as well as increases in our profit attributable to the equity shareholders of HEC.

FY2011 compared to FY2010

Turnover

Our turnover decreased by 1.7% from HK$10,363.0 million for FY2010 to HK$10,184.8 million for FY2011, primarily due to a decrease in turnover from the sales of electricity. This amount was partially offset by an increase in electricity-related income.

Sales of Electricity

Turnover from our sales of electricity decreased by 1.9% from HK$10,337.6 million for FY2010 to HK$10,140.1 million for FY2011, primarily due to (i) a reduction in the number of units of electricity sold and (ii) a decrease in the average basic tariff charged to our customers. The decrease in the number of units of electricity sold was primarily the result of milder weather in certain months in FY2011 which resulted in decreased demand for electricity.

Concessionary Discount on Sales of Electricity

Concessionary discount on sales of electricity increased by 7.7% from HK$6.0 million for FY2010 to HK$6.5 million for FY2011, primarily due to an increase in the number of customers eligible to receive a concessionary discount.

Electricity-related Income

Turnover from electricity-related income increased by 63.3% from HK$31.4 million for FY2010 to HK$51.2 million for FY2011, primarily due to increases in services charges for both permanent supply and site service.

Standard Fuel Costs

Our standard fuel costs remained stable at HK$1,776.0 million for FY2010 and HK$1,783.4 million for FY2011.

Direct Costs

Our direct costs increased by 3.7% from HK$2,159.2 million for FY2010 to HK$2,239.4 million for FY2011, primarily due to an increase in staff costs and depreciation. The increase in staff costs primarily reflected an increase in salaries paid to our employees. The increase in depreciation primarily reflected an increase in the amount of our fixed assets. For further information regarding our fixed assets purchased, see " — *Cash Used in Investing Activities"* below.

Other Revenue and Other Net Income

Our other revenue and other net income increased by 47.3% from HK$34.2 million for FY2010 to HK$50.4 million for FY2011, primarily attributable to an increase in sundry income as a result of the recovery of administrative expenses from prior years in FY2011.

Other Operating Costs

Our other operating costs decreased by 12.9% from HK$734.4 million for FY2010 to HK$639.9 million for FY2011, primarily due to a decrease in rates and government rent.

Finance Costs

Our finance costs increased by 120.8% from HK$112.9 million for FY2010 to HK$249.2 million for FY2011, primarily due to the issuance of MTNs of US$500 million at the end of FY2010 followed by the issuance of MTNs of US$250 million at the beginning of FY2011.

Profit Before Taxation

As a result of the foregoing, our profit before taxation decreased by 5.2% from HK$5,614.7 million for FY2010 to HK$5,323.4 million for FY2011.

Income Tax

Our income tax decreased by 5.0% from HK$936.1 million for FY2010 to HK$888.9 million for FY2011, primarily due to the 5.2% decrease in our profit before taxation during the same period. Our effective tax rate remained stable at 16.7% for FY2010 and FY2011.

Profit After Taxation

As a result of the foregoing, our profit after taxation decreased by 5.2% from HK$4,678.7 million for FY2010 to HK$4,434.5 million for FY2011.

Scheme of Control Transfers

We recorded net Scheme of Control transfers to the Tariff Stabilisation Fund and the Rate Reduction Reserve of HK$59.1 million for FY2010 and net Scheme of Control transfers from the Tariff Stabilisation Fund and the Rate Reduction Reserve of HK$45.0 million for FY2011.

Tariff Stabilisation Fund

We recorded a Scheme of Control transfer to the Tariff Stabilisation Fund of HK$58.2 million for FY2010 and a Scheme of Control transfer from the Tariff Stabilisation Fund of HK$46.1 million for FY2011. The transfer to the Tariff Stabilisation Fund in FY2010 was primarily due to the excess of the Gross Tariff Revenue over the Tariff Stabilisation Adjustments. The transfer from the Tariff Stabilisation Fund for FY2011 was primarily due to the Gross Tariff Revenue falling short of the Tariff Stabilisation Adjustments.

Rate Reduction Reserve

Our Scheme of Control transfer to the Rate Reduction Reserve increased by 9.7% from HK$0.9 million for FY2010 to HK$1.0 million for FY2011, primarily reflecting the increase in average one month HIBOR per annum.

Profit Attributable to the Equity Shareholders of HEC

As a result of the foregoing, profit attributable to the equity shareholders of HEC decreased by 3.0% from HK$4,619.5 million for FY2010 to HK$4,479.5 million for FY2011.

Other Comprehensive Income/(Losses) for the Year, Net of Tax

For FY2010, we recorded other comprehensive income for the year net of tax of HK$394.3 million. For FY2011, we recorded other comprehensive losses for the year net of tax of HK$726.8 million. The losses in FY2011 were primarily due to a significant loss of HK$856.2 million attributable to a re-measurement of net defined benefit obligations. The loss was partially offset by a HK$141.3 million deferred tax credit to other comprehensive income in FY2011. The re-measurement of net defined benefit obligations was primarily the result of a change in discount rates used in the actuarial valuation method (from 2.6% at the beginning of FY2010 to 3.0% at the end of FY2010 and further to 1.5% at the end of FY2011) by our independent actuaries. The discount rate used by our independent actuaries is based on market interest rates which are derived from Hong Kong exchange fund note yields. The change in discount rate was primarily attributable to changes in such interest rates from FY2010 to FY2011.

Total Comprehensive Income for the Year Attributable to the Equity Shareholders of HEC

Total comprehensive income for the year and attributable to the equity shareholders of HEC decreased by 25.2% from HK$5,013.8 million for FY2010 to HK$3,752.8 million for FY2011. This was primarily due to the losses resulting from a re-measurement of net defined benefit obligations in our other comprehensive losses for the year, net of tax in FY2011.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL MANAGEMENT

Overview

Our principal sources of liquidity to date have been cash generated from our operations, bank loans and debt financing, including the amounts raised under our MTN programme, a loan from our ultimate holding company, loan capital and customer deposits. Our principal uses of cash comprise our operating costs, fuel supply costs, equipment maintenance costs and other capital expenditures to fund the acquisition of fixed assets and expansion of our business.

As at 31 December 2010, 2011 and 2012 and 30 September 2013, we had cash and bank balances of HK$8.7 million, HK$23.8 million, HK$7.6 million and HK$7.8 million, respectively. In the past, we typically transferred our cash to our then holding company for centralised cash fund management. Upon Listing, we will handle our cash fund management independently. We aim to ensure that we will have sufficient access to liquidity as and when the need arises by establishing committed banking facilities.

Capital Management

Our primary objectives when managing capital are to (i) provide returns by securing access to financing at a reasonable cost, (ii) support the stability of our existing operations as well as future growth and (iii) provide capital for the purpose of strengthening our risk management capability. We actively and regularly review and manage our capital structure, taking into consideration our future capital requirements and capital efficiency, forecast profitability, forecast operating cash flows, forecast capital expenditure and projected investment opportunities. Our strategy is to control our level of debt in order

to secure access to financing at a reasonable cost. In order to maintain or adjust our level of debt, we may adjust the amount of dividends paid, issue new shares, return capital, raise new debt financing or sell assets to reduce debt. For more information, see note 28(f) of Section B of *"Appendix I — Accountants' Report"*.

Net Current Assets/(Liabilities)

The following table sets out our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 30 September	As at 30 November
	2010	2011	2012	2013	2013
			(HK$ in millions)		
Current assets					
Inventories	746.9	1,115.1	1,114.5	990.3	895.0
Trade and other receivables	1,118.0	1,078.1	1,182.9	1,669.0	1,326.6
Amounts due from fellow subsidiaries	1.7	5.6	5.5	5.5	—
Fuel Clause Recovery Account	569.5	1,035.2	819.8	—	—
Cash and bank balances	8.7	23.8	7.6	7.8	170.0
Total current assets	2,444.9	3,257.8	3,130.3	2,672.6	2,391.6
Current liabilities					
MTNs	—	(501.8)	—	—	(499.9)
Amount due to a fellow subsidiary	(10.2)	(10.2)	—	—	—
Current portion of bank loans	(50.0)	(115.0)	(5,310.5)	(792.0)	—
Bank overdrafts — unsecured	(1.7)	—	(5.9)	(6.0)	—
Trade and other payables	(1,569.4)	(2,559.9)	(2,310.4)	(1,931.2)	(1,926.1)
Fuel Clause Recovery Account	—	—	—	(1.9)	(65.6)
Current taxation	(156.7)	(218.2)	(330.0)	(912.5)	(293.9)
Total current liabilities	(1,787.9)	(3,405.2)	(7,956.8)	(3,643.7)	(2,785.5)
Net current assets/(liabilities)	657.0	(147.4)	(4,826.5)	(971.1)	(393.9)

We recorded net current assets of HK$657.0 million as at 31 December 2010 and net current liabilities of HK$147.4 million, HK$4,826.5 million and HK$971.1 million as at 31 December 2011 and 2012 and 30 September 2013, respectively. Our net current liabilities position as at 31 December 2011 primarily reflected (i) the increase in our trade and other payables and (ii) the increase in the current portion of our MTNs in accordance with their repayment schedules. Our net current liabilities position as at 31 December 2012 primarily reflected a significant increase in the current portion of our bank loans. During 2012, certain bank loans that were previously classified as non-current became due within one year in accordance with their repayment schedules and hence were classified as current liabilities. Our net current liabilities position as at 30 September 2013 primarily reflected a decrease in the current portion of our bank loans. The current portion of our bank loans decreased from HK$5,310.5 million as at 31 December 2012 to HK$792.0 million as at 30 September 2013, primarily due to repayment in accordance with their repayment schedules, funded by (i) amounts made available through a drawdown

of facilities with maturity dates beyond one year and (ii) additional amounts made available from the loan from our ultimate holding company. During the Track Record Period, we maintained a relatively stable level of total borrowings (comprising MTNs, bank loans, bank overdrafts and loan from ultimate holding company) of HK$25,778.5 million, HK$27,308.0 million, HK$27,209.3 million and HK$27,082.5 million as at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively. During the same periods, the balance of loan capital received from PAH was HK$8,845.0 million and was accounted for as part of our equity. Our net current liabilities position is also a result of our centralised cash fund management, under which we transferred substantially all of our cash and bank balances to our then holding company. As at 30 November 2013, we recorded net current liabilities of HK$393.9 million, primarily reflecting an increase in the current portion of our MTNs in accordance with their repayment schedules, which was partially offset by an increase in cash and bank balances as a result of the discontinuation of our centralised cash fund management beginning November 2013 and a decrease in current taxation as a result of tax payments made in accordance with a tax demand note issued by the IRD.

Settlement of the Acquisition Consideration

On the Completion Date (which is the same date as the Listing Date), we expect to settle the Acquisition Consideration through:

- the issuance of the Consideration Share Stapled Units to Quickview (at the direction of PAH);

- the payment to PAH of the net proceeds from the Global Offering (being the gross proceeds less underwriting commissions and any incentive fees in relation to the Global Offering payable by HK Electric Investments and the Company) (for the avoidance of doubt, excluding any exercise of the Over-allotment Option); and

- as to the balance, through the issuance of the Promissory Note by Treasure Business in favour of PAH.

Disbursement of the Proceeds from the Loan Facilities

In preparation for the Reorganisation and the Acquisition, we have obtained the HEC Loan Facility and the Company Loan Facility, which together total approximately HK$37,000.0 million.

On or before the fifth business day following the Listing Date, we intend to utilise the proceeds of the HEC Loan Facility of approximately HK$28,300.0 million in the following manner:

- approximately HK$27,445.3 million will be applied towards repayment in full of all amounts outstanding under the Inter-company Loans, comprising (i) HK$18,600.3 million outstanding under various loans and advances from PAH and (ii) HK$8,845.0 million of outstanding loan capital;

- approximately HK$600.0 million will be applied towards payment of capital expenditure incurred or expected to be incurred by HEC up to the Listing Date but unpaid as of such date; and

- approximately HK$254.7 million will be applied towards payment of a front end fee in respect of the HEC Loan Facility.

On or before the fifth business day following the Listing Date, we intend to utilise the proceeds of the Company Loan Facility of approximately HK$8,700.0 million in the following manner:

- approximately HK$8,502.6 million will be applied towards redemption of the Promissory Note to be issued by Treasure Business in favour of PAH;
- approximately HK$109.1 million will be applied towards payment of various costs and expenses relating to the Global Offering which are to be borne by the Company;
- approximately HK$10.0 million will be applied towards funding working capital requirements of the Company and its subsidiaries; and
- approximately HK$78.3 million will be applied towards payment of a front end fee in respect of the Company Loan Facility.

The proceeds of the HEC Loan Facility and the Company Loan Facility are expected to be utilised on or before the fifth business day following the Listing Date in order to cater for the time required for the lenders to process the drawdown. Amounts to be drawn under the HEC Loan Facility and the Company Loan Facility will be repayable after more than one year and will thus be recorded as non-current liabilities. Neither the HEC Loan Facility nor the Company Loan Facility will be guaranteed by PAH.

In addition, as at and from the Listing Date to 31 December 2014 (being the period covered by the 2014 Profit Forecast), we expect to have in place at least HK$500.0 million of committed and available banking facilities, which we can draw to fund the Group's general working capital.

Immediately following the redemption of the Promissory Note as set out above, we expect our total outstanding borrowings to amount to approximately HK$48,328.5 million. As a result of the foregoing, and together with retained cash generated from our operations, we expect to have a net current asset position upon Listing.

As we intend to replace our existing interest-free Inter-company Loans with interest-bearing bank loans, we anticipate that our interest expenses will significantly increase relative to previous years. In particular, the interest rates with respect to the interest bearing HEC Loan Facility and the Company Loan Facility will be equal to (i) the sum of HIBOR and an interest margin (0.80% per annum) for amounts drawn in Hong Kong dollars, and (ii) the sum of LIBOR and an interest margin (0.80% per annum) for amounts drawn in United States dollars. In addition, upon 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 HKFRS, such that the fair value of these identifiable assets and liabilities will be significantly greater than the historical amounts at which such assets and liabilities were previously stated. In addition, goodwill will be created and the amount of our depreciation and amortisation charges will also significantly increase. Such increases in our interest charges and depreciation and amortisation charges have been taken into account in the preparation of the 2014 Profit Forecast and will, in future years, continue to impact our profits and profit margins. On a year-on-year comparison, such increases in our interest charges and depreciation and amortisation charges account for the great majority of the reduction in the amount of the 2014 Profit Forecast (on an annualised basis) relative to the amounts of the profit attributable to the equity shareholders of HEC for FY2010, FY2011, FY2012 and the 2013 Profit Estimate. The goodwill that will be created as a result of the Acquisition may be subject to future impairment. If the carrying amount of the CGU (i.e., the HEC cash generating unit) to which the goodwill arising on the Acquisition will be allocated exceeds the recoverable amount of the CGU after the Listing Date, there may be a reduction

in the goodwill initially recognised as a result of the Acquisition. Any impairment of goodwill would impact our consolidated profit attributable to the Holders of Share Stapled Units. However, depreciation and amortisation charges and impairment of goodwill do not result in any cash outflows and form part of the Adjustments, the effects of which will be eliminated in calculating the Group Distributable Income and in calculating the amounts of the distributions to Registered Holders of Share Stapled Units commencing from the Listing Date. For further information, see *"Risk Factors — Risks Relating to Our Operations — Changes in interest rates and increases in depreciation and amortisation charges and impairment of goodwill may have a significant impact on our profits and results of operations"*.

Taking into account our cash generated from operating activities, the bank facilities available to us and amounts from other sources of funds we expect to raise (including the proceeds from the Global Offering), the Directors believe that we have sufficient working capital for our present requirements and for the 12 months from the date of this prospectus.

CASH FLOW

The following table sets out a summary of our net cash flow and our cash and cash equivalents as at and for the periods indicated:

	FY2010	FY2011	FY2012	9M2012 (unaudited)	9M2013
			(HK$ in millions)		
Net cash generated from operating activities	6,616.3	6,437.8	6,689.7	5,409.8	5,934.6
Net cash used in investing activities	(2,283.6)	(2,531.7)	(2,675.7)	(2,132.5)	(1,583.0)
Net cash used in financing activities	(4,410.8)	(3,889.4)	(4,036.1)	(3,274.6)	(4,351.5)
(Decrease)/increase in cash and cash equivalents	(78.1)	16.8	(22.1)	2.8	0.1

	As at 31 December			As at 30 September	
	2010	2011	2012	2012 (unaudited)	2013
			(HK$ in millions)		
Cash and cash equivalents					
Cash and bank balances	8.7	23.8	7.6	26.6	7.8
Bank overdraft - unsecured	(1.7)	—	(5.9)	—	(6.0)
	7.0	23.8	1.7	26.6	1.8

Cash Generated from Operating Activities

Cash inflow from operating activities primarily consists of cash generated from operations. Our cash outflow from operating activities primarily consists of Hong Kong profits tax paid and interest paid.

Our net cash generated from operating activities was HK$5,934.6 million for 9M2013, primarily reflecting cash generated from operations of HK$6,327.1 million, offset by interest paid of HK$230.1 million and Hong Kong profits tax paid of HK$162.4 million. Our cash generated from operations primarily reflected profit before taxation of HK$3,989.4 million adjusted for depreciation of HK$1,441.1 million and finance costs of HK$214.6 million. The changes in working capital primarily reflected an increase in trade and other receivables of HK$431.2 million, primarily due to an increase in trade debtors as a result of an increase in seasonal electricity demand, offset principally by an inflow in the Fuel Clause Recovery Account of HK$821.7 million.

Our net cash generated from operating activities was HK$5,409.8 million for 9M2012, primarily reflecting cash generated from operations of HK$5,803.4 million, offset by interest paid of HK$221.9 million and Hong Kong profits tax paid of HK$172.0 million. Our cash generated from operations primarily reflected profit before taxation of HK$4,304.8 million adjusted for depreciation of HK$1,373.4 million and finance costs of HK$190.6 million. The changes in working capital primarily reflected an increase in trade and other receivables of HK$475.6 million, primarily due to an increase in trade debtors as a result of an increase in seasonal electricity demand, partially offset by (i) a decrease in inventories of HK$234.9 million which reflected the fluctuation in our inventory level as part of our normal course of business and (ii) an inflow in the Fuel Clause Recovery Account of HK$208.0 million.

Our net cash generated from operating activities was HK$6,689.7 million for FY2012, primarily reflecting cash generated from operations of HK$7,603.3 million, offset by interest paid of HK$292.7 million and Hong Kong profits tax paid of HK$621.1 million. Our cash generated from operations primarily reflected profit before taxation of HK$5,362.0 million adjusted for depreciation of HK$1,862.2 million and finance costs of HK$264.9 million. The changes in working capital primarily reflected (i) an increase in trade and other receivables of HK$99.8 million, primarily due to increases in sales of electricity and (ii) a decrease in net employee retirement benefit scheme liabilities of HK$74.7 million. These amounts were offset primarily by an inflow in the Fuel Clause Recovery Account of HK$215.4 million.

Our net cash generated from operating activities was HK$6,437.8 million for FY2011, primarily reflecting cash generated from operations of HK$7,319.7 million, offset by interest paid of HK$314.5 million and Hong Kong profits tax paid of HK$563.5 million. Our cash generated from operations primarily reflected profit before taxation of HK$5,323.4 million adjusted for depreciation of HK$1,779.4 million and finance costs of HK$249.2 million. The changes in working capital primarily reflected, among other things, an outflow in the Fuel Clause Recovery Account of HK$465.7 million and an increase of HK$360.0 million in inventories primarily due to an increase in the price of coal, as well as the fact that a portion of our coal supply was in transit at the end of 2011. The increase was partially offset by an increase of HK$763.1 million in trade and other payables, primarily reflecting a rates and government rent refund received.

Our net cash generated from operating activities was HK$6,616.3 million for FY2010, primarily reflecting cash generated from operations of HK$7,661.4 million, offset by interest paid of HK$156.8 million and Hong Kong profits tax paid of HK$877.6 million. Our cash generated from operations primarily reflected profit before taxation of HK$5,614.7 million adjusted for depreciation of HK$1,736.0 million and finance costs of HK$112.9 million. The changes in working capital primarily reflected, among other things, a decrease of HK$206.0 million in inventories, primarily reflecting the fluctuation in our inventory level as part of our normal course of business. This decrease was partially offset by a decrease of HK$94.5 million in net employee retirement benefit scheme liabilities.

Cash Used in Investing Activities

Our cash outflow used in investing activities primarily consisted of purchases of fixed assets and capital stock, as well as capitalised interest paid, which is interest paid in connection with the financing of assets under construction. Our cash inflow from investing activities primarily consisted of proceeds from the disposal of fixed assets.

For 9M2013, our net cash used in investing activities was HK$1,583.0 million. The net cash outflow was primarily attributable to (i) purchases of fixed assets and capital stock of HK$1,537.9 million, which were primarily related to assets under construction and plant, machinery and equipment, including but not limited to, upgrading our generation facilities and various cabling and distribution infrastructure; and (ii) capitalised interest paid of HK$47.1 million.

For 9M2012, our net cash used in investing activities was HK$2,132.5 million. The net cash outflow was primarily attributable to (i) purchases of fixed assets and capital stock of HK$2,075.3 million, which were primarily related to assets under construction and plant, machinery and equipment, including but not limited to, equipment purchased to supply electricity to the MTR West Island and South Island lines, upgrading our generation facilities and various cabling and distribution infrastructure; and (ii) capitalised interest paid of HK$58.3 million.

For FY2012, our net cash used in investing activities was HK$2,675.7 million. The net cash outflow was primarily attributable to (i) purchases of fixed assets and capital stock of HK$2,605.0 million, which were primarily related to plant, machinery and equipment and assets under construction, including but not limited to, extending our generation and maintenance facilities on Lamma Island, purchasing equipment to supply electricity to the MTR West Island and South Island lines and replacing cables and overhead lines; and (ii) capitalised interest paid of HK$72.6 million.

For FY2011, our net cash used in investing activities was HK$2,531.7 million. The net cash outflow was primarily attributable to (i) purchases of fixed assets and capital stock of HK$2,477.6 million, which were primarily related to plant, machinery and equipment and assets under construction, including but not limited to, system expansions in order to phase out existing overhead lines, upgrading turbines, extending our generation and maintenance facilities on Lamma Island and replacing cables; and (ii) capitalised interest paid of HK$55.0 million.

For FY2010, our net cash used in investing activities was HK$2,283.6 million. The net cash outflow was primarily attributable to (i) purchases of fixed assets and capital stock of HK$2,236.0 million, which were primarily related to plant, machinery and equipment and assets under construction, including but not limited to, retrofitting portions of our facilities, improving reliability and maintaining and upgrading cables and turbines; and (ii) capitalised interest paid of HK$51.7 million.

Cash Used in Financing Activities

Our cash inflow from financing activities primarily consisted of proceeds from the issuance of MTNs, new bank loans and new customers' deposits. Our cash outflow from financing activities primarily consisted of dividends paid, the repayment of bank loans, the redemption of MTNs and decreases in the amount of the loan from our ultimate holding company as a result of repayment.

For 9M2013, our net cash used in financing activities was HK$4,351.5 million. The net cash outflow primarily consisted of dividends paid of HK$4,615.6 million and the repayment of bank loans of HK$5,000.0 million, partially offset by an increase in the amount of the loan from our ultimate holding company of HK$2,542.2 million, proceeds from new bank loans of HK$1,980.0 million and proceeds from the issuance of MTNs of HK$700.0 million.

For 9M2012, our net cash used in financing activities was HK$3,274.6 million. The net cash outflow primarily consisted of dividends paid of HK$3,760.9 million, the redemption of MTNs of HK$500.0 million and a decrease in the amount of the loan from our ultimate holding company of HK$265.7 million as a result of repayment, partially offset by proceeds from the issuance of MTNs of HK$800.0 million and proceeds from new bank loans of HK$425.0 million, primarily used to finance our capital expenditures and provide working capital.

For FY2012, our net cash used in financing activities was HK$4,036.1 million. The net cash outflow primarily consisted of dividends paid of HK$3,760.9 million, a decrease in the amount of the loan from our ultimate holding company as a result of repayment of HK$809.8 million and the redemption of MTNs of HK$500.0 million. Such amounts were partially offset by proceeds from the issuance of MTNs of HK$800.0 million. The proceeds from the issuance of MTNs were primarily used to finance our capital expenditures and provide working capital.

For FY2011, our net cash used in financing activities was HK$3,889.4 million. The net cash outflow primarily consisted of dividends paid of HK$5,005.7 million and a decrease in the amount of the loan from our ultimate holding company of HK$1,656.8 million as a result of repayment, partially offset by proceeds from the issuance of MTNs of US$250.0 million and HK$710.0 million (equivalent to HK$2,654.3 million in total). The proceeds from the issuance of MTNs were primarily used to finance our capital expenditures and provide working capital.

For FY2010, our net cash used in financing activities was HK$4,410.8 million. The net cash outflow primarily consisted of dividends paid of HK$5,519.1 million and a decrease in the amount of the loan from our ultimate holding company of HK$3,671.9 million as a result of repayment, partially offset by proceeds from the issuance of MTNs of US$500.0 million and HK$770.0 million (equivalent to HK$4,659.2 million in total). The proceeds from the issuance of MTNs were primarily used to finance our capital expenditures and provide working capital.

CERTAIN BALANCE SHEET ITEMS

Inventories

Our inventories primarily consist of coal, ultra low sulphur diesel oil, natural gas and stores and materials. We have on average approximately six weeks of fuel reserves (comprising coal, natural gas and ultra low sulphur diesel oil) in order to prepare ourselves for any potential short-term shortages in our fuel supply. While our inventory levels generally remain stable, they may fluctuate from time to time based on, among other things, shipment arrival schedules and customer demands. The following table sets out the breakdown of the total value of our inventories as at the dates indicated below:

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	(HK$ in millions)			
Coal	133.1	459.2	411.5	305.2
Fuel oil and natural gas[(1)]	299.9	321.3	352.4	315.6
Stores and materials[(2)]	313.9	334.6	350.6	369.5
Total	**746.9**	**1,115.1**	**1,114.5**	**990.3**

Notes:

(1) During FY2010 and FY2011, fuel oil consisted primarily of ultra low sulphur diesel oil and other types of oil. Beginning in FY2012, fuel oil has consisted of ultra low sulphur diesel oil only.

(2) Included in our stores and materials were capital stocks of HK$212.4 million, HK$220.6 million, HK$201.9 million and HK$211.9 million as at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively. These amounts were purchased for future maintenance of capital assets.

The increase in our total inventories from HK$746.9 million as at 31 December 2010 to HK$1,115.1 million as at 31 December 2011 reflected the increase in the price of coal as well as the fact that a portion of our coal supply was in transit at the end of 2011. Our total inventories remained stable at HK$1,115.1 million and HK$1,114.5 million as at 31 December 2011 and 2012, respectively. Our inventories decreased to HK$990.3 million as at 30 September 2013, primarily due to a decrease in the price of coal and fluctuations in our inventory levels as part of our normal course of business.

Trade and Other Receivables

The table below sets out a summary of our (i) trade and other receivables and (ii) trade receivables turnover days as at and for the dates indicated:

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	(HK$ in millions)			
Trade debtors[1]	637.5	637.3	689.7	979.4
Other receivables[2]	420.2	414.1	457.3	658.6
Derivative financial instruments — held as cash flow/fair value hedging instruments	45.8	15.9	0.3	1.7
Deposits and prepayments	14.5	10.8	35.6	29.2
Total trade and other receivables	**1,118.0**	**1,078.1**	**1,182.9**	**1,669.0**

	FY2010	FY2011	FY2012	9M2013
	(Days)			
Trade receivables turnover days[3]	**20.7**	**20.4**	**20.3**	**19.7**

Notes:

(1) Trade debtors for electricity charges that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default. We obtain collateral in the form of security deposits or bank guarantees from customers and the balances are considered to be fully recoverable.

(2) Included in our other receivables are unbilled electricity charges of HK$369.7 million, HK$378.6 million, HK$404.3 million and HK$586.1 million as at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively.

(3) Trade receivables turnover days equals the average monthly balance of trade debtors divided by the average monthly turnover and multiplied by the average number of days in a month during the relevant periods.

We recorded trade and other receivables of HK$1,118.0 million, HK$1,078.1 million, HK$1,182.9 million and HK$1,669.0 million as at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively. Our trade and other receivables primarily comprised amounts due from trade debtors for electricity charges and other receivables that related to unbilled electricity charges. Our trade and other receivables decreased from HK$1,118.0 million as at 31 December 2010 to HK$1,078.1 million as at 31 December 2011 due to a decrease in our derivative financial instruments, primarily reflecting lower revaluation gains from forward foreign exchange contracts purchased for hedging purposes held at the year end. Our total trade and other receivables increased from HK$1,078.1 million as at 31 December 2011 to HK$1,182.9 million as at 31 December 2012, primarily due to an increase in trade debtors and other receivables resulting from increases in sales of electricity at a higher net tariff. Our trade and other receivables further increased to HK$1,669.0 million as at 30 September 2013, primarily due to seasonal electricity demand resulting from warmer temperatures in the middle of the year.

Electricity bills issued to domestic, small industrial, commercial and miscellaneous customers for electricity supplies are due upon presentation whereas maximum demand customers are allowed a credit period of 16 working days. If settlements by maximum demand customers are received after the credit period, a surcharge of 5% may be added to their electricity bills.

With regard to our bad debt policies, our trade debtors are individually assessed for impairment. Any impairment losses are written off against the specific trade debtors directly and no separate account is maintained for impairment losses.

Our trade receivables turnover days remained relatively stable at 20.7 days, 20.4 days, 20.3 days and 19.7 days for FY2010, FY2011, FY2012 and 9M2013, respectively.

The table below sets out an aging analysis of our trade receivables which are not considered to be impaired as at the dates indicated:

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	(HK$ in millions)			
Current and within 1 month	582.4	597.2	650.6	922.4
1 to 3 months	36.7	26.2	28.4	46.8
More than 3 months but less than 12 months	18.4	14.0	10.8	10.2
Total trade receivables	**637.5**	**637.3**	**689.7**	**979.4**

As at 30 November 2013, approximately HK$959.3 million, or 97.9% of our trade receivables outstanding as at 30 September 2013 were settled.

Trade and Other Payables

The table below sets out our trade and other payables as at the dates indicated:

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	(HK$ in millions)			
Creditors and accruals				
Trade creditors	69.7	16.2	27.2	22.6
Capital expenditure accruals and retention money	786.5	999.6	747.8	289.7
Fuel purchase accruals	154.0	513.9	450.2	466.8
Others	525.7	985.4	1,034.6	1,050.9
	1,535.9	2,515.1	2,259.8	1,830.0
Accrued interest on MTNs	33.0	40.9	40.5	100.9
Derivative financial instruments — held as cash flow/fair value hedging instruments	0.5	3.9	10.1	0.3
Total trade and other payables	**1,569.4**	**2,559.9**	**2,310.4**	**1,931.2**

The table below sets out an aging analysis of our creditors and accruals as at the dates indicated:

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	(HK$ in millions)			
Due within 1 month or on demand	517.5	980.9	798.2	552.5
Due after 1 month but within 3 months	403.3	424.5	349.6	191.8
Due after 3 months but within 12 months	615.1	1,109.7	1,112.0	1,085.7
Total creditors and accruals	**1,535.9**	**2,515.1**	**2,259.8**	**1,830.0**

We had trade and other payables of HK$1,569.4 million, HK$2,559.9 million, HK$2,310.4 million and HK$1,931.2 million as at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively. Our trade and other payables principally comprised creditors and accruals and accrued interest on MTNs. Our trade and other payables increased from HK$1,569.4 million as at 31 December 2010 to HK$2,559.9 million as at 31 December 2011, primarily reflecting a rates and government rent refund received and an increase in capital expenditure accruals. Our total trade and other payables decreased from HK$2,559.9 million as at 31 December 2011 to HK$2,310.4 million as at 31 December 2012, primarily due to a decrease in creditors and accruals resulting from a decrease in the amount of fixed assets purchased. These amounts were partially offset by an increase in derivative financial instruments held as cash flow/fair value hedging instruments attributable to an increase in revaluation losses from forward foreign exchange contracts. Our trade and other payables further decreased to HK$1,931.2 million as at 30 September 2013, primarily reflecting a decrease in capital expenditure accruals during the period, as well as a decrease in derivative financial instruments held as cash flow/fair value hedging instruments, partially offset by an increase in accrued interest on MTNs.

As at 30 November 2013, approximately HK$576.9 million, or 29.9%, of our trade and other payables outstanding as at 30 September 2013 were paid.

The Directors have confirmed that we had no defaults with regard to the payment of trade and other payables during the Track Record Period.

Total Equity

Our total equity was HK$14,947.4 million, HK$13,694.5 million, HK$14,488.6 million and HK$14,026.4 million as at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively. Fluctuations in the amount of our total equity were primarily due to changes in the amount of reserves. Specifically, the decrease from 31 December 2010 to 31 December 2011 primarily reflected a loss attributable to a re-measurement of net defined benefit obligations as a result of a change in discount rates used in the actuarial valuation method (3.0% at the beginning of FY2011 to 1.5% at the end of FY2011 and further to 0.8% at the end of FY2012) by our independent actuaries. The decrease from 31 December 2012 to 30 September 2013 was primarily due to the fact that the 30 September 2013 figure only reflected nine months' results as opposed to a full year's result, partially offset by an increase in our other comprehensive income attributable to a re-measurement of net defined benefit obligations as a result of a change in discount rates used in the actuarial valuation method (1.5% at the beginning of FY2012 to 0.8% at the end of FY2012 and further to 2.3% at the end of 9M2013) by our independent actuaries.

Loan Capital

Loan capital represents an investment of funds received from PAH as a shareholder's investment in the form of an interest free loan and is accounted for as part of our equity. The balance of loan capital brought forward and carried forward was HK$8,845.0 million as at 31 December 2010, 2011 and 2012 and 30 September 2012 and 2013. As at 30 November 2013, being the latest practicable date for determining our indebtedness, the balance of loan capital brought forward and carried forward was HK$8,845.0 million. We intend to repay the Inter-company Loans, which includes the loan capital, in full on or before the fifth business day following the Listing Date using proceeds from the HEC Loan Facility. There is no restriction under the current Scheme of Control with regard to the repayment of loan capital.

INDEBTEDNESS

Bank Loans

The table below sets out our bank loans as at the dates indicated:

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	(HK$ in millions)			
Bank loans				
Current portion	50.0	115.0	5,310.5	792.0
Non-current portion	4,994.0	4,996.2	—	1,500.0
Total bank loans	**5,044.0**	**5,111.2**	**5,310.5**	**2,292.0**

As at 31 December 2010, 2011 and 2012 and 30 September 2013, our total bank loans were HK$5,044.0 million, HK$5,111.2 million, HK$5,310.5 million and HK$2,292.0 million, respectively. The increase in the current portion of our bank loans from HK$50.0 million as at 31 December 2010 to HK$5,310.5 million as at 31 December 2012 was primarily due to a shifting of our non-current bank loans to current bank loans as they became due within one year's time as at 31 December 2012. To a lesser extent, the increase was also the result of an increase in current bank loans drawn to fund our acquisitions of fixed assets. Our bank loans decreased from HK$5,310.5 million as at 31 December 2012 to HK$2,292.0 million as at 30 September 2013, primarily reflecting a decrease in the current portion of our bank loans, primarily due to repayment in accordance with their repayment schedules, funded by (i) amounts made available through a drawdown of facilities with maturity dates beyond one year and (ii) additional amounts made available from the loan from our ultimate holding company. During FY2010, FY2011, FY2012 and 9M2013, the interest rates on our bank loans and MTNs ranged from 0.23% to 4.55%, 0.25% to 4.55%, 0.30% to 4.55% and 0.30% to 4.55%, respectively.

As at 30 November 2013, being the latest practicable date for determining our indebtedness, we did not have any outstanding bank loans. At the same time, we had total committed, undrawn bank facilities of HK$2,300 million with maturity dates ranging from 31 July 2015 to 3 August 2015. We have obtained the Company Loan Facility of approximately HK$8,700.0 million and the HEC Loan Facility of approximately HK$28,300.0 million. As at and from the Listing Date to 31 December 2014 (being the period covered by the 2014 Profit Forecast), we expect to have in place at least HK$500.0 million of committed and available banking facilities, which we can draw to fund our general working capital.

Immediately following the redemption of the Promissory Note, we expect our total outstanding borrowings to amount to HK$48,328.5 million. We expect to continue to rely on bank loans and other borrowings to fund a portion of our capital expenditures and other capital requirements in relation to the expansion of our business.

The table below sets out an aging analysis of our debt profile as at the dates indicated:

	As at 31 December						As at 30 September	
	2010		2011		2012		2013	
	Bank loans and bank overdrafts	MTNs	Bank loans and bank overdrafts	MTNs	Bank loans and bank overdrafts	MTNs	Bank loans and bank overdrafts	MTNs
	(HK$ in millions)							
Repayable within 1 year	51.7	—	115.0	501.8	5,316.4	—	798.0	—
Repayable after 1 year but within 2 years	—	520.6	4,996.2	—	—	499.8	1,500.0	999.6
Repayable after 2 years but within 5 years	4,994.0	998.9	—	1,897.9	—	1,698.0	—	1,198.7
Repayable after 5 years	—	6,023.1	—	8,263.5	—	8,971.5	—	9,320.3
Total debt profile	**5,045.7**	**7,542.6**	**5,111.2**	**10,663.3**	**5,316.4**	**11,169.3**	**2,298.0**	**11,518.6**

The following is a general summary of the material covenants and undertakings and material events of default of each of these loans:

- Borrowed Money (as defined below) may not exceed 2.5 times of our Adjusted Net Worth (as defined below) and secured borrowed money may not exceed our Adjusted Net Worth.

- Our Adjusted Tangible Net Worth (as defined below) may not be less than HK$8,000.0 million.

- Negative pledge: We may not create or have outstanding any encumbrance on or over our assets, except for (i) liens arising by operation of law or agreement in the ordinary course of our operations; (ii) any encumbrance existing at the time of acquisition of any asset after the date of the bank loans not created in contemplation of that acquisition, and any substitute encumbrance created on that asset in connection with the refinancing of the indebtedness secured on that asset; (iii) any encumbrance created on any asset acquired or developed by us after the date of the bank loan for the sole purpose of financing that acquisition or development; and (iv) any other encumbrance created or outstanding with the prior written consent of the lender, unless the relevant encumbrance is extended equally and ratably to the advance made and to all other sums payable by us under the relevant bank loan agreement.

- Cross default: An event of default will be considered to have occurred when any indebtedness in respect of Borrowed Money which has an aggregate outstanding principal amount of not less than 2% of our Adjusted Net Worth (i) is not paid when due, (ii) becomes due and payable before its normal maturity by reason of default or event of default or (iii) in the case of a contingent obligation or obligation as surety, such obligation or the indebtedness to which it relates becomes due and payable by reason of default or event of default and is not paid when due unless the same is being contested in good faith.

- An event of default will also be considered to have occurred if (i) we fail to perform or observe any of the terms and conditions of the Scheme of Control or there is any amendment thereto which the lender believes may materially and adversely affect the operation of the Scheme of Control; or (ii) the Scheme of Control is terminated, and the lender believes that such termination will materially prejudice our ability to meet our financial obligations.

For the purposes of the above summary:

- "**Borrowed Money**" means the aggregate of all of our borrowed money including contingent obligations for or in respect of the borrowed money and excluding Loan Capital (as defined below) and other interest free borrowed money from members of the Group.

- "**Adjusted Net Worth**" means the aggregate of (i) the amount paid up or credited as paid up on our issued share capital; (ii) the amounts standing to the credit of our reserves, including any such balance on our share premium account, revaluation reserve and retained profits or losses; and (iii) the outstanding principal amount of any interest free Loan Capital owed by us to PAH provided that (a) any such Loan Capital is stated in the then most recent accounts as representing a reinvestment of funds based on an accumulation of prior year profits and a long-term interest free capital loan, and (b) any such Loan Capital is not repayable without the prior agreement of the Hong Kong Government, has not been repaid and is treated as permanent shareholders' funds (the "**Loan Capital**"); all as shown by our latest balance sheet (being the latest audited balance sheet delivered to the lender or, until the first such balance sheet is so delivered, the audited balance sheet as at 31 December 2012).

- "**Adjusted Tangible Net Worth**" means Adjusted Net Worth (as defined above) less goodwill and other intangible assets.

Immediately following the redemption of the Promissory Note, our aggregate borrowing is expected to be approximately HK$48,328.5 million.

In preparation for the Reorganisation, a facility agreement dated 10 January 2014 (the "**HEC Loan Facility Agreement**") has been entered into between HEC and each of the participating banks set out therein, including Goldman Sachs Bank USA (an affiliate of Goldman Sachs (Asia) L.L.C.) and The Hongkong and Shanghai Banking Corporation Limited (an affiliate of HSBC Corporate Finance (Hong Kong) Limited), pursuant to which a dual currency term loan facility comprising a Hong Kong dollar tranche of up to approximately HK$16,521.1 million and a United States dollar tranche of up to approximately US$1,519.0 million (the "**HEC Loan Facility**") has been made available to HEC. On or before the fifth business day following the Listing Date, we intend to utilise the proceeds of the HEC Loan Facility of approximately HK$28,300.0 million in the following manner:

- approximately HK$27,445.3 million will be applied towards repayment in full of all amounts outstanding under the Inter-company Loans, comprising (i) HK$18,600.3 million outstanding under various loans and advances from PAH and (ii) HK$8,845.0 million of outstanding loan capital;

- approximately HK$600.0 million will be applied towards payment of capital expenditure incurred or expected to be incurred by HEC up to the Listing Date but unpaid as of such date; and

- approximately HK$254.7 million will be applied towards payment of a front end fee in respect of the HEC Loan Facility.

Further, in preparation for the Acquisition, a facility agreement dated 10 January 2014 (the "**Company Loan Facility Agreement**") has been entered into between the Company, HEC, and each of the participating banks set out therein, including Goldman Sachs Bank USA (an affiliate of Goldman Sachs (Asia) L.L.C.) and The Hongkong and Shanghai Banking Corporation Limited (an affiliate of HSBC Corporate Finance (Hong Kong) Limited), pursuant to which a dual currency term loan facility comprising a Hong Kong dollar tranche of up to approximately HK$5,078.9 million and a United States dollar tranche of up to approximately US$467.0 million (the "**Company Loan Facility**") has been made available to the Company. On or before the fifth business day following the Listing Date, we intend to utilise the proceeds of the Company Loan Facility of approximately HK$8,700.0 million in the following manner:

- approximately HK$8,502.6 million will be applied towards redemption of the Promissory Note to be issued by Treasure Business in favour of PAH in partial settlement of the Acquisition Consideration;

- approximately HK$109.1 million will be applied towards payment of various costs and expenses relating to the Global Offering which are to be borne by the Company;

- approximately HK$10.0 million will be applied towards funding working capital requirements of the Company and its subsidiaries; and

- approximately HK$78.3 million will be applied towards payment of a front end fee in respect of the Company Loan Facility.

Neither the HEC Loan Facility nor the Company Loan Facility are guaranteed by PAH. The Company Loan Facility is guaranteed by HEC. A summary of the key terms of the Loan Facilities is set out below:

- Facility amount:

  HEC Loan Facility: approximately HK$28,300.0 million
  Company Loan Facility: approximately HK$8,700.0 million

- Interest rate:

  Hong Kong dollar drawings: the sum of HIBOR and an interest margin (0.80% per annum)
  United States dollar drawings: the sum of LIBOR and an interest margin (0.80% per annum)

- Maturity date: in the case of each of the Loan Facilities, three years from the date of the first drawdown

The HEC Loan Facility includes the following material events of default:

- Consolidated Borrowed Money (as defined below) to Consolidated Adjusted Net Worth (as defined below) is more than 2.5 times;

- Consolidated Borrowed Money to Consolidated EBITDA (as defined below) (on a rolling twelve-month basis) is equal to or more than 7.0 times;

- Consolidated Adjusted Net Worth is less than or equal to HK$20,000.0 million; and

- An event of default will also be considered to have occurred if (i) HEC fails to perform or observe any of the terms and conditions of the Scheme of Control or there is any amendment thereto which a majority of the lenders reasonably believe may adversely affect to a material extent the continued operation or existence of the Scheme of Control; or (ii) the Scheme of Control is terminated, and a majority of the lenders reasonably believe that such failure or amendment or termination will materially prejudice HEC's ability to meet its financial obligations, provided that such event in (i) or (ii) is materially prejudicial to the interests of the lenders.

The Company Loan Facility includes the following material events of default:

- Consolidated Borrowed Money (as defined below) to Consolidated Adjusted Net Worth (as defined below) is more than 2.5 times;

- Consolidated Borrowed Money to Consolidated EBITDA (as defined below) (on a rolling twelve-month basis) is equal to or more than 7.0 times;

- Consolidated Adjusted Net Worth is less than or equal to HK$20,000.0 million; and

- An event of default will also be considered to have occurred if (i) HEC fails to perform or observe any of the terms and conditions of the Scheme of Control or there is any amendment thereto which a majority of the lenders reasonably believe may adversely affect to a material extent the continued operation or existence of the Scheme of Control; or (ii) the Scheme of Control is terminated, and a majority of the lenders reasonably believe that such failure or amendment or termination will materially prejudice the Company's or HEC's ability to meet its financial obligations, provided that such event in (i) or (ii) is materially prejudicial to the interests of the lenders.

For the purposes of the above material events of default:

- "**Consolidated Adjusted Net Worth**" means the aggregate of (i) the amount paid up or credited as paid up on the issued share capital (including ordinary shares and preference shares) of the Company and (ii) the amounts standing to the credit of the Company's reserves (including, but not limited, to any such balance on the share premium account, revaluation reserve and retained profits or losses) all as shown by the full-year or half-year balance sheet, but where a test is conducted by reference to any audited accounts and the auditors' report thereon is in any way qualified, there shall be deducted from the aggregate as aforesaid the amount which such auditors certify to be the difference between the actual amount shown in such latest balance sheet and the amount which such auditors consider, in their opinion, to present a true and fair view of the relevant entry in such latest balance sheet;

- "**Consolidated Borrowed Money**" means the aggregate of borrowed money of each member of the Group (but excluding for this purpose borrowed money from other members of the Group) and including (for the avoidance of doubt) contingent obligations for or in respect of borrowed money; and

- "**Consolidated EBITDA**" means in respect of any date, the consolidated profits of the Company before taxation for the 12 month period ending on such date but before (i) deducting interest and finance charges, (ii) deducting any amount attributable to the amortisation, revaluation, write down or impairment of intangible assets or the depreciation of tangible assets, (iii) taking into account any items treated as exceptional or extraordinary and any other non-recurring items, (iv) taking into account any unrealised exchange gains and losses including those arising on translation of currency debt and (v) taking into account any gain or loss arising from an upward or downward revaluation of any asset, in each case, to the extent added, deducted or taken into account, as the case may be.

Each of the Loan Facilities will be repayable upon its final maturity. We intend to refinance or renew the Loan Facilities on maturity or earlier through sources that we deem appropriate at such time. We will continue to analyse which sources of capital are most advantageous to us at any particular time.

It is our intention to reduce our exposure to interest rate risks under the Loan Facilities by entering into hedging arrangements to convert substantially all of our floating rate obligations into fixed rate obligations. We will take into account all factors and other considerations we consider relevant, including prevailing market conditions, in order that these hedging arrangements will be implemented on such terms and timing which are in our best interests.

Medium Term Notes

The MTNs are bearer or registered notes at fixed interest rates issued under a US$1,000.0 million MTN programme established by our subsidiary, HEFL, on 18 December 2002 with various financial institutions. The programme size increased to US$3,000.0 million on 9 December 2011. The MTNs are unconditionally and irrevocably guaranteed by us and are subject to redemption in whole, at their principal amount, together with accrued interest, at the option of HEFL at any time in the event of certain changes affecting taxes in the British Virgin Islands or Hong Kong. As at 31 December 2010, 2011 and 2012 and 30 September 2013, the nominal value of the MTNs was HK$7,689.3 million, HK$10,346.7 million, HK$10,622.5 million and HK$11,328.5 million, respectively. As at 30 November 2013, being the latest practicable date for determining our indebtedness, the nominal value of the MTNs was HK$11,328.5 million. For further information regarding the MTNs, see note 19 of Section B of *"Appendix I — Accountants' Report"*.

The following is a general summary of the material terms and conditions of MTNs issued under our MTN programme:

Interest Rates and Maturity Dates

Pursuant to the MTNs, interest on certain portions of the MTNs is payable at fixed rates, with other portions being payable at a floating rates. For a breakdown of the details of the MTNs, including the fixed or floating rates at which they are payable and the maturity dates, please see note 19 of Section B of *"Appendix I — Accountants' Report"*. For details regarding the interest rates of the MTNs after taking into account the effect of cross currency swaps and interest rate swaps designated as cash flow or fair value hedging instruments, see note 29 of Section B of *"Appendix I — Accountants' Report"*.

Negative Pledge

Under the MTNs, neither we nor HEFL may create any security interest upon any part of our respective businesses to secure any indebtedness or guarantee of, or indemnity in respect of, any indebtedness, unless it can be ensured that HEFL's obligations under the MTNs or our obligations under the guarantee (i) are secured by the security interest equally with the indebtedness or benefit or indemnity in substantially identical terms or (ii) have the benefit of such other security interests or arrangements as shall be approved by a resolution of the holders of MTNs. Subject to certain conditions specified in the MTNs, we and HEFL may create or have outstanding a security interest without the obligation to provide any arrangement in respect of the MTNs.

Events of Default

The MTNs contain certain events of default. Such events include, but are not limited to, (i) breach of any other obligations under the MTNs; (ii) cross-default or failure to make required payments in an amount which equals or exceeds US$30.0 million or its equivalent; (iii) enforcement proceedings, including a distress, attachment, execution or other legal process against all or a material part of the property, assets or revenues of HEFL or us; (iv) the enforcement of a security in respect of the whole or any material part of the business, undertaking, assets and revenues of HEFL; and (v) a change in ownership of HEFL.

Loan from Ultimate Holding Company

The table below sets out a breakdown of our loan from our ultimate holding company for the periods indicated:

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	(HK$ in millions)			
Loan from ultimate holding company	13,190.2	11,533.5	10,723.7	13,265.9

As at 31 December 2010, 2011 and 2012 and 30 September 2013, our loan from our ultimate holding company was HK$13,190.2 million, HK$11,533.5 million, HK$10,723.7 million and HK$13,265.9 million, respectively. The decreases from 2010 to 2012 were primarily due to repayments made at the end of each year. The increase in borrowings from 31 December 2012 to 30 September 2013 was primarily the net result of our centralised cash fund management, under which we increased our borrowings in the form of a loan from our ultimate holding company, PAH, for purposes of funding our daily operations and capital expenditure, and our transactions with PAH (as set out in note 33 of the Accountants' Report in *"Appendix I — Accountants' Report"*), which allow us to take advantage of certain cost benefits. The loan from our ultimate holding company is unsecured, interest-free and has no fixed terms of repayment. As at 31 December 2010, 2011 and 2012 and 30 September 2013, the loan from our ultimate holding company was not expected to be repaid within 12 months and therefore such loan was recorded as a non-current liability. However, if the Listing proceeds as anticipated, the loan from our ultimate holding company is expected to be repaid on or before the fifth business day following the Listing Date. As at 30 November 2013, being the latest practicable date for determining our indebtedness, we had an outstanding loan from our ultimate holding company of HK$17,719.6 million. We expect to repay the Inter-company Loans on or before the fifth business day following the Listing Date, using the proceeds from the HEC Loan Facility.

The Directors confirm that there has been no material change in our indebtedness position since 30 September 2013 and that there have been no defaults with regard to bank loans and/or breaches of financial covenants during the Track Record Period.

CAPITAL EXPENDITURES AND COMMITMENTS AND CONTINGENT LIABILITIES

Capital Expenditures

For FY2010, FY2011, FY2012 and 9M2013, our capital expenditures were HK$2,426.8 million, HK$2,886.9 million, HK$2,612.9 million and HK$1,192.7 million, respectively. Our capital expenditures consisted of investments in fixed assets, primarily for the retrofitting of emission control facilities, increasing the gas-fired generation capacity, station building and plant facilities improvement (including upgrading steam turbines, constructing new service buildings and installing a 1 MW TFPV system at Lamma Power Station), the replacement of overhead lines with underground cable circuits, the installation of cable circuits and equipment for electricity connection to new MTR lines, general transmission and distribution system expansion and other projects for improving supply reliability. We financed our capital expenditures mainly through a combination of cash from operations, bank loans and other borrowings, a loan from our ultimate holding company, loan capital, proceeds from our MTNs and other liabilities.

The 2014-2018 Development Plan, which covers the period from 1 January 2014 to 31 December 2018, was approved by the Executive Council on 10 December 2013. The 2014-2018 Development Plan provides for an estimated total investment of approximately HK$13.0 billion in new and existing capital projects over its five year term. Our approved capital expenditure under the 2014-2018 Development Plan includes investments in our power generation system (approximately HK$6.1 billion, inclusive of the estimated HK$3.0 billion in relation to the L10 Project), our transmission and distribution networks (approximately HK$5.3 billion) and our customer and corporate services development (approximately HK$1.6 billion). Upon Listing, we plan to finance our capital expenditures through cash from our operating activities, bank loans and/or other debt markets fund raising activities. See *"Scheme of Control and Regulatory Overview — Scheme of Control — Development Plan — 2014-2018 Development Plan"* for further information.

Capital Commitments

The following table sets out our capital commitments as at the dates indicated:

	As at 31 December			As at 30 September
	2010	2011	2012	2013
	(HK$ in millions)			
Capital commitments for fixed assets authorised and contracted for	1,576.3	1,564.7	1,125.4	1,060.2
Capital commitments for fixed assets authorised but not contracted for	9,373.4	9,348.3	8,763.8	7,884.2
Total capital commitments for fixed assets	**10,949.7**	**10,913.0**	**9,889.2**	**8,944.4**

As at 31 December 2010, 2011 and 2012 and 30 September 2013, our total capital commitments for fixed assets were HK$10,949.7 million, HK$10,913.0 million, HK$9,889.2 million and HK$8,944.4 million, respectively. During the Track Record Period, our capital commitments for fixed assets primarily consisted of the installation of submarine cable circuits at various locations, the construction of transformers, the development of an additional transmission system for the Lamma Power Station, equipment in connection with supplying electricity for the construction of the MTR West Island and South Island lines and the extension of our generation and maintenance facilities on Lamma Island.

Contingent Liabilities

Except as disclosed above or as otherwise disclosed herein, we did not have outstanding at the close of business on 30 September 2013 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities. The Directors confirm that there has been no material change in our commitments and contingent liabilities since 30 September 2013.

KEY FINANCIAL RATIOS

The following table lays out our key financial ratios for the periods indicated:

	For the year ended and as at 31 December			For the nine months ended and as at 30 September	
	2010	2011	2012	2012	2013
Current ratio[(1)]	136.7%	95.7%	39.3%	42.1%	73.3%
Gearing ratio[(2)]	24.6%	29.9%	30.9%	31.6%	26.4%
Net debt-to-net assets ratio[(3)]	84.2%	115.0%	113.7%	126.4%	98.4%
Net debt-to-total assets ratio[(4)]	24.6%	29.8%	30.9%	31.5%	26.4%
Return on assets[(5)]	9.0%	8.5%	8.5%	N/A	N/A
Return on equity[(6)]	30.9%	32.7%	31.3%	N/A	N/A

Notes:

(1) Current ratio is calculated by dividing total current assets by total current liabilities and multiplying the result by 100%.

(2) Gearing ratio is calculated by dividing total interest-bearing borrowings by total assets and multiplying the result by 100%. Total interest-bearing borrowings represents interest-bearing borrowings, which comprise bank loans, MTNs and unsecured bank overdrafts.

(3) Net debt-to-net assets ratio is calculated by dividing net debt by net assets and multiplying the result by 100%. Net debt represents our interest-bearing borrowings less cash and bank balances, with interest-bearing borrowings comprising bank loans, MTNs and unsecured bank overdrafts.

(4) Net debt-to-total assets ratio is calculated by dividing net debt by total assets and multiplying the result by 100%.

(5) Return on assets is calculated by dividing profit attributable to the equity shareholders of HEC for the year by total assets and multiplying the result by 100%.

(6) Return on equity is calculated by dividing profit attributable to the equity shareholders of HEC for the year by total equity and multiplying the result by 100%. Total equity comprises share capital, reserves and loan capital.

Current Ratio

Our current ratio was 136.7%, 95.7%, 39.3%, 42.1% and 73.3% as at 31 December 2010, 2011 and 2012 and 30 September 2012 and 2013, respectively. Our current ratio decreased from 136.7% as at 31 December 2010 to 95.7% as at 31 December 2011, primarily due to an increase in total current liabilities as a result of an increase in trade and other payables and the current portion of our MTNs in accordance with their repayment schedules. Our current ratio decreased from 95.7% as at 31 December 2011 to 39.3% as at 31 December 2012, primarily due to an increase in the current portion of our bank loans. This increase was primarily a result of the shifting of our non-current loans to current loans and, to a lesser extent, the increase in current bank loans drawn to fund our acquisitions of fixed assets. Our current ratio increased from 42.1% as at 30 September 2012 to 73.3% as at 30 September 2013, primarily due to a decrease in the current portion of our bank loans.

Gearing Ratio

Our gearing ratio was 24.6%, 29.9%, 30.9%, 31.6% and 26.4% as at 31 December 2010, 2011 and 2012 and 30 September 2012 and 2013, respectively. Our gearing ratio increased from 24.6% as at 31 December 2010 to 29.9% as at 31 December 2011, primarily reflecting an increase in the amount of MTNs issued. Our gearing ratio remained relatively stable at 29.9% as at 31 December 2011 and 30.9% as at 31 December 2012. Our gearing ratio decreased from 31.6% as at 30 September 2012 to 26.4% as at 30 September 2013, primarily due to a decrease in our outstanding bank loans.

Net Debt-to-Net Assets Ratio

Our net debt-to-net assets ratio was 84.2%, 115.0%, 113.7%, 126.4% and 98.4% as at 31 December 2010, 2011 and 2012 and 30 September 2012 and 2013, respectively. Our net debt-to-net assets ratio increased from 84.2% as at 31 December 2010 to 115.0% as at 31 December 2011, primarily due to an increase in net debt resulting from an increase in the amount of MTNs issued. Our net-debt-to-net assets ratio remained relatively stable at 115.0% as at 31 December 2011 and 113.7% as at 31 December 2012. Our net debt-to-net assets ratio decreased from 126.4% as at 30 September 2012 to 98.4% as at 30 September 2013, primarily due to the decrease in our outstanding bank loans.

Net Debt-to-Total Assets Ratio

Our net debt-to-total assets ratio was 24.6%, 29.8%, 30.9%, 31.5% and 26.4% as at 31 December 2010, 2011 and 2012 and 30 September 2012 and 2013, respectively. Our net debt-to-total assets ratio increased from 24.6% as at 31 December 2010 to 29.8% as at 31 December 2011, primarily due to an increase in the amount of MTNs issued. Our net debt-to-total assets ratio remained relatively stable at 29.8% as at 31 December 2011 and 30.9% as at 31 December 2012. Our net debt-to-total assets ratio decreased from 31.5% as at 30 September 2012 to 26.4% as at 30 September 2013, primarily due to a decrease in our outstanding bank loans.

Return on Assets

Our return on assets was 9.0%, 8.5% and 8.5% for FY2010, FY2011 and FY2012, respectively. Our return on assets decreased from 9.0% for FY2010 to 8.5% for FY2011, primarily due to a decrease in our profit attributable to the equity shareholders of HEC and an increase in our total assets. Our return on assets remained stable at 8.5% for FY2011 and FY2012.

Return on Equity

Our return on equity was 30.9%, 32.7% and 31.3% for FY2010, FY2011 and FY2012, respectively. Our return on equity increased from 30.9% for FY2010 to 32.7% for FY2011, primarily due to a decrease in total equity, coupled with a slight decrease in profit attributable to the equity shareholders of HEC. Our return on equity decreased from 32.7% for FY2011 to 31.3% for FY2012, primarily due to an increase in total equity, coupled with a slight increase in profit attributable to the equity shareholders of HEC.

OFF BALANCE SHEET ARRANGEMENTS

We had no off-balance sheet arrangements as at 30 September 2013 and as at the date of this prospectus.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to credit, liquidity, interest rate and currency risks in the normal course of our business. In accordance with our treasury policy, derivative financial instruments are only used to hedge our exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. We do not hold or issue derivative financial instruments for trading or speculative purposes.

Credit Risk Management

Our credit risk is primarily attributable to trade and other receivables relating to electricity customers, bank deposits and over-the-counter derivative financial instruments entered into for hedging purposes. We have a credit policy in place and our exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables relating to electricity customers, we obtain collateral in the form of security deposits or bank guarantees from customers in accordance with our supply rules. As at 31 December 2010, 2011 and 2012 and 30 September 2013, the security deposits held by us totalled HK$1,747.6 million, HK$1,801.4 million, HK$1,839.0 million and HK$1,880.9 million, respectively.

We have a defined minimum credit rating requirement and transaction limit for counterparties when dealing in financial derivatives or placing deposits to minimise credit exposure. We do not expect any counterparty to fail to meet its obligations. Our maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, on our balance sheet.

Liquidity Risk

During the Track Record Period, we operated a central cash management system in order to achieve better control of risk and minimise the costs of funds. Upon Listing, we will handle our cash fund management independently. We aim to ensure that we will have sufficient access to liquidity as and when the need arises by establishing committed banking facilities. Our policy is to regularly monitor current and expected liquidity requirements and our compliance with loan covenants to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding to meet our liquidity requirements in the short and longer term. As at 31 December 2010, 2011 and 2012 and 30 September 2013, we had undrawn committed bank facilities of HK$6,500.0 million, HK$6,500.0 million, HK$5,540.0 million and HK$3,770.0 million respectively.

The following table sets out the remaining contractual maturities as at 30 September 2013 of our non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at 30 September 2013) and the earliest date we could be required to pay.

	As at 30 September 2013					
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
			(HK$ in millions)			
MTNs plus accrued interest	11,619.5	14,932.6	448.8	1,428.0	2,347.6	10,708.2
Bank loans plus accrued interest	2,293.1	2,330.7	813.4	1,517.3	—	—
Bank overdrafts	6.0	6.0	6.0	—	—	—
Creditors and accrued charges	1,824.0	1,824.0	1,824.0	—	—	—
Cross currency swaps and related interest accruals	(369.3)					
- outflow		848.1	117.0	117.0	351.3	262.8
- inflow	—	(1,853.7)	(247.2)	(247.2)	(741.5)	(617.9)
	15,373.4	18,087.7	2,962.1	2,815.2	1,957.4	10,353.1
Derivatives settled gross						
Forward foreign exchange contracts held as cash flow hedging instruments	(1.4)					
- outflow		4,214.8	3,157.5	1,057.2	—	—
- inflow		(4,216.8)	(3,159.2)	(1,057.6)	—	—
Other forward foreign exchange contracts	(0.04)					
- outflow		181.6	181.6	—	—	—
- inflow		(181.6)	(181.6)	—	—	—

For further information regarding the remaining contractual maturities of our non-derivative financial liabilities and derivative financial liabilities, see note 29(b) of Section B of *"Appendix I — Accountants' Report"*.

Interest Rate Risk

We are exposed to cash flow interest rate risk on our interest-bearing assets and liabilities. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Hedging

Our policy is to maintain a balanced combination of fixed and variable rate debt to reduce our interest rate exposure. We also use cross currency swaps and interest rate swaps to manage our exposure in accordance with our treasury policy. For further information regarding our hedging policy, see *"— Hedging Policy"* below.

We classify cross currency swaps and interest rate swaps as cash flow or fair value hedges and state them at fair value in accordance with the policy set out in note 1(q) of *"Appendix I — Accountants' Report"*.

Interest Rate Profile

Our net fixed rate liabilities, which primarily consisted of MTNs and bank loans, were HK$4,305.9 million, HK$5,766.1 million, HK$6,308.8 million and HK$7,005.1 million as at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively. Our net variable rate liabilities, which primarily consisted of bank loans, MTNs and customers' deposits, were HK$10,021.2 million, HK$11,785.9 million, HK$12,008.2 million and HK$8,684.5 million as at the same periods, respectively. For further information regarding the interest rate profile of our net interest-bearing assets and liabilities as at the balance sheet date, after taking into account the effect of cross currency swaps and interest rate swaps designated as cash flow or fair value hedging instruments, see note 29(c)(ii) of Section B of *"Appendix I — Accountants' Report"*.

Sensitivity Analysis

It is estimated that, as at 31 December 2010, 2011 and 2012 and 30 September 2013, a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased our profit after taxation and revenue reserve by approximately HK$67.2 million, HK$82.6 million, HK$80.2 million and HK$60.7 million, respectively. As at the same periods, other components of equity would have increased/decreased by approximately HK$4.2 million, HK$1.7 million, HK$1.0 million and HK$0.3 million, respectively, in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date.

Currency Risk

Committed and Forecast Transactions

We are exposed to currency risk primarily through purchases that are denominated in a currency other than our functional currency. The currencies giving rise to this risk are primarily United States Dollars, Japanese Yen, Pounds Sterling and Euros.

We use forward foreign exchange contracts to manage our currency risk and classify these as cash flow hedges. As at 31 December 2010, 2011 and 2012 and 30 September 2013, we had forward foreign exchange contracts hedging committed and forecast transactions with a net fair value of HK$27.1 million (asset), HK$7.0 million (asset), HK$6.4 million (liability) and HK$1.4 million (asset), respectively, recognised as derivative financial instruments.

Recognised Assets and Liabilities

The net fair value of forward foreign exchange contracts used by us as economic hedges of monetary assets and liabilities in foreign currencies as at 31 December 2010, 2011 and 2012 and 30 September 2013 was HK$18.2 million (asset), HK$3.6 million (asset), HK$3.5 million (liability) and HK$0.04 million (asset), respectively, recognised as derivative financial instruments.

Our borrowings are either hedged into Hong Kong dollars by way of cross currency swaps or are denominated in Hong Kong dollars. In light of the foregoing, our management does not expect that there will be any significant currency risk associated with our borrowings.

Exposure to Currency Risk

For further information regarding our exposure as at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than our functional currency, see note 29(d)(iii) of Section B of *"Appendix I — Accountants' Report"*:

Sensitivity Analysis

The following table indicates that a 10% strengthening of the following currencies against Hong Kong dollars as at the relevant balance sheet date would have increased/decreased our profit after taxation (and revenue reserve) and other components of equity as follows:

	As at 31 December						As at 30 September	
	2010		2011		2012		2013	
	Effect on profit after taxation and revenue reserve	Effect on other components of equity	Effect on profit after taxation and revenue reserve	Effect on other components of equity	Effect on profit after taxation and revenue reserve	Effect on other components of equity	Effect on profit after taxation and revenue reserve	Effect on other components of equity
	(HK$ in millions)							
Japanese yen . .	0.01	23.1	0.3	18.5	(0.9)	6.0	(0.7)	5.2
Euros	—	—	(0.01)	1.0	(0.1)	—	(0.2)	—
Pounds Sterling .	(0.08)	1.6	(0.7)	1.0	(0.03)	0.3	(0.2)	—

A 10% weakening in the above currencies against Hong Kong dollars as at the balance sheet date would have had an equal but opposite effect on our profit after taxation (and revenue reserve) and other components of equity.

This sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by us which expose us to currency risk as at the balance sheet date, and that all other variables, in particular interest rates, remain constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

HEDGING POLICY

Our currency and interest rate risks are actively managed in accordance with our hedging policy as outlined in our treasury policy. Our hedging policy has been approved by the Board and aims to (i) mitigate the potential for financial loss arising through unfavourable movements in foreign currency exchange rates; (ii) control interest rate exposure by maintaining an appropriate mix of fixed versus floating rates in our debt portfolio; (iii) ensure that there are sufficient committed funding sources available to meet both our short-term and long-term payment obligations and funding needs as they arise; and (iv) minimise financial loss through the default of a counterparty.

We use derivative financial instruments primarily for managing foreign currency and interest rate risks and not for speculative purposes. Our treasury transactions are only executed with counterparties with acceptable credit ratings in order to control counterparty risk exposure. Our principal foreign currency exposure arises from the import of fuel and capital equipment. Foreign currency transaction exposure is managed mainly through forward foreign exchange contracts. We maintain a prudent and cost effective interest rate structure for our debt through a mix of fixed rate and floating rate borrowings and by utilising interest rate derivatives.

The internal control procedures with respect to our hedging arrangements are as follows: derivative financial instruments are executed and regularly monitored by our treasury team (which is overseen by our treasurer) and approved by an Executive Director. After we enter into the derivative financial instruments, our accounting department also reviews and records the relevant transaction. Our treasurer has over 20 years of experience dealing with and managing complex hedging and derivative related financial activities. When considering whether or not to enter into derivative financial instruments, our treasury team considers such factors as the purpose of the instrument and cost efficiency.

The financial instruments entered into for hedging during the Track Record Period were considered effective and we conduct hedging effectiveness assessments on a regular basis. The following tables set out the fair value and notional amount of our cross currency swaps, interest rate swaps and forward foreign exchange contracts as at the dates indicated:

	As at 31 December 2010	
	Fair value	Notional amount
	(HK$ in millions)	
Cross currency swaps	(122.4)	3,882.3
Interest rate swaps	11.3	750.0
Forward foreign exchange contracts	45.3	2,618.3

	As at 31 December 2011	
	Fair value	Notional amount
	(HK$ in millions)	
Cross currency swaps	422.5	5,826.0
Interest rate swaps	1.4	750.0
Forward foreign exchange contracts	10.6	3,454.8

	As at 31 December 2012	
	Fair value	Notional amount
	(HK$ in millions)	
Cross currency swaps	645.4	5,826.0
Interest rate swaps	—	—
Forward foreign exchange contracts	(9.9)	5,916.1

	As at 30 September 2013	
	Fair value	Notional amount
	(HK$ in millions)	
Cross currency swaps	299.6	5,826.0
Interest rate swaps	—	—
Forward foreign exchange contracts	1.4	4,539.7

The following tables set out the duration of our cross currency swaps, interest rate swaps and forward foreign exchange contracts as at the dates indicated:

	As at 31 December 2010			
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	(HK$ in millions)			
Cross currency swaps	—	—	—	3,882.3
Interest rate swaps	—	750.0	—	—
Forward foreign exchange contracts	2,548.4	69.9	—	—

	As at 31 December 2011			
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	(HK$ in millions)			
Cross currency swaps	—	—	—	5,826.0
Interest rate swaps	750.0	—	—	—
Forward foreign exchange contracts	3,389.0	65.8	—	—

	As at 31 December 2012			
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	(HK$ in millions)			
Cross currency swaps	—	—	—	5,826.0
Interest rate swaps	—	—	—	—
Forward foreign exchange contracts	3,673.1	2,243.0	—	—

	As at 30 September 2013			
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	(HK$ in millions)			
Cross currency swaps	—	—	—	5,826.0
Interest rate swaps	—	—	—	—
Forward foreign exchange contracts	3,482.5	1,057.2	—	—

Our key hedging contracts are governed by either International Swaps and Derivatives Association ("**ISDA**") master agreements entered into at various times and with different banks or the general terms and conditions of the banks themselves relating to hedging transactions. The following is a general summary of the key events of default and termination events governing the key hedging contracts entered into by us during the Track Record Period and up to the Latest Practicable Date:

- Default under specified transactions: An event of default will be considered to have occurred should defaults of the Group, disaffirmations, repudiations or rejections with regard to certain specific transactions as defined in the ISDA master agreements occur.

- Cross default: An event of default will be considered to have occurred if (i) a default of the Group, event of default of the Group or other similar condition or event under one or more agreements or instruments relating to any obligation in respect of borrowed money has occurred where the aggregate principal amount is not less than an applicable threshold amount specified in the ISDA master agreements and which has resulted in such indebtedness becoming, or becoming capable at such time of being declared, due and payable before it would otherwise have been; or (ii) a default of the Group in making one or more payments on the due date for payment in an aggregate amount, either alone or together with the amount, if any, referred to in clause (i) above, of not less than the applicable threshold amount stated in the ISDA master agreements has occurred.

- Termination events: Termination events include illegality, force majeure events, various tax events, including a tax event upon merger, and a credit event upon merger, all of which are outlined in the ISDA master agreements.

DIVIDEND POLICY

During FY2010, FY2011, FY2012, 9M2012 and 9M2013, dividends of HK$5,519.1 million, HK$5,005.7 million, HK$3,760.9 million, HK$3,760.9 million and HK$4,615.6 million, respectively, were paid by HEC to PAH. See *"Distributions"* for further details on the distribution policy of HK Electric Investments and the Company following the Listing. Interim dividends of HK$4,865.2 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. To the extent that they are not paid to PAH before completion of the Acquisition, dividends so declared shall form part of the Inter-company Loans and are expected to be settled by HEC on or before the fifth business day following the Listing Date.

After the consolidated financial statements of the Operating Group for FY2013 and for the period from 1 January 2014 up to the Completion Date have been prepared and audited to determine the profit for such periods, Treasure Business will procure that a further interim dividend in respect of the remaining part of such profit up to the Completion Date is declared by HEC to Treasure Business and Treasure Business will then pay to PAH the same amount by no later than 30 April 2014. The amount of such further interim dividend will be determined solely based on the audited profit attributable to the equity shareholders of HEC for the period up to the Completion Date and should not be considered in the context of the 2014 Profit Forecast, which represents the forecast profit of the Trust Group for the period from the Listing Date to 31 December 2014 and takes into account increases in interest charges and depreciation and amortisation charges and is therefore not capable of being extrapolated for comparison (see *"2013 Profit Estimate and 2014 Profit Forecast"* for information regarding the 2014 Profit Forecast). Furthermore, our electricity-related business and the number of units of electricity we are able to sell are affected by the supply of and demand for our electricity, which are subject to weather conditions and seasonality. See *"Risk Factors — Risks Relating to Our Operations — Our electricity*

sales and operating results may fluctuate on a seasonal basis and may be negatively affected by changes in weather conditions and seasonality". The payment of such further interim dividend will be funded from cash generated from the operations of HEC. The Company will publicly disclose the amount of such further interim dividend in respect of profit attributable to the equity shareholders of HEC in an announcement.

MATERIAL RELATED PARTY TRANSACTIONS

We had the following material transactions with related parties during the Track Record Period:

Key management personnel compensation

Our total short-term employee benefits and post-employment benefits provided were HK$24.6 million, HK$23.3 million, HK$24.1 million and HK$13.8 million for FY2010, FY2011, FY2012 and 9M2013, respectively. There was no outstanding amount due from key management personnel as at 31 December 2010, 2011 and 2012 and 30 September 2013.

Ultimate Holding Company

Our other operating costs include costs recharged by PAH to us for management and administrative support which amounted to HK$126.0 million, HK$104.9 million, HK$112.4 million and HK$95.1 million for FY2010, FY2011, FY2012 and 9M2013, respectively. The Directors have confirmed that the above transactions will cease after the Listing.

During FY2010, FY2011, FY2012, 9M2012 and 9M2013, the aggregate amounts of fees paid by us to Guangdong Dapeng and CNOOC Gas in discharge of obligations owing by PAH for the purchase of natural gas from Guangdong Dapeng and CNOOC Gas pursuant to the Dapeng Gas Supply Contract and the CNOOC Gas Supply Contract and on-sold to us at cost were approximately HK$2,211.2 million, HK$2,624.5 million, HK$2,929.6 million, HK$2,129.1 million and HK$2,045.3 million, respectively. The amounts paid were based on gas prices which were determined based on the gas price formula under the Dapeng Gas Supply Contract and the CNOOC Gas Supply Contract. With effect from 8 December 2013, the CNOOC Gas Supply Contract was novated by PAH to HEC pursuant to the novation deed entered into between PAH, HEC and CNOOC Gas dated 22 November 2013. As a result, the Group will purchase natural gas from CNOOC Gas directly pursuant to the CNOOC Gas Supply Contract. It is the intention of PAH and us that, once the consent of Guangdong Dapeng is obtained and the novation deed between PAH, the Group and Guangdong Dapeng becomes effective, the Dapeng Gas Supply Contract will be novated by PAH to the Group. For further details, see *"Connected Transactions — Non-exempt Continuing Connected Transactions — On-sale of Gas from PAH to HEC"*.

Subsidiary

Loans from a subsidiary represent amounts borrowed under the MTN programme through HEFL. Interest expenses paid/payable in respect of the MTN programme were HK$148.9 million, HK$415.3 million, HK$416.5 million, HK$309.8 million and HK$330.9 million for FY2010, FY2011, FY2012, 9M2012 and 9M2013, respectively. For further details, see note 20 of Section B of *"Appendix I — Accountants' Report"*.

The Directors are of the view that all of our material related party transactions were conducted on an arm's length basis and do not distort our results for the Track Record Period or make such results not reflective of our future performance.

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

Except as disclosed in *"— Indebtedness"* above, we confirm that, as at the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that, having performed reasonable due diligence on the Trust Group and taking into account the results of the Trust Group for the period from 30 September 2013 to 31 December 2013, there has been no material adverse change in the Trust Group's financial or trading position or prospects since 30 September 2013, which is the end of the period covered by the Accountants' Report as set out in *"Appendix I — Accountants' Report"*, up to the date of this prospectus.

LISTING EXPENSES

Total expenses (excluding underwriting commissions and any incentive fees) expected to be incurred in relation to the Listing are HK$109.1 million, of which approximately HK$18.0 million is expected to be charged to the consolidated statement of profit or loss of the Trust Group and approximately HK$91.1 million is expected to be charged to equity of the Trust Group in FY2014. The Company and the Trustee-Manager incurred insignificant expenses relating to the Listing during the Track Record Period.

UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES

See *"Appendix II — Unaudited Pro Forma Financial Information"* for details, particularly relating to the Acquisition and Reorganisation.

SCHEME OF CONTROL

The following table presents the summary financial information for HEC as extracted from the Scheme of Control financial statements for the years indicated. The Scheme of Control financial statements were prepared in accordance with the provisions of the Scheme of Control. The Scheme of Control financial statements for FY2009 to FY2012 were audited by an independent auditor in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants as required by the Scheme of Control. Certain agreed upon procedures were conducted on the Scheme of Control financial information for FY2003 to FY2008 by an independent auditor. While the Scheme of Control financial information does not form part of the Accountants' Report as set out in *"Appendix I — Accountants' Report"*, such financial information is discussed below as we believe such information will be helpful to investors. The Scheme of Control financial information may differ from the financial information contained in the Accountants' Report as set out in *"Appendix I — Accountants' Report"*. While we have not reconciled the Scheme of Control financial information with the consolidated financial information of the Group, we believe that any differences are not material.

The following table shows the Scheme of Control financial information for the years indicated:

	FY2012	FY2011	FY2010	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003
					(HK$ in millions)					
Sales of electricity	10,364	10,140	10,338	10,331	12,704	12,452	12,326	12,310	11,442	11,263
Transfer from/(to) Fuel Clause Recovery Account	3,867	3,755	2,794	2,329	1,802	413	15	119	(443)	(726)
Other Scheme of Control revenue	74	100	62	63	36	455	42	56	51	66
Gross Tariff Revenue	14,305	13,995	13,194	12,723	14,542	13,320	12,383	12,485	11,050	10,603
Fuel costs	(5,673)	(5,538)	(4,570)	(4,104)	(3,597)	(2,167)	(1,780)	(1,887)	(1,301)	(983)
Operating costs	(1,040)	(1,040)	(1,097)	(1,158)	(1,283)	(1,260)	(1,155)	(1,190)	(1,105)	(918)
Interest	(264)	(248)	(112)	(91)	(166)	(369)	(186)	(128)	(83)	(195)
Depreciation and amortisation	(1,919)	(1,836)	(1,793)	(1,623)	(1,516)	(2,025)	(1,892)	(1,832)	(1,810)	(1,782)
Profit on disposal of fixed assets	—	—	—	—	—	—	—	—	—	317
Net revenue before taxation	5,409	5,333	5,622	5,747	7,980	7,499	7,370	7,448	6,751	7,042
Scheme of Control taxation	(856)	(794)	(930)	(1,025)	(1,218)	(1,331)	(1,453)	(1,314)	(1,167)	(1,193)
Net revenue after taxation	4,553	4,539	4,692	4,722	6,762	6,168	5,917	6,134	5,584	5,849
Interest on borrowed capital	271	239	118	103	154	307	285	181	128	218
Interest on incremental customers' deposits	—	—	—	—	1	9	9	3	—	—
Scheme of Control net revenue	4,824	4,778	4,810	4,825	6,917	6,484	6,211	6,318	5,712	6,067
Transfer from/(to) Tariff Stabilisation Fund	72	46	(58)	(174)	(297)	(14)	—	—	—	139
Shortfall in Tariff Stabilisation Fund	—	—	—	—	—	—	487	288	869	228
Permitted Return	4,896	4,824	4,752	4,651	6,620	6,470	6,698	6,606	6,581	6,434
Shortfall in Tariff Stabilisation Fund	—	—	—	—	—	—	(487)	(288)	(869)	(228)
Interest on borrowed capital	(271)	(239)	(118)	(103)	(154)	(307)	(285)	(181)	(128)	(218)
Interest on incremental customers' deposits	—	—	—	—	(1)	(9)	(9)	(3)	—	—
Transfer to Rate Reduction Reserve	(1)	(1)	(1)	—	(13)	(1)	—	—	—	(6)
Net Return	4,624	4,584	4,633	4,548	6,452	6,153	5,917	6,134	5,584	5,982

Gross Tariff Revenue

Our Gross Tariff Revenue primarily represents (i) the total revenue from sales of electricity including Fuel Cost Account Adjustment, but without taking into account rebates; (ii) the amounts benefiting consumers specified by and calculated in accordance with any agreement from time to time entered into between us and the Hong Kong Government; (iii) electricity-related fees and other revenue derived from the use of our Fixed Assets; and (iv) unclaimed deposits from our customers.

For FY2010, FY2011 and FY2012, we recorded Gross Tariff Revenue of HK$13,194.0 million, HK$13,995.0 million and HK$14,305.0 million, respectively. The increase from FY2010 to FY2011 was primarily the result of increases in Fuel Cost Account Adjustments. The increase from FY2011 to FY2012 was primarily due to (i) an increase in revenue from the sales of electricity and (ii) Fuel Cost Account Adjustments.

Operating Costs

Our operating costs comprise the aggregate of our direct costs and other operating costs less (i) depreciation and amortisation and (ii) Scheme of Control adjustments.

For FY2010, FY2011 and FY2012, our operating costs were HK$1,097.0 million, HK$1,040.0 million and HK$1,040.0 million, respectively. The decrease from FY2010 to FY2011 was primarily due to lower other operating costs for FY2011, primarily as a result of a decrease in rates and government rent.

Depreciation and Amortisation

Our fixed assets are depreciated on a straight-line basis over their estimated useful lives after taking into account the estimated residual value. Interests in leasehold land held for our own use under finance leases are amortised on a straight-line basis over the unexpired lease term. For FY2010, FY2011 and FY2012, our depreciation and amortisation totalled HK$1,793.0 million, HK$1,836.0 million and HK$1,919.0 million, respectively. The increase from FY2010 to FY2012 was primarily due to an increase in the balance of our fixed assets.

Scheme of Control Net Revenue

For FY2010, FY2011 and FY2012, our Scheme of Control net revenue remained relatively stable at HK$4,810.0 million, HK$4,778.0 million and HK$4,824.0 million, respectively.

Permitted Return

The Permitted Return is regulated by the Scheme of Control. For FY2010, FY2011 and FY2012, the Permitted Return remained relatively stable at HK$4,752.0 million, HK$4,824.0 million and HK$4,896.0 million, respectively.

Statements contained in this section that are not historical facts may be forward-looking statements. Such statements are based on the assumptions set out in this section. While the Directors consider such assumptions to be reasonable, whether actual results will meet our expectations will depend on a number of risks and uncertainties over which we have no control. Under no circumstances should the inclusion of such information in this prospectus be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Trustee-Manager, the Company or any of the Relevant Persons or that these results will be achieved or are likely to be achieved. Investors are cautioned not to place undue reliance on these forward-looking statements that speak only as at the date of this prospectus. See "Forward-looking Statements" and "Risk Factors" for further information.

None of the Trustee-Manager, the Company or any of the Relevant Persons guarantees the performance of the Trust Group, the payment of any distributions or any particular return on the Share Stapled Units.

The 2013 Profit Estimate and the 2014 Profit Forecast have been prepared on the bases, assumptions and estimates set out below and in accordance with HKFRS and are consistent in all material respects with the accounting policies adopted in the Accountants' Report as set out in "Appendix I — Accountants' Report". These individual bases, assumptions and estimates should not be viewed as individual forecasts but form part of the overall bases, assumptions and estimates used in arriving at the 2013 Profit Estimate and the 2014 Profit Forecast and have not been reported on individually by the Joint Sponsors or the Reporting Accountants.

The 2013 Profit Estimate and the 2014 Profit Forecast should be read with the letters set out in "Appendix III — 2013 Profit Estimate and 2014 Profit Forecast" and the bases and assumptions set out below.

2013 PROFIT ESTIMATE

On the bases set out below and in the absence of unforeseen circumstances, the 2013 Profit Estimate is as follows:

Estimated consolidated profit attributable to the equity shareholders of HEC for the financial year ended 31 December 2013 . . . . . Not less than HK$5,180.0 million

Bases for Determining the 2013 Profit Estimate

HK Electric Investments and the Company were established and incorporated on 1 January 2014 and 23 September 2013, respectively. Neither HK Electric Investments nor the Company carried on or expects to carry on any business, nor will they have incurred any significant costs or expenses, from the dates of their respective establishment/incorporation until the date of completion of the Acquisition, which is the same date as the Listing Date. Accordingly, the 2013 Profit Estimate has been prepared based on (i) the audited consolidated results of the Operating Group for the nine months ended 30 September 2013, (ii) the unaudited consolidated results of the Operating Group based on the management accounts for the two months ended 30 November 2013 and (iii) an estimate of the consolidated results of the Operating Group for the remaining one month ended 31 December 2013. The 2013 Profit Estimate has been prepared on the basis of the accounting policies adopted by the Operating Group as set out in *"Appendix I — Accountants' Report"*.

2014 PROFIT FORECAST

On the bases and assumptions set out below and in the absence of unforeseen circumstances, the 2014 Profit Forecast is as follows:

Forecast consolidated profit attributable to the Holders of Share Stapled Units for period from the Listing Date to 31 December 2014 . . . . . Not less than HK$2,765.8 million

Bases and Assumptions for Determining the 2014 Profit Forecast

The 2014 Profit Forecast has been prepared based on the forecast of the consolidated results of the Trust Group for the period from the Listing Date to 31 December 2014. The 2014 Profit Forecast assumes that the anticipated Listing Date will be 29 January 2014 and will vary if the actual Listing Date is different.

The Directors have also made the following assumptions:

- the Trust Group's operations, results and financial condition will not be materially and adversely affected by any of the risks set out in *"Risk Factors"*;
- there will be no material change in the existing government policies, political, legal, fiscal, market or economic conditions in Hong Kong or any other country or territory which are otherwise material to the Trust Group's business;
- there will be no change in the legislation, regulations or rules in Hong Kong, or any other country or territory which materially and adversely affects the Trust Group's business;
- there will be no force majeure events, unforeseeable factors or unforeseeable reasons that are beyond the control of the Trust Group, including the occurrence of wars, military incidents, natural disasters, catastrophes (such as floods and typhoons), epidemics (including SARS or H1N1 or H5N1 influenza) or serious accidents;
- there will be no equity capital raising during the financial year ending 31 December 2014, other than the equity capital raising pursuant to the Global Offering;
- interest rates will not differ materially from those presently prevailing;
- the Trust Group will continue with its policy of using derivative financial instruments solely for managing interest rate and foreign currency risks and not for speculative purposes;
- there will be no material change in the bases or applicable rates of taxation or any disallowance of tax assets in Hong Kong or in any of the countries in which any member of the Trust Group is incorporated or operates;
- the Scheme of Control and all leases and licences of the Trust Group that are necessary and/or desirable in order for the Trust Group to operate, are legally valid, binding and enforceable and will be performed in accordance with their terms;

- there will be no interruptions in the supplies of fuel, labour disputes or commercial litigation;
- 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"*;
- the Acquisition will be accounted for using the purchase method of accounting in the consolidated financial statements of the Trust Group;
- there are no material adverse changes to the Trust Group's business or assets at any time during the period from the Listing Date to 31 December 2014; and
- there will be no material change in the physical condition of the Trust Group's assets.

As we intend to replace our existing interest-free Inter-company Loans with interest-bearing bank loans, we anticipate that our interest expenses will significantly increase relative to previous years. In particular, the interest rates with respect to the interest bearing HEC Loan Facility and the Company Loan Facility will be equal to (i) the sum of HIBOR and an interest margin (0.80% per annum) for amounts drawn in Hong Kong dollars, and (ii) the sum of LIBOR and an interest margin (0.80% per annum) for amounts drawn in United States dollars. In addition, 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 HKFRS, such that the fair value of these identifiable assets and liabilities will be significantly greater than the historical amounts at which such assets and liabilities were previously stated. In addition, goodwill will be created and the amount of our depreciation and amortisation charges will also significantly increase. Such increases in our interest charges and depreciation and amortisation charges have been taken into account in the preparation of the 2014 Profit Forecast and will, in future years, continue to impact our profits and profit margins. On a year-on-year comparison, such increases in our interest charges and depreciation and amortisation charges account for the great majority of the reduction in the amount of the 2014 Profit Forecast (on an annualised basis) relative to the amounts of the profit attributable to the equity shareholders of HEC for FY2010, FY2011, FY2012 and the 2013 Profit Estimate. The goodwill that will be created as a result of the Acquisition may be subject to future impairment. If the carrying amount of the CGU (i.e., the HEC cash generating unit) to which the goodwill arising on the Acquisition will be allocated exceeds the recoverable amount of the CGU after the Listing Date, there may be a reduction in the goodwill initially recognised as a result of the Acquisition. Any impairment of goodwill would impact our consolidated profit attributable to the Holders of Share Stapled Units. However, depreciation and amortisation charges and impairment of goodwill do not result in any cash outflows and form part of the Adjustments, the effects of which will be eliminated in calculating the Group Distributable Income and in calculating the amounts of the distributions to Registered Holders of Share Stapled Units commencing from the Listing Date.

Sensitivity Analysis

The 2014 Profit Forecast included in this section is based on a number of assumptions which are set out above and are subject to a number of risks set out in *"Risk Factors"*. Prospective investors should be aware that future events cannot be predicted with any certainty and deviations from the figures forecast and projected in this prospectus are to be expected.

In order to assist prospective investors in assessing the impact of some but not all assumptions on the 2014 Profit Forecast, the table below demonstrates the sensitivity of the consolidated profit attributable to the Holders of Share Stapled Units to changes in the interest rate assumption. The sensitivity illustrations are based exclusively on movements in the forecast consolidated profit resulting from movements in interest rates and are not profit forecasts for the purposes of the Listing Rules or any other purpose and accordingly, have not been reported on by the Joint Sponsors or the Reporting Accountants.

Prospective investors should be aware that the sensitivity analysis is not intended to be exhaustive and is limited in scope in that not all principal assumptions or other assumptions which are relevant to the figures forecast in this prospectus have been examined or reviewed in this sensitivity analysis.

Care should be taken in interpreting the sensitivity analysis since it treats the movement in the interest rate in isolation whereas, in practice, the movement in the interest rate could be inter-dependent on movements in other variables. The effects of these movements may offset or compound each other. Accordingly, the effect on the 2014 Profit Forecast presented for the interest rate sensitivity is not intended to indicate the likely range of outcomes with respect to such sensitivity and the actual variation could exceed the ranges shown below. No attempt is made to identify the cause of any potential variation or to identify or quantify any consequential or related changes or variations in other items.

	Increase in floating rate component of the interest rates in respect of our indebtedness by				
	0.25%	**0.5%**	**0.75%**	**1.00%**	**1.25%**
Change in the consolidated profit attributable to the Holders of Share Stapled Units (HK$ million)					
For the period from the Listing Date to 31 December 2014	(92.0)	(184.0)	(275.9)	(367.9)	(459.8)

Statements contained in this section that are not historical facts may be forward-looking statements. Such statements are based on the assumptions set out in this section. While the Directors consider such assumptions to be reasonable, whether actual results will meet our expectations will depend on a number of risks and uncertainties over which we have no control. Under no circumstances should the inclusion of such information in this prospectus be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Trustee-Manager, the Company or any of the Relevant Persons or that these results will be achieved or are likely to be achieved. Investors are cautioned not to place undue reliance on these forward-looking statements that speak only as at the date of this prospectus. See "Forward-looking Statements" and "Risk Factors" for further information.

In addition, investors should note that the expected distributions to the Holders of Share Stapled Units, DPU, annualised DPU and annualised distribution yield for the period from the Listing Date to 31 December 2014 are not profit forecasts for the purposes of the Listing Rules or any other purpose and accordingly, have not been reported on by the Joint Sponsors or the Reporting Accountants.

None of the Trustee-Manager, the Company or any of the Relevant Persons guarantees the performance of the Trust Group, the payment of any distributions or any particular return on the Share Stapled Units.

OVERVIEW

The objectives of HK Electric Investments and the Company are (a) to focus principally on the payment of distributions to the Holders of Share Stapled Units with a clearly expressed intention as to their respective distribution policies stated in the Trust Deed and the Company's Articles and (b) to provide the Holders of Share Stapled Units with stable distributions with the potential for sustainable long-term growth of such distributions.

The Trustee-Manager will rely on the receipt of dividends, distributions and other amounts from the Company to make distributions (on behalf of HK Electric Investments) to the Holders of Share Stapled Units. The amount of such dividends, distributions and other payments which may be made by the Company to the Trustee-Manager will depend on a number of factors, including the financial performance of the Group's business and the financial condition, results of operations and cash flows of the Group. There is no assurance that the Trustee-Manager will be able to pay or maintain distributions to the Holders of Share Stapled Units and such distributions may not be stable. See the risk factor headed *"Risk Factors — Risks Relating to the Amount and Stability of the Distributions — The Trustee-Manager may not be able to pay or maintain distributions to Holders of Share Stapled Units and such distributions may not be stable as they are dependent on a number of factors, including the financial performance of the Group and the ability of the Group to generate sufficient cash flows"* for further information.

DISTRIBUTION POLICY

No distributions have been made in respect of the Share Stapled Units since the establishment of HK Electric Investments.

Trust Distributable Income

The Trust Deed requires the Trustee-Manager (on behalf of HK Electric Investments) to distribute 100% of the dividends, distributions and other amounts received by the Trustee-Manager in respect of the Ordinary Shares from the Company, after deduction of all amounts permitted to be deducted or paid under the Trust Deed (such as operating expenses of HK Electric Investments) (the "**Trust Distributable Income**").

Group Distributable Income

The distributions received by the Trustee-Manager from the Company will be derived from the Group Distributable Income.

"**Group Distributable Income**" refers to the audited consolidated profit attributable to the Holders of Share Stapled Units for the relevant financial year or the relevant distribution period after:

(a) eliminating the effects of the Adjustments;

(b) (i) adding/(deducting) any net decrease/(increase) in the Fuel Clause Recovery Account asset, (ii) deducting any rebates made from the Rate Reduction Reserve, (iii) adding/(deducting) any net decrease/(increase) in other working capital items, (iv) deducting the actual amount of taxes paid and (v) deducting the actual amount of funding applied in respect of employee retirement benefit schemes;

(c) deducting the actual amount of capital expenditure incurred;

(d) deducting (i) the actual amount used to repay the principal amount of any debt and (ii) the actual amount used to pay any interest and financing fees (net of the actual amount of interest received); and

(e) at the discretion of the Company Directors, deducting any amounts set aside (i) in respect of future capital expenditure or (ii) for the purpose of future debt service and/or compliance with covenants in any credit facility agreement.

"**Adjustments**" refer to certain items which are charged or credited to the consolidated statement of profit or loss of the Group for the relevant financial year or the relevant distribution period (as the case may be), such items including, but not limited to:

(a) transfers to/from the Tariff Stabilisation Fund and the Rate Reduction Reserve under the Scheme of Control;

(b) unrealised revaluation gains/losses, including impairment provisions and reversals of impairment provisions;

(c) impairment of goodwill/recognition of negative goodwill;

(d) material non-cash gains/losses;

(e) costs of any public offering of Share Stapled Units that are expensed through the consolidated statement of profit or loss but are funded by proceeds from the issuance of such Share Stapled Units;

(f) depreciation and amortisation;

(g) tax charges as shown in the consolidated statement of profit or loss; and

(h) net finance income/costs as shown in the consolidated statement of profit or loss.

The Trust Deed and the Company's Articles state the current intention of the Company Directors to declare and distribute 100% of the Group Distributable Income for (a) the period from the Listing Date to 31 December 2014 and (b) each financial year thereafter. In addition, subject to compliance with all applicable laws of the Cayman Islands and the Company's Articles, the Company Directors may declare and distribute such additional amounts as the Company Directors in their discretion determine.

If the Group sells any fixed assets or properties, the Company Directors may, at their discretion, retain all or any part of the proceeds (including any realised gains) from such sale (less associated taxes and expenses and associated debt repayments), including any amounts retained for the purpose of servicing future debt repayments and/or for the purpose of complying with covenants in any credit facility agreement (such amounts retained for debt repayment and covenant compliance being "**Excluded Amounts**"), for up to five years following such sale and may utilise the retained proceeds (other than the Excluded Amounts) for the acquisition of other fixed assets or properties and/or capital expenditure. To the extent that all or any part of the retained proceeds (other than the Excluded Amounts) are not utilised for the purposes described above within five years following such sale, the Company will distribute such retained proceeds (other than the Excluded Amounts) to the Trustee-Manager.

The Company intends to incur capital expenditure in accordance with the relevant Development Plan as agreed with the Hong Kong Government from time to time and manage its capital structure in the manner set out in *"Financial Information — Liquidity, Capital Resources and Capital Management"*. Please also see *"Risk Factors — Risks Relating to Our Operations"* for a discussion of the potential risks of the Company's ability to do so.

As we intend to replace our existing interest-free Inter-company Loans with interest-bearing bank loans, we anticipate that our interest expenses will significantly increase relative to previous years. In particular, the interest rates with respect to the interest bearing HEC Loan Facility and the Company Loan Facility will be equal to (i) the sum of HIBOR and an interest margin (0.80% per annum) for amounts drawn in Hong Kong dollars, and (ii) the sum of LIBOR and an interest margin (0.80% per annum) for amounts drawn in United States dollars. In addition, 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 HKFRS, such that the fair value of these identifiable assets and liabilities will be significantly greater than the historical amounts at which such assets and liabilities were previously stated. In addition, goodwill will be created and the amount of our depreciation and amortisation charges will also significantly increase. Such increases in our interest charges and depreciation and amortisation charges have been taken into account in the preparation of the 2014 Profit Forecast and will, in future years, continue to impact our profits and profit margins. On a year-on-year comparison, such increases in our interest charges and depreciation and amortisation charges account for the great majority of the reduction in the amount of the 2014 Profit Forecast (on an annualised basis) relative to the amounts of the profit attributable to the equity shareholders of HEC for FY2010, FY2011, FY2012 and the 2013 Profit Estimate. The goodwill that will be created as a result of the Acquisition may be subject to future impairment. If the carrying amount of the CGU (i.e., the HEC cash generating unit) to which the goodwill arising on the Acquisition will be allocated exceeds the recoverable amount of the CGU after the Listing Date, there may be a reduction in the goodwill initially recognised as a result of the Acquisition. Any impairment of goodwill would impact

our consolidated profit attributable to the Holders of Share Stapled Units. However, depreciation and amortisation charges and impairment of goodwill do not result in any cash outflows and form part of the Adjustments, the effects of which will be eliminated in calculating the Group Distributable Income and in calculating the amounts of the distributions to Registered Holders of Share Stapled Units commencing from the Listing Date.

The above distribution policy is a statement of the current intention of the Company Directors only. It is not a legally binding obligation of the Company Directors, the Company, the Trustee-Manager or HK Electric Investments and is subject to change.

In the context of the Share Stapled Units structure, the Company may declare and make distributions to the Trustee-Manager out of the Company's available funds and not only out of accounting profits. The Company's subsidiaries may upstream amounts to the Company, by a combination of distributions from distributable reserves and inter-company loans, to fund distributions by the Company.

The Company may make distributions out of the Company's distributable reserves (including, subject to a solvency test and the provisions of the Company's Articles, share premium) to the Trustee-Manager. The Trustee-Manager in turn is required under the Trust Deed to make distributions to the Holders of Share Stapled Units on behalf of HK Electric Investments. The Trustee-Manager, in its capacity as trustee-manager of HK Electric Investments, is not subject to restrictions relating to profits available for distribution in respect of the amounts that it can distribute to the Holders of Share Stapled Units.

Immediately following the completion of the Reorganisation and the Global Offering, the amount of reserves, representing the share premium after deducting underwriting commissions and any incentive fees and listing expenses that will be charged to equity, available to the Company for distribution is expected to be approximately HK$47,333.6 million, based on the Minimum Offer Price. As at 30 September 2013, HEC had approximately HK$2,755.7 million of distributable reserves, which included profit attributable to the equity shareholders and actuarial gains in relation to remeasurement of net defined benefit obligations. Pursuant to the Sale and Purchase Agreement, all profit attributable to the equity shareholders of HEC up to completion of the Acquisition shall belong to PAH. The other subsidiaries of the Company, following the completion of the Reorganisation, have no distributable reserves. The distributable reserves of the Company will be increased by any net profit earned, or decreased by any net losses incurred or any distributions made, in subsequent periods.

Payment of Distributions

Under the Trust Deed, subject to the relevant laws and regulations and the requirement that the Trustee-Manager distributes 100% of the Trust Distributable Income to the Holders of Share Stapled Units, the Trustee-Manager may declare a distribution in cash to the Holders of Share Stapled Units out of the Trust Property in respect of such period, of such amounts and on such dates as it may think fit.

In addition, under the Trust Deed, the Trustee-Manager may also distribute an amount which represents part of the capital of HK Electric Investments and which the Trustee-Manager reasonably determines to be in excess of the financial needs of HK Electric Investments and/or part or all of the unrealised gains.

The form, frequency and amount of future distributions (if any) will depend on the earnings, financial position and results of operations of the Group, as well as contractual restrictions (including limitations on borrowings under the Trust Deed and compliance with financial undertakings imposed under the Group's loan facilities agreements), provisions of applicable laws and regulations and other factors including, but not limited to, funding requirements with reference to the prevailing business environment and operations, and expansion plans, other capital management considerations, the overall stability of distributions and prevailing industry practice. If the distribution policy were to be changed in the future, the Trustee-Manager and the Company will issue an announcement describing the relevant change.

The ability of the Trustee-Manager (on behalf of HK Electric Investments) to make distributions is therefore dependent upon, among other things, the Group's businesses generating sufficient income and the Group having sufficient cash to make the payments required. See *"Risk Factors — Risks Relating to the Amount and Stability of the Distributions — The Trustee-Manager may not be able to pay or maintain distributions to Holders of Share Stapled Units and such distributions may not be stable as they are dependent on a number of factors, including the financial performance of the Group and the ability of the Group to generate sufficient cash flows"* for further information.

It is the current intention of the Company Directors that the Company will declare and make distributions to the Trustee-Manager on a semi-annual basis, with the interim and final distributions in respect of a financial year being equal, in aggregate, to 100% of the Group Distributable Income in respect of that financial year. The respective proportions of the aggregate annual distribution to be paid as an interim distribution and a final distribution will be determined by the Company Board in its discretion and the amount of the interim distribution need not be proportionate to the Group Distributable Income in respect of the first six months of the relevant financial year (or other period in respect of which the distribution is made) or proportionate to the Group Distributable Income in respect of the relevant financial year.

The Trustee-Manager will make distributions to the Registered Holders of Share Stapled Units on a semi-annual basis from the interim and final distributions to be made by the Company to the Trustee-Manager as described above. The Trustee-Manager will pay the interim distribution within four months after 30 June and the final distribution within six months after 31 December of each year.

Distributions will be declared in Hong Kong dollars. Share Stapled Units will be held through HKSCC Nominees or directly by Registered Holders of Share Stapled Units in the form of certificates issued jointly by the Trustee-Manager and the Company (in their discretion) to them in respect of the Share Stapled Units. Each Registered Holder of Share Stapled Units will receive his *pro rata* share of the Hong Kong dollar distribution declared.

The Trustee-Manager will inform the Stock Exchange immediately of:

(a) any decision to declare, recommend or pay any distribution and the rate and amount thereof;

(b) any decision not to declare, recommend or pay any distribution which would otherwise have been expected to be declared, recommended or paid in due course; and

(c) any preliminary announcement of profits or losses for any year, half year or other period.

The Trustee-Manager will inform the Registered Holders of Share Stapled Units of any decision referred to above by way of an announcement. The announcement will be made as soon as possible after the decision.

STATEMENT OF DISTRIBUTIONS

The Holders of Share Stapled Units will not receive distributions for any period before the Listing Date and the first distribution paid to the Holders of Share Stapled Units will be for the period from the Listing Date to 30 June 2014 as an interim distribution.

Expected Distributions for the Period from the Listing Date to 31 December 2014

The Directors expect that, based on the assumptions relating to the 2014 Profit Forecast as set out in *"2013 Profit Estimate and 2014 Profit Forecast"* and in the absence of unforeseen circumstances, the total distributions to be declared and paid to the Holders of Share Stapled Units for the period from the Listing Date to 31 December 2014 will not be less than HK$3,217.7 million. Such distributions are calculated based on (a) the expected Group Distributable Income for the period from the Listing Date to 31 December 2014, which is calculated from the 2014 Profit Forecast and (b) the assumption that the anticipated Listing Date will be 29 January 2014, and such distributions will vary if the actual Listing Date is different.

Expected Distribution Yields

The Directors' expectation of yields stated in the following table are calculated based on the Minimum Offer Price and the Maximum Offer Price. Such yields will vary for investors who purchase Share Stapled Units in the secondary market at a market price that differs from the Minimum Offer Price and the Maximum Offer Price or for investors who do not hold the Share Stapled Units for the entire period from the Listing Date to 31 December 2014.

	Based on the Minimum Offer Price of HK$5.45	Based on the Maximum Offer Price of HK$6.30
	Listing Date to 31 December 2014	Listing Date to 31 December 2014
Expected distributions to the Holders of Share Stapled Units (HK$)[1]	3,217.7 million	3,217.7 million
DPU (HK cents)[2]	36.41	36.41
Annualised distributions to the Holders of Share Stapled Units (HK$)[3]	3,485.0 million	3,485.0 million
Annualised DPU (HK cents)[2][4]	39.44	39.44
Annualised distribution yield[4][5]	7.237%	6.260%

Notes:

(1) Please see *"— Expected Distributions for the Period from the Listing Date to 31 December 2014"* above for further details on how the expected distributions have been calculated.

(2) Assumes that 8,836,200,000 Share Stapled Units will be in issue for the entire period from the Listing Date to 31 December 2014.

(3) The annualised distributions are calculated by annualising the expected distributions to the Holders of Share Stapled Units for the period from the Listing Date to 31 December 2014.

(4) The annualised DPU is calculated based on the annualised distributions to the Holders of Share Stapled Units divided by the number of Share Stapled Units that will be in issue. The annualised distribution yield is calculated from the annualised DPU.

(5) The annualised distribution yield is calculated based on the Minimum Offer Price and the Maximum Offer Price. Such yield will vary for investors who purchase Share Stapled Units in the secondary market at a market price that differs from the Minimum Offer Price and the Maximum Offer Price or for investors who do not hold the Share Stapled Units for the entire period from the Listing Date to 31 December 2014.

CONSIDERATION SHARE STAPLED UNITS

On or prior to the Listing Date, separate from the Global Offering, Quickview will receive, as partial settlement of the consideration for the Acquisition, an aggregate of 4,409,299,999 Consideration Share Stapled Units (which will be credited as fully paid), representing approximately 49.9% of the Share Stapled Units in issue immediately following the completion of the Reorganisation and the Global Offering.

SHARE STAPLED UNITS TO BE ISSUED PURSUANT TO THE GLOBAL OFFERING

If the Global Offering becomes unconditional, immediately following the completion of the Reorganisation and the Global Offering, a total of 8,836,200,000 Share Stapled Units will be in issue.

SHARE CAPITAL OF THE COMPANY

The following table is prepared assuming the completion of the Reorganisation and the Global Offering.

Authorised Share Capital		**HK$**
20,000,000,000	Ordinary Shares	10,000,000.0000
20,000,000,000	Preference Shares	10,000,000.0000
Total		*20,000,000.0000*

Shares in Issue or to be Issued, Fully Paid or Credited as Fully Paid		
Ordinary Shares		
1	Ordinary Share in issue	0.0005
4,409,299,999	Ordinary Shares to be issued pursuant to the Reorganisation	2,204,649.9995
4,426,900,000	Ordinary Shares to be issued pursuant to the Global Offering	2,213,450.0000
8,836,200,000	Ordinary Shares in issue immediately following the completion of the Reorganisation and the Global Offering	4,418,100.0000
Preference Shares		
1	Preference Share in issue	0.0005
4,409,299,999	Preference Shares to be issued pursuant to the Reorganisation	2,204,649.9995
4,426,900,000	Preference Shares to be issued pursuant to the Global Offering	2,213,450.0000
8,836,200,000	Preference Shares in issue immediately following the completion of the Reorganisation and the Global Offering	4,418,100.0000
Total		*8,836,200.0000*

RANKING

The Ordinary Shares to be issued will be held by the Trustee-Manager and Linked to the Units which are components of the Share Stapled Units to be issued pursuant to the Reorganisation and the Global Offering. The Ordinary Shares will confer voting rights (one vote per Ordinary Share) and the right to dividends and other distributions paid or made by the Company. All the Ordinary Shares in issue will rank *pari passu* with all other Ordinary Shares in issue and will qualify for all dividends or other distributions declared, made or paid by the Company after the date of this prospectus.

The Preference Shares to be issued and Stapled to the Units which are components of the Share Stapled Units to be issued pursuant to the Reorganisation and the Global Offering will also confer voting rights (one vote per Preference Share) and will be entitled to a preferential return of capital (in an amount equal to the Offer Price) on a winding up of the Company, but will not be entitled to any other dividends or distributions paid or made by the Company. All the Preference Shares in issue will rank *pari passu* with all the other Preference Shares in issue.

GENERAL MANDATE TO ISSUE SHARE STAPLED UNITS

Subject to the Global Offering becoming unconditional, a general mandate has been granted to the Directors, subject to the "lock-up" provisions under Rule 10.08 of the Listing Rules and any other applicable provisions of the Listing Rules and the provisions of the Trust Deed requiring that the Units be Linked to Ordinary Shares and Stapled to Preference Shares, to issue or agree (conditionally or unconditionally) to issue Share Stapled Units, after the Listing Date and on or prior to the date of the first annual general meeting of the Registered Holders of Units and the Shareholders held after the Listing Date (whether directly or pursuant to any Convertible Instrument), without the approval of an Ordinary Resolution of Registered Holders of Units and an ordinary resolution of Shareholders if the total number of new Share Stapled Units issued, or agreed (conditionally or unconditionally) to be issued, under the general mandate, otherwise than pursuant to (a) a rights issue or (b) any distribution reinvestment arrangement providing for the issue of Share Stapled Units in lieu of all or part of a distribution on Share Stapled Units in accordance with the Trust Deed and the Company's Articles, does not increase the number of Share Stapled Units outstanding immediately following the Listing Date by more than 20%.

Any issue of, or any agreement (whether conditional or unconditional) to issue, new Share Stapled Units exceeding the percentage threshold specified above shall require specific prior approval by an Ordinary Resolution of Registered Holders of Units and an ordinary resolution of Shareholders, except that agreements to issue new Share Stapled Units exceeding such percentage threshold which are conditional upon specific prior approval by such ordinary resolutions may be entered into without first obtaining such prior approval.

The authority granted under the general mandate described above shall only remain in effect until the conclusion of the first annual general meeting of the Registered Holders of Units and the Shareholders following the Listing Date, or the expiration of the period within which such annual general meeting is required to be held, or until revoked, renewed or varied by an Ordinary Resolution of Registered Holders of Units and an ordinary resolution of Shareholders, whichever occurs first.

For further details of the general mandate, see *"Appendix VII — Statutory and General Information"*.

So far as is known to any Director as at the Latest Practicable Date, immediately following the completion of the Reorganisation and the Global Offering (assuming the Over-allotment Option is not exercised), the following persons will have an interest or short position in the Share Stapled Units, the Preference Shares and the Ordinary Shares that would fall to be disclosed to the Trustee-Manager and the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, once the Share Stapled Units are listed on the Stock Exchange:

Interests and Long Positions in Share Stapled Units

Name	Capacity	Number of Share Stapled Units held or interested	Approximate Percentage (%)
Quickview[1]	Beneficial interest	4,409,300,000	49.9%
PAH[1]	Interest in controlled entity	4,409,300,000	49.9%
Hyford Limited[2][6]	Interest in controlled entity	4,409,300,000	49.9%
CKI[3][6]	Interest in controlled entity	4,409,300,000	49.9%
Hutchison Infrastructure Holdings Limited [3][6]	Interest in controlled entity	4,409,300,000	49.9%
Hutchison International Limited[3][6]	Interest in controlled entity	4,409,300,000	49.9%
HWL[3][6]	Interest in controlled entity	4,409,300,000	49.9%
CKH[3][6]	Interest in controlled entity	4,409,300,000	49.9%
Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust[4][6]	Trustee	4,409,300,000	49.9%
Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust [5][6]	Trustee & beneficiary of a trust	4,409,300,000	49.9%
Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust [5][6]	Trustee & beneficiary of a trust	4,409,300,000	49.9%
Li Tzar Kuoi, Victor[7]	Beneficiary of trusts	4,409,300,000	49.9%
Li Ka-shing[5][6]	Founder of discretionary trusts and interest in controlled entities	4,409,300,000	49.9%
SGID[8]	Beneficial interest	1,590,516,000	18.0%
The State Grid Corporation of China[8]	Interest in controlled entity	1,590,516,000	18.0%

Notes:

(1) PAH is deemed to be interested in the same 4,409,300,000 Share Stapled Units which Quickview is interested in as beneficial owner immediately following the completion of the Reorganisation and the Global Offering. Quickview is a direct wholly-owned subsidiary of PAH.

(2) Hyford Limited ("**Hyford**") is deemed to be interested in the 4,409,300,000 Share Stapled Units as referred to in Note (1) as it is entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of PAH through Hyford's direct or indirect wholly-owned subsidiaries.

(3) Certain subsidiaries of CKH together hold more than one-third of the issued share capital of HWL. HWL holds more than one-third of the issued share capital of Hutchison International Limited ("**HIL**"), which holds more than one-third of the issued share capital of Hutchison Infrastructure Holdings Limited ("**HIH**"), which in turn holds more than one-third of the issued share capital of CKI. CKI holds more than one-third of the issued share capital of Hyford indirectly. Accordingly, each of CKH, HWL, HIL, HIH and CKI is deemed under Part XV of the SFO to be interested in the 4,409,300,000 Share Stapled Units as referred to in Note (2).

(4) Li Ka-Shing Unity Trustee Company Limited ("**TUT1**") as trustee of The Li Ka-Shing Unity Trust ("**UT1**") is deemed to be interested in the 4,409,300,000 Share Stapled Units as referred to in Note (3) as TUT1 as trustee of UT1 and its related companies in which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings ("**TUT1 related companies**") hold more than one-third of the issued share capital of CKH.

(5) By virtue of the SFO, each of Mr. Li Ka-shing, being the settlor and may be regarded as a founder of each of The Li Ka-Shing Unity Discretionary Trust ("**DT1**") and another discretionary trust ("**DT2**") for the purpose of the SFO, Li Ka-Shing Unity Trustee Corporation Limited ("**TDT1**") as trustee of DT1 and Li Ka-Shing Unity Trustcorp Limited ("**TDT2**") as trustee of DT2 is deemed to be interested in the same block of Share Stapled Units TUT1 as trustee of UT1 is deemed to be interested in as referred to in Note (4) as all issued and outstanding units in UT1 are held by TDT1 as trustee of DT1 and by TDT2 as trustee of DT2. More than one-third of the issued share capital of TUT1 and of the trustees of the said discretionary trusts are owned by Li Ka-Shing Unity Holdings Limited ("**Unity Holdco**"). Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-thirds of the entire issued share capital of Unity Holdco.

(6) Under the Preferential Offering, subsidiaries of Hyford (as the shareholders of a total of 829,599,612 PAH Shares) are entitled to apply for an aggregate of 207,399,903 Reserved Share Stapled Units as an Assured Entitlement. Immediately following the completion of the Reorganisation and the Global Offering, the total interest which Hyford (and each of Mr. Li Ka-shing, TDT1 as trustee of DT1, TDT2 as trustee of another discretionary trust, TUT1 as trustee of UT1, CKH, HWL, HIL, HIH and CKI) will be deemed under Part XV of the SFO to have in the Share Stapled Units would include those Reserved Share Stapled Units if and to the extent that the subsidiaries of Hyford apply for those Share Stapled Units under the Preferential Offering.

(7) The discretionary beneficiaries of each of DT1 and DT2 are, *inter alia*, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard. Each of TDT1 which is the trustee of DT1 and TDT2 which is the trustee of DT2 holds units in UT1 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. TUT1 as trustee of UT1 and TUT1 related companies hold more than one-third of the issued share capital of CKH. The entire issued share capital of TUT1 and of the trustees of DT1 and DT2 are owned by Unity Holdco. Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-thirds of the entire issued share capital of Unity Holdco. TUT1 is only interested in the shares of CKH by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of CKH independently without any reference to Unity Holdco or any of Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor as a holder of the shares of Unity Holdco as aforesaid.

By virtue of the above and as a discretionary beneficiary of each of DT1 and DT2, under Part XV of the SFO, Mr. Li Tzar Kuoi, Victor will upon Listing be taken to have a duty of disclosure in relation to the shares of CKH held by TUT1 as trustee of UT1 and TUT1 related companies, the shares of HWL held by subsidiaries of CKH, the shares of CKI held by the subsidiary of HWL, and the Share Stapled Units held by Quickview.

Further, under the Preferential Offering, (i) subsidiaries of Hyford (as the shareholders of a total of 829,599,612 PAH Shares) are entitled to apply for an aggregate of 207,399,903 Reserved Share Stapled Units and (ii) the shareholder of 151,000 PAH Shares (in which Mr. Li Tzar Kuoi, Victor is deemed to have a family interest) is entitled to apply for 37,750 Reserved Share Stapled Units, in each case as an Assured Entitlement. Immediately following the completion of the Reorganisation and the Global Offering, the total interest which Mr. Li Tzar Kuoi, Victor will be deemed under Part XV of the SFO to have in Share Stapled Units would include those Reserved Share Stapled Units if and to the extent that the shareholders in (i) and (ii) above apply for those Share Stapled Units under the Preferential Offering.

(8) The State Grid Corporation of China is deemed to be interested in the same 1,590,516,000 Share Stapled Units which SGID is interested in as beneficial owner immediately following the completion of the Reorganisation, the Global Offering and the cornerstone investment agreement entered into by SGID. SGID is a wholly-owned subsidiary of the State Grid Corporation of China.

(9) The Trustee-Manager holds all of the issued Ordinary Shares in its capacity as trustee-manager of HK Electric Investments, on and subject to the terms of the Trust Deed.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors is aware of any other person who will, immediately following the completion of the Reorganisation and the Global Offering (assuming the Over-allotment Option is not exercised), have an interest or short position in the Share Stapled Units, the Preference Shares and the Ordinary Shares which would fall to be disclosed to the Trustee-Manager and the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

OVERVIEW

Immediately following the completion of the Reorganisation and the Global Offering, Quickview (a wholly-owned subsidiary of PAH) will hold approximately 49.9% of the Share Stapled Units in issue on the Listing Date (assuming the Over-allotment Option is not exercised) and approximately 42.4% of the Share Stapled Units in issue on the Listing Date (assuming the Over-allotment Option is exercised in full). Accordingly, following the completion of the Reorganisation and the Global Offering, each of Quickview and PAH will be a Controlling Holder of Share Stapled Units.

Since HEC will cease to be a subsidiary of PAH upon the completion of the Reorganisation and the Global Offering, the results in HEC and HEFL will no longer be consolidated in the financial statements of PAH. Instead, the Trust Group will be an associate of PAH and the financial results of the Group will be accounted for in PAH's financial statements using the equity method of accounting.

BACKGROUND OF PAH

PAH, formerly known as Hongkong Electric Holdings Limited, was incorporated in Hong Kong on 9 April 1976 with limited liability. The shares of PAH are listed on the Main Board of the Stock Exchange (Stock Code: 00006) and traded in the form of American depository shares on the OTC Markets Group Inc. in the United States (Ticker: HGKGY). PAH is also one of the constituents of the Hang Seng Index, Hang Seng Corporate Sustainability Index and the Dow Jones Sustainability Asia Pacific Index.

PAH is an investment holding company principally engaged in power related businesses. PAH has interests in and participates in the management of businesses in power generation, transmission and distribution, gas distribution, and energy from waste worldwide, including in the United Kingdom, Australia, the PRC, New Zealand, Thailand, Canada and the Netherlands, in addition to its investment in the electricity business in Hong Kong through HEC.

It is the intention of the PAH Group that after the Listing, the management of PAH will focus its time and resources on identifying new acquisition and investment opportunities to further develop PAH's power portfolio outside of Hong Kong, as well as strengthening its existing global power businesses.

INDEPENDENCE OF THE GROUP FROM THE PAH GROUP

The Board is satisfied that after the Listing, the Group will be able to carry on its business independently of the PAH Group on the basis of the following:

(a) Clear delineation between the businesses of the Group and the businesses of the PAH Group

Upon the Listing, the Group, through its principal operating subsidiary, HEC, will be engaged in the businesses of generation, transmission, distribution and supply of electricity in Hong Kong. For details of our operations and business, please refer to *"Business"*.

On the other hand, the PAH Group will continue to focus on businesses in power-related facilities and projects outside Hong Kong. The PAH Group holds investments across four continents around the world. These investments include a portfolio of power generation assets, electricity distribution networks, gas distribution network and energy from waste businesses in the United Kingdom, Australia, the PRC, New Zealand, Canada, Thailand and the Netherlands. The remaining businesses of the PAH Group in Hong Kong do not relate to the generation, transmission, distribution or supply of electricity, and are insignificant in terms of asset value, revenue and profit contribution.

In addition, the Company and PAH have entered into the Non-Competition Deed in order to maintain a clear delineation of the business of the Group (on the one hand) and the business of the PAH Group (on the other hand) following the Listing. Further details are set out in *"— Non-Competition Deed"* below.

On the basis of the foregoing, there is a clear delineation of the businesses of the Group and the businesses of the PAH Group following the Listing.

(b) Financial independence of the Group from the PAH Group

As at the Latest Practicable Date, Inter-company Loans in the aggregate principal amount of approximately HK$18,612.0 million were owed by HEC to the PAH Group. The Inter-company Loans, to the extent not repaid prior to the Listing, are expected to be repaid by HEC on or before the fifth business day following the Listing Date using the proceeds from the HEC Loan Facility. Inter-company Loans include interim dividends declared by HEC but not yet paid to PAH before completion of the Acquisition. In addition, any amount of profit attributable to the equity shareholders of HEC up to completion of the Acquisition which shall belong to PAH and which is not distributed to PAH prior to completion of the Acquisition shall be distributed by HEC to Treasure Business as a further interim dividend of HEC, and Treasure Business will pay the same amount to PAH not later than 30 April 2014. See *"History and Reorganisation — The Reorganisation"*.

In connection with the Acquisition, part of the Acquisition Consideration will be settled by way of the Promissory Note to be issued by Treasure Business to PAH on the Completion Date (which is the same date as the Listing Date). The Promissory Note is expected to be redeemed by the payment of cash on or before the fifth business day following the Listing Date using part of the proceeds from the Company Loan Facility. For further details, please refer to *"History and Reorganisation — The Reorganisation".*

The Inter-company Loans as at the Listing Date and the Promissory Note, and apportionment of entitlements between PAH and the Group before and after completion of the Acquisition, are expected to be settled within a relatively short period of time after the Listing Date.

In addition, certain leading financial institutions have extended loans and facilities to HEC which are not guaranteed by the PAH Group, and during the Track Record Period, HEC had a positive cash flow position before taking into account dividends paid to PAH. For details, please refer to *"Appendix I — Accountants' Report"*.

On the basis of the foregoing, the Group will be financially independent of the PAH Group following the Listing.

(c) Independence of directors and management

Upon the Listing, certain of the Directors and senior management of the Group will continue to hold directorships and roles in the PAH Group as set out below:

Directors:

Name	Company and Trustee-Manager	PAH Group
Mr. FOK Kin Ning, Canning	Chairman and Executive Director	Chairman and Executive Director
Mr. WAN Chi Tin	Executive Director	Executive Director[(1)]
Mr. CHAN Loi Shun	Executive Director	Executive Director
Mrs. CHOW WOO Mo Fong, Susan	Executive Director	None[(2)]
Mr. YUEN Sui See	Executive Director	None[(2)]
Mr. CHENG Cho Ying, Francis	Executive Director	None
Mr. TSO Kai Sum	Non-executive Director	None[(3)]
Mr. Ronald Joseph ARCULLI	Non-executive Director	None[(2)]
Mr. FONG Chi Wai, Alex	Independent Non-executive Director	None[(2)]
Mr. LEE Lan Yee, Francis	Independent Non-executive Director	None[(2)]
Mr. George Colin MAGNUS	Independent Non-executive Director	None[(2)]
Mr. Donald Jeffrey ROBERTS	Independent Non-executive Director	None

Senior Management:

Name	Group	PAH Group
Mr. WONG Kim Man	Chief Financial Officer	None
Ms. CHAN Lai Yee, Trini	General Manager (Human Resources)	None
Mr. CHAN Ping Kee	General Manager (Transmission & Distribution)	None
Mr. LAU Chi Kwong	General Manager (Projects)	None
Mr. NG Wai Cheong, Alex	Group Legal Counsel & Company Secretary	Group Legal Counsel & Company Secretary
Mr. WONG Yuk Keung, Arthur	General Manager (Group Commercial)	None
Mr. YEE Tak Chow	General Manager (Corporate Development)	None
Ms. YEUNG Yuk Chun, Mimi	General Manager (Public Affairs)	None

Notes:

(1) Mr. WAN Chi Tin, who is currently an executive director and the group managing director of PAH, will cease to act as the group managing director of PAH prior to the Listing and will remain as an executive director of PAH.

(2) Mrs. CHOW WOO Mo Fong, Susan, Mr. YUEN Sui See, Mr. Ronald Joseph ARCULLI, Mr. FONG Chi Wai, Alex, Mr. LEE Lan Yee, Francis and Mr. George Colin MAGNUS, who are currently directors of PAH, will cease to act as directors of PAH prior to the Listing.

(3) Mr. TSO Kai Sum, who is currently a non-executive director of PAH and the deputy chairman and senior adviser to the PAH Board, will cease to act as a director of PAH and the deputy chairman and senior adviser to the PAH Board prior to the Listing.

The Trustee-Manager and the Company (on the one hand) and PAH (on the other hand) have boards of directors that function independently of each other.

The Directors believe that the Group will be able to operate independently of the PAH Group with effect from the Listing for the following reasons:

(i) the Board will comprise 12 members, nine of whom will have no ongoing roles with, and are therefore independent from, the PAH Group;

(ii) all four independent non-executive Directors (representing one-third of the Board) will not have any ongoing role with the PAH Group. Accordingly, the Directors believe that the independent non-executive Directors will be able to provide independent oversight over the Board's decision making on significant transactions, connected transactions and other transactions involving any conflict of interests between the Group and PAH Group and to protect the interests of the independent Holders of Share Stapled Units;

(iii) Mr. WAN Chi Tin, the Chief Executive Officer and Executive Director, will have dedicated responsibilities for the Group and will oversee the operations of the Group together with the senior management of the Company. While Mr. Wan will remain as an executive director of PAH to continue to contribute to the PAH board his experience in the power industry, his role and participation on the PAH board will be limited as compared to his role prior to the Listing, in view of his stepping down from the position as managing director of PAH prior to the Listing and his new appointment as Chief Executive Officer and Executive Director of the Company;

(iv) in addition to the six executive Directors, the eight other members of the senior management team of the Group will be, together with the executive Directors, responsible for the day-to-day operations and management of the Group. Other than Mr. NG Wai Cheong, Alex, the Group Legal Counsel and Company Secretary of the Company, who will also act as the Group Legal Counsel and Company Secretary of PAH responsible for legal and company secretarial functions of PAH, all the other seven members of the senior management team of the Group will not have any ongoing managing roles in the PAH Group; and

(v) the Trustee-Manager and the Company have established the following corporate governance measures to seek to (A) address any potential conflicts of interest in respect of the overlapping directors and senior management of the Group (on the one hand) and the PAH Group (on the other hand) and (B) safeguard the interests of the independent Holders of Share Stapled Units:

    (1) any Director(s) with an interest in the relevant matter will abstain from voting in respect of that matter and will not be counted in the quorum for the relevant Board meeting to consider that matter. In such a situation, only the Directors who do not have any ongoing

role with the PAH Group will vote and decide on matters in which the PAH Group is interested. In this context, a conflict, so far as the Board is concerned, will be taken to include any matter in which the PAH Group has a direct or indirect interest (other than through its holding of Share Stapled Units);

(2) the Trustee-Manager's Articles provide that a Trustee-Manager Director must give priority to the interest of all the Registered Holders of Units as a whole over the interest of the Trustee-Manager in the event of a conflict between the interest of all the Registered Holders of Units as a whole and the interest of the Trustee-Manager. See *"Appendix IV — Trust Deed — Duties of the Trustee-Manager under the Trust Deed"* for details of the duties of a Trustee-Manager Director;

(3) potential and actual conflicts of interest arising from connected transactions between the Group (on the one hand) and the PAH Group (on the other hand) have been identified and the parties will comply with the applicable requirements of the Listing Rules governing connected transactions. In particular, PAH will abstain from voting at any meetings of Registered Holders of Share Stapled Units where the PAH Group has a material interest in the relevant resolution(s); and

(4) any potential conflicts of interest that may arise from the future development of the Group (on the one hand) and the PAH Group (on the other hand) has been minimised through the Non-Competition Deed, as described in *"— Non-Competition Deed"* below.

(d) Independence of administrative capability

The Group will have its own separate management team and separate functional units that focus on, among other things, engineering and development, operations, project management, finance, accounting, treasury, internal audit, human resources, public affairs services and administration, all of which will operate without reliance on the PAH Group. The Group will also have its own separate principal place of business upon Listing.

Accordingly, the Group will be administratively independent of the PAH Group following the Listing.

(e) Ongoing and future connected transactions between the Group and the PAH Group

Upon the Listing, certain transactions between the Group and the PAH Group will become continuing connected transactions of HK Electric Investments and the Company under the Listing Rules. The details of such continuing connected transactions are set out in *"Connected transactions"*. All of these continuing connected transactions would continue to be conducted on arm's length commercial terms and will be capable of being satisfactorily monitored by the management of the Group.

NON-COMPETITION DEED

In order to maintain a clear delineation of the business of the Group (on the one hand) and the business of the PAH Group (on the other hand) and to minimise any potential conflicts of interest that may arise from the future development of the Group (on the one hand) and the PAH Group (on the other hand), the Company and PAH entered into the Non-Competition Deed on 14 January 2014.

Pursuant to the Non-Competition Deed, PAH has irrevocably agreed to the Company that, save as provided below, it will not, and it will procure that none of the other members of the PAH Group will, whether on its own account or with each other or in conjunction with or on behalf of any person, firm or company, carry on, or be engaged in or interested in, directly or indirectly, whether as a shareholder, partner, agent or otherwise (other than being a holder of Share Stapled Units or being the Trustee-Manager or its holding company, or being the holding company of any holder of any Share Stapled Units, or otherwise being interested directly or indirectly in any Share Stapled Units), the business of generation, transmission, distribution and supply of electricity in Hong Kong.

The exceptions under the Non-Competition Deed provide that the restrictions in the Non-Competition Deed do not apply to the PAH Group's shares or interests in shares or other securities in any company which conducts or is engaged in the business of generation, transmission, distribution and supply of electricity in Hong Kong (the "**Subject Company**"), provided that:

(a) such shares or securities are listed on an approved stock exchange (as defined under the Companies Ordinance);

(b) the aggregate equity interest or number of shares or other securities held by the PAH Group do not exceed 10% of the issued capital or issued shares or other securities of the Subject Company; and

(c) the PAH Group does not have board or management control of the Subject Company.

PAH has further undertaken to provide the Company with an annual written confirmation in respect of compliance by the PAH Group with the terms of the Non-Competition Deed and its consent to the inclusion of such confirmation in our annual report and all information as may reasonably be requested by us for our review and enforcement of the Non-Competition Deed.

The obligations of PAH under the Non-Competition Deed in relation to the PAH Group and members thereof shall, in relation to joint ventures in the PAH Group from time to time, be limited to exercising all of PAH's voting rights and powers of control in respect of or over the joint ventures which are available to and exercisable by PAH, but not further or otherwise.

A committee comprising all the independent non-executive Directors will be responsible for overseeing compliance by the PAH Group with the Non-Competition Deed.

The undertakings given by PAH in the Non-Competition Deed will commence on the Listing Date and will terminate on the earlier of:

(i) the date on which PAH, directly or indirectly, is interested in less than 30% of the Share Stapled Units in issue; and

(ii) the date on which the Share Stapled Units cease to be listed on the Stock Exchange.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is interested in any businesses apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the Group's business.

A. OVERVIEW

Prior to the Listing Date, we entered into certain transactions with parties who will, upon the Listing, become our connected persons within the meaning given in Chapter 14A of the Listing Rules. These transactions will therefore constitute continuing connected transactions of HK Electric Investments and the Company under Chapter 14A of the Listing Rules. Details of these transactions as well as the waivers granted by the Stock Exchange from strict compliance with the relevant requirements under Chapter 14A of the Listing Rules are set out in this section below.

B. EXEMPT CONTINUING CONNECTED TRANSACTIONS

Following the Listing, the following transactions will constitute continuing connected transactions of HK Electric Investments and the Company which are exempt from the reporting, announcement, annual review and independent shareholders' approval requirements pursuant to Rule 14A.33 of the Listing Rules.

Sharing of support services between the Group and the PAH Group

(a) *Principal terms*

On 14 January 2014, PAH and the Company entered into a support services agreement (the "**Support Services Agreement**") pursuant to which members of the Group shall provide the PAH Group with general office administration and other support services (such as, among others, legal, company secretarial, financial, accounting, treasury, internal audit, human resources, public affairs services, information technology and administrative services) and office facilities as may be requested by the PAH Group from time to time. On the other hand, pursuant to the Support Services Agreement, upon our request, the PAH Group shall procure the provision to the Group of group insurance and services from third party insurance companies or agents which covers the Group, and such other support services as may be agreed by the Company and PAH.

The party providing or procuring services pursuant to the Support Services Agreement will be paid service fees to be determined based on the total costs incurred in the provision or procurement of the relevant support services and office facilities and allocated among the PAH Group and the Group on a fair and equitable basis, taking into account the time spent by the relevant personnel of the Group or the PAH Group when providing or procuring such services.

The Support Services Agreement is for an initial term of three years from the Listing Date, and shall be automatically renewed for successive periods of three years upon expiry subject to compliance with the relevant requirements of the Listing Rules for the time being, provided that it may be terminated at any time by either party by giving six months' prior written notice to the other party.

(b) *Historical transaction*

During the Track Record Period, various administrative and support services were shared between the PAH Group and the Group, but on a basis different from that of the transactions contemplated under the Support Services Agreement.

(c) *Listing Rules requirements*

As PAH is entitled to control the exercise of more than 10% of the voting power at any general meeting of the Company, PAH and its subsidiaries are connected persons of the Company within the meaning of the Listing Rules. Accordingly, the transactions under the Support Services Agreement will constitute continuing connected transactions of HK Electric Investments and the Company under the Listing Rules.

Since the arrangements under the Support Services Agreement constitute the sharing of administrative services on a cost basis, and the cost of such services are identifiable and will be allocated to the parties involved on a fair and equitable basis, pursuant to Rule 14A.33(2) of the Listing Rules, the transactions under the Support Services Agreement are exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

C. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

On-sale of Gas from PAH to HEC

(a) *Purchase of natural gas*

The natural gas that we have been using as one of the fuels for our electricity generation is either (i) supplied from Australia and purchased by PAH from Guangdong Dapeng pursuant to the Dapeng Gas Supply Contract, or (ii) supplied mainly from Qatar and purchased by PAH from CNOOC Gas pursuant to the CNOOC Gas Supply Contract. The Gas Supply Contracts are take-or-pay gas sales contracts.

The Dapeng Gas Supply Contract and the CNOOC Gas Supply Contract were entered into by PAH, as purchaser, in 2004 and 2009 respectively, for the purposes of making available to HEC a stable supply of natural gas for using as fuel for its electricity generation. PAH has been on-selling the natural gas purchased by it under the Gas Supply Contracts to us on an at cost basis. The natural gas is directly transported to the Lamma Power Station from the Guangdong LNG Terminal, through a submarine pipeline which is owned by us.

With effect from 8 December 2013, the CNOOC Gas Supply Contract was novated by PAH to HEC pursuant to the novation deed entered into between PAH, HEC and CNOOC Gas dated 22 November 2013. As a result, the Group will purchase natural gas from CNOOC Gas directly pursuant to the CNOOC Gas Supply Contract.

It is the intention of PAH and us that, once the consent of Guangdong Dapeng is obtained and the novation deed between PAH, the Group and Guangdong Dapeng becomes effective, the Dapeng Gas Supply Contract will be novated by PAH to the Group. Pending completion of such novation, the position of PAH under the Dapeng Gas Supply Contract will be passed on to us pursuant to the Gas On-sale Agreement (as defined and described below) entered into between PAH and HEC, so that after Listing, PAH will continue to purchase natural gas pursuant to the Dapeng Gas Supply Contract from Guangdong Dapeng and to meet and defray all costs and expenses payable under the Dapeng Gas Supply Contract, and such natural gas purchased will be on-sold to HEC pursuant to the Gas On-sale Agreement.

An announcement will be made by the Company and the Trustee-Manager upon completion of the novation of the Dapeng Gas Supply Contract, if such novation is completed after the Listing. Where applicable, disclosure regarding the status of the novation of the Dapeng Gas Supply Contract will be included in our annual report until the conclusion of the discussions with Guangdong Dapeng with respect to the novation. As long as the Gas On-sale Agreement and the Stock Exchange's related waiver from compliance with the requirements under Chapter 14A of the Listing Rules are valid and subsisting, details of the waiver and the connected transactions relating to the Gas On-sale Agreement will also be disclosed in our annual reports.

(b) *Principal terms of the Dapeng Gas Supply Contract*

The initial term of the Dapeng Gas Supply Contract expires on 27 September 2031, and may be extended by PAH for 12 months for the sole purpose of its recovery of any natural gas paid for by PAH but not yet delivered to it during the initial term. In the event that the natural gas to be so recovered is not recovered during such extension period, it may be further extended for up to 12 additional months.

Under the Dapeng Gas Supply Contract, until 31 March 2027, Guangdong Dapeng shall be required to supply 16,278,000GJ natural gas to PAH in each year ending 31 March, and PAH shall purchase from or pay Guangdong Dapeng for at least 14,650,200GJ natural gas in each such year (subject to adjustments). From 1 April 2027 until the expiry of the initial term of the Dapeng Gas Supply Contract, Guangdong Dapeng shall be required to supply 10,980,000GJ natural gas to PAH in each year ending 31 March, and PAH shall purchase from or pay Guangdong Dapeng for at least 9,882,000GJ natural gas in each such year, save in respect of the period from 1 April 2031 to 27 September 2031, in which case, the amount committed to be supplied or purchased shall be reduced on a pro rata basis.

The price for the natural gas to be sold and purchased under the Dapeng Gas Supply Contract is variable, as it is dependent on the oil prices as quoted by specified oil price indexes from time to time, but is subject to a stipulated price ceiling as set out in the Dapeng Gas Supply Contract. In addition to the natural gas price, PAH shall pay to Guangdong Dapeng the gas transportation charges, gas terminal charges, and import duty, value added tax and any statutory taxes and fees incurred by Guangdong Dapeng in connection with the natural gas that PAH purchases under the Dapeng Gas Supply Contract.

(c) *Principal terms of the Gas On-sale Agreement*

On 14 January 2014, HEC as purchaser and PAH as vendor entered into a gas on-sale agreement (the "**Gas On-sale Agreement**") pursuant to which PAH has agreed to sell to HEC and HEC shall purchase from or pay PAH for all of the natural gas that PAH purchases or pays for under the Dapeng Gas Supply Contract and all costs and expenses which are payable by PAH pursuant to the Dapeng Gas Supply Contract shall pass-through to HEC.

The Gas On-sale Agreement is for a term commencing on the Listing Date and until the expiry of the term of the Dapeng Gas Supply Contract (including the extended term, if any). The Gas On-sale Agreement will automatically terminate upon completion of the novation of the Dapeng Gas Supply Contract by PAH to the Group.

Pursuant to the Gas On-sale Agreement, the written consent of the Group is required before PAH could agree to any amendment to the Dapeng Gas Supply Contract.

(d) *Historical transaction*

For each of FY2010, FY2011, FY2012 and 9M2013, the aggregate amounts paid by HEC to Guangdong Dapeng and CNOOC Gas in discharge of obligations owing by PAH for the natural gas purchased by PAH from Guangdong Dapeng and CNOOC Gas pursuant to the Gas Supply Contracts and on-sold to HEC were approximately HK$2,211 million, HK$2,624 million, HK$2,930 million, and HK$2,045 million, respectively. For the volumes of gas supplied by Guangdong Dapeng and CNOOC Gas during such periods, see *"Business — Fuel Supply — Natural Gas"*.

For FY2013, the amount of natural gas committed to be supplied by Guangdong Dapeng and purchased by PAH under the Dapeng Gas Supply Contract was approximately 16.3 million GJ.

The on-selling of natural gas by PAH to HEC has been on an at cost basis during the above periods. As mentioned above, with effect from 8 December 2013, the CNOOC Gas Supply Contract was novated by PAH to HEC.

(e) *Annual caps*

The Company expects that the annual volume of natural gas to be purchased by HEC from PAH under the Gas On-sale Agreement shall not exceed the following caps:

Year	Annual cap (million GJ)
FY2014	17.2
FY2015	17.2
FY2016	17.2
FY2017	17.2
FY2018	17.2
FY2019	17.2
FY2020	17.2
FY2021	17.2
FY2022	17.2
FY2023	17.2
FY2024	17.2
FY2025	17.2
FY2026	17.2
FY2027	14.3
FY2028	11.6
FY2029	11.6
FY2030	11.6
FY2031	5.7

The above annual caps have been determined based on the annual amount of natural gas that Guangdong Dapeng is committed to supply to PAH pursuant to the Dapeng Gas Supply Contract for the periods as described above, and adding a buffer of approximately 5% for any additional natural gas which HEC may require from Guangdong Dapeng on top of the committed supply amount.

(f) *Listing Rules requirements*

As PAH is entitled to control the exercise of more than 10% of the voting power at any general meeting of the Company, PAH is a connected person of the Company within the meaning of the Listing Rules. Accordingly, the transactions under the Gas On-sale Agreement will constitute continuing connected transactions of HK Electric Investments and the Company under the Listing Rules.

The transactions under the Gas On-sale Agreement will, upon the Listing and in absence of the grant of a waiver by the Stock Exchange as referred to in *"— Waivers"* below, be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Requirement on the duration of agreements

Pursuant to Rule 14A.35(1) of the Listing Rules, the term of an agreement for non-exempt continuing connected transactions shall not exceed three years, except in special circumstances where the nature of the transactions requires them to be of a duration longer than three years. The Directors, including the independent non-executive Directors, are of the view that it is normal market practice for fuel supply agreements for electricity generation business to be of a long term in order to ensure stable fuel supply.

Requirement on the imposition of annual caps in monetary value

Pursuant to Rule 14A.35(2) of the Listing Rules, annual caps expressed in terms of monetary value shall be set for non-exempt continuing connected transactions. The Trustee-Manager and the Company have applied for, and the Stock Exchange has granted, a waiver from strict compliance of such requirement so as to allow the annual caps for transactions under the Gas On-sale Agreement be expressed as fixed quanta, being maximum expected transaction volumes of natural gas to be purchased, rather than in terms of monetary value, subject to the waiver conditions disclosed below.

Under the Dapeng Gas Supply Contract, the commitment of Guangdong Dapeng and PAH is expressed in an annual volume of natural gas (in GJ). The Gas On-sale Agreement will involve a complete on-sale by PAH to HEC of all the natural gas purchased or paid for under the Dapeng Gas Supply Contract at cost, so that the amounts payable by HEC to PAH will be equivalent to the amounts payable by PAH to Guangdong Dapeng under the Dapeng Gas Supply Contract. As such, PAH is not expected to profit from the transactions under the Gas On-sale Agreement. Therefore, the Directors consider that there should not be any concern of our connected person taking advantage through higher transaction amounts under the Gas On-sale Agreement, against which the annual cap requirement under Rule 14A.35(2) of the Listing Rules is required to safeguard. Notwithstanding that, the Directors are of the view that higher transparency could be achieved by setting annual caps for such transactions, and that the above annual caps in transaction volumes of natural gas purchased will provide a meaningful parameter for the independent Holders of Share Stapled Units to gauge the size of the transactions, as the natural gas to be purchased by us will be used as fuel for our electricity generation.

D. ARRANGEMENT IN RELATION TO LISTING

As disclosed in *"Relationship with PAH — Independence of the Group from the PAH Group — Financial Independence of the Group from the PAH Group"*, the Inter-company Loans owed by HEC to the PAH Group, to the extent not repaid prior to the Listing, are expected to be repaid by HEC on or before the fifth business day following the Listing Date using the proceeds from the HEC Loan Facility.

In connection with the Acquisition, part of the Acquisition Consideration will be settled by way of the Promissory Note to be issued by Treasure Business to PAH on the Completion Date (which is the same date as the Listing Date). The Promissory Note is expected to be redeemed by the payment of cash on or before the fifth business day following the Listing Date using part of the proceeds from the Company Loan Facility.

The financial assistance provided under the Inter-company Loans and to be provided under the Promissory Note will, upon the Listing, constitute a connected transaction of HK Electric Investments and the Company under the Listing Rules which is exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, as it is for the benefit of HK Electric Investments and the Company on normal commercial terms (or better to HK Electric Investments and the Company) where no security over the assets of the Trust Group is granted in respect thereof.

E. WAIVERS

The Trustee-Manager and the Company have applied for, and the Stock Exchange has granted to the Trustee-Manager and the Company, a waiver from strict compliance with (1) the announcement and the approval of independent Holders of Share Stapled Units requirements under the Listing Rules in respect of the Gas On-sale Agreement, and (2) the requirement for setting of annual caps in monetary value for transactions under the Gas On-sale Agreement, so that the annual caps for transactions under each of the Gas On-sale Agreement will be expressed as fixed quanta, being the maximum expected transaction volumes of natural gas to be purchased, provided that if the Dapeng Gas Supply Contract is novated by PAH to the Group, such waiver will:

(i) automatically terminate upon completion of the novation with respect to the waiver from the announcement/holders' approval requirements in (1) above; and

(ii) cease to have effect in respect of the full financial years after the completion of such novation with respect to the waiver from the requirement to set annual caps in monetary value in (2) above.

Apart from the requirements with which strict compliance has been waived by the Stock Exchange as mentioned above, the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules that are applicable to the continuing connected transactions under the Gas On-sale Agreement.

The independent non-executive Directors will review the continuing connected transactions under the Gas On-sale Agreement and confirm in the annual report and accounts of HK Electric Investments and the Company that such transactions for the financial year under review have been entered into in the manner as set out in paragraphs (1), (2) and (3) of Rule 14A.37 of the Listing Rules.

F. DIRECTORS' AND JOINT SPONSORS' VIEW

The Directors, including the independent non-executive Directors, are of the view that the terms of all the non-exempt continuing connected transactions under the Gas On-sale Agreement (as described under *"— Non-exempt Continuing Connected Transactions"* above) are on normal commercial terms and are fair and reasonable and in the interests of HK Electric Investments, the Company and Holders of

Share Stapled Units as a whole and have been and shall be entered into in the ordinary and usual course of business of the Group. The Directors, including the independent non-executive Directors, are also of the view that the above annual caps for such transactions are fair and reasonable and in the interests of HK Electric Investments, the Company and the Holders of Share Stapled Units as a whole.

The Directors, including the independent non-executive Directors, are of the view that the duration of the Gas On-sale Agreement is in accordance with normal business practice and could provide stability to the Group's business, and that apart from the requirements with which strict compliance has been waived by the Stock Exchange as mentioned above, the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules that are applicable to the continuing connected transactions under the Gas On-sale Agreement.

The Joint Sponsors have reviewed the relevant information and historical figures prepared and provided by us relating to the continuing connected transactions under the Gas On-sale Agreement (as described under *"— Non-exempt Continuing Connected Transactions"* above), have also conducted due diligence by discussing these transactions with us, and have obtained various representations and confirmations from us and members of the PAH Group. Based on the Joint Sponsors' due diligence, the Joint Sponsors are of the view that such non-exempt continuing connected transactions are on normal commercial terms and are fair and reasonable and in the interests of HK Electric Investments, the Company and Holders of Share Stapled Units as a whole and have been and shall be entered into in the ordinary and usual course of business of the Group. The Joint Sponsors are also of the view that the above annual caps for such transactions are fair and reasonable and in the interests of HK Electric Investments, the Company and the Holders of Share Stapled Units as a whole.

The Joint Sponsors are also of the view that, based on the due diligence conducted by them as described above, the duration of the Gas On-sale Agreement is in accordance with normal business practice and could provide stability to the Group's business.

THE TRUSTEE-MANAGER

The Trustee-Manager, HK Electric Investments Manager Limited, was incorporated in Hong Kong under the Companies Ordinance on 25 September 2013 and is an indirect wholly-owned subsidiary of PAH. The Trust Deed provides that for so long as the Trustee-Manager acts as the trustee-manager of HK Electric Investments, it must remain a wholly-owned subsidiary of PAH.

THE COMPANY

The Company, HK Electric Investments Limited, was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 23 September 2013. As the Company was incorporated in the Cayman Islands, its operations are subject to the Cayman Companies Law and to its constitution which comprises the Memorandum and Articles of Association of the Company. Please see *"Appendix V — Summary of the Constitution of the Company and Cayman Companies Law"* for a summary of the relevant sections of the Memorandum and Articles of Association of the Company and the relevant aspects of the Cayman Companies Law.

Following the completion of the Reorganisation and the Global Offering, all the issued and paid-up Ordinary Shares of the Company will be held by the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments). For so long as the Share Stapled Units are listed on the Stock Exchange, all of the issued Ordinary Shares will be registered in the Principal Register of Members in the name of the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments) while all of the Preference Shares will be Stapled to the Units and issued to and held by the Registered Holders of Share Stapled Units, unless and until the Exchange Right is exercised pursuant to the terms of the Trust Deed.

DIRECTORS

The Trust Deed requires that:

(a) the Trustee-Manager Board shall at all times be the same individuals who also serve as the Company Directors at the same time;

(b) no person shall serve as a Trustee-Manager Director unless he also serves as a Company Director at the same time; and

(c) no person shall serve as a Company Director unless he also serves as a Trustee-Manager Director at the same time.

Accordingly, the composition of the Trustee-Manager Board and the composition of the Company Board will be the same at all times. The Trust Deed also requires that the memberships of the Company Audit Committee and the Trustee-Manager Audit Committee must be the same. Please see *"Appendix V — Summary of the Constitution of the Company and Cayman Companies Law"* for details on the procedures relating to the retirement, appointment and removal of a Director.

On the date of this prospectus, the Trustee-Manager Board and the Company Board each consists of 12 Directors, comprising six executive Directors, two non-executive Directors, and four independent non-executive Directors. Brief information of the Directors is set out below:

Name	Age	Position in the Company	Date of appointment to the Trustee-Manager Board	Date of appointment to the Company Board	Principal responsibilities
Mr. FOK Kin Ning, Canning	62	Chairman and Executive Director	5 December 2013	5 December 2013	Responsible for the management of the Board, leading the Board in the formulation of strategic directions and for the high level oversight of the management and operations of the Group
Mr. WAN Chi Tin	63	Chief Executive Officer and Executive Director	25 September 2013	23 September 2013	Responsible for the day-to-day management of the Group
Mr. CHAN Loi Shun	51	Executive Director	25 September 2013	23 September 2013	Responsible for the day-to-day management of the Group
Mrs. CHOW WOO Mo Fong, Susan (alias, WOO Mo Fong, Susan)	60	Executive Director	5 December 2013	5 December 2013	Responsible for the formulation of strategic directions and for the high level oversight of the management and operations of the Group
Mr. YUEN Sui See	63	Executive Director	5 December 2013	5 December 2013	Responsible for the day-to-day management of the Group
Mr. CHENG Cho Ying, Francis (alias, CHENG Cho Ying)	57	Executive Director	5 December 2013	5 December 2013	Responsible for the day-to-day management of the Group, and in particular the operations of the Group's generating facilities
Mr. TSO Kai Sum	82	Non-executive Director and Deputy Chairman and Senior Adviser to the Company Board	5 December 2013	5 December 2013	Responsible for the formulation of strategic directions and for the high level oversight of the management and operations of the Group

Name	Age	Position in the Company	Date of appointment to the Trustee-Manager Board	Date of appointment to the Company Board	Principal responsibilities
Mr. Ronald Joseph ARCULLI	75	Non-executive Director	5 December 2013	5 December 2013	Responsible for the formulation of strategic directions and for the high level oversight of the management and operations of the Group
Mr. FONG Chi Wai, Alex .	57	Independent non-executive Director	5 December 2013	5 December 2013	Responsible for giving strategic advice and guidance on the business and operations of the Group
Mr. LEE Lan Yee, Francis (alias, LEE Lan Yee) . .	72	Independent non-executive Director	5 December 2013	5 December 2013	Responsible for giving strategic advice and guidance on the business and operations of the Group
Mr. George Colin MAGNUS.	78	Independent non-executive Director	5 December 2013	5 December 2013	Responsible for giving strategic advice and guidance on the business and operations of the Group
Mr. Donald Jeffrey ROBERTS	62	Independent non-executive Director	5 December 2013	5 December 2013	Responsible for giving strategic advice and guidance on the business and operations of the Group

All Directors (except for Mr. Cheng and Mr. Roberts) are also directors of HEC, the principal operating company of the Group. Mr. Cheng and Mr. Roberts will also be directors of HEC upon the Listing.

Executive Directors

Mr. FOK Kin Ning, Canning
Chairman

Mr. FOK Kin Ning, Canning, aged 62, is the Chairman of the Company and an executive Director. He is also the chairman of HEC. He joined the Group and was appointed to the boards of HEC and PAH in 1985. He became chairman of PAH in 2005. Mr. Fok is the group managing director of HWL, the deputy chairman of CKI, a non-executive director of CKH and a director of Hutchison International Limited ("**HIL**"). He is the chairman of Hutchison Harbour Ring Limited (listed on the Stock Exchange, stock code: 00715) ("**HHRL**"), Hutchison Telecommunications (Australia) Limited (listed on the Australian Securities Exchange, code: HTA) ("**HTA**"), Hutchison Telecommunications Hong Kong Holdings Limited (listed on the Stock Exchange, stock code: 00215) ("**HTHKH**") and Hutchison Port Holdings

Management Pte. Limited ("**HPHMPL**"), which is the trustee-manager of Hutchison Port Holdings Trust (listed on Singapore Exchange, codes: NS8U and P7VU) ("**HPH Trust**"), and the co-chairman of Husky Energy Inc. (listed on the Toronto Stock Exchange, symbols: HSE and HSE.PRA) ("**Husky**"). Mr. Fok is also an alternate director of HTHKH. Mr. Fok obtained a Bachelor of Arts degree from Saint John's University in Minnesota, the United States, in December 1974 and a Diploma in Financial Management from the University of New England in Australia in April 1976, and is a member of The Institute of Chartered Accountants in Australia.

Mr. WAN Chi Tin
Chief Executive Officer

Mr. WAN Chi Tin, aged 63, is the Chief Executive Officer of the Company and an executive Director. He is also the managing director of HEC and an executive director and the group managing director of PAH. Mr. Wan has worked for the PAH Group and the Group since 1978, holding various positions including chief executive officer of Powercor Australia Limited and CitiPower Pty., associate companies of the PAH Group in Australia, and Director of Engineering (Planning & Development). Mr. Wan was appointed to the boards of HEC and PAH in 2005. He has been the group managing director of PAH from 1 January 2013 and will cease to hold such position prior to the Listing and will remain as an executive director of PAH.

Mr. Wan received a Bachelor of Science degree in Engineering from the University of Hong Kong in November 1973 and is registered as a Chartered Engineer with the Engineering Council in the United Kingdom. He became an Honorary Fellow of the Energy Institute (Hong Kong Branch) in December 2006, a Fellow of the Institution of Electrical Engineers in the United Kingdom in July 1997 and a Fellow of the Hong Kong Institution of Engineers in July 1997. He is also a Council Member of the Hong Kong Institution of Engineers and a member of the Engineers Registration Board of Hong Kong.

Mr. CHAN Loi Shun

Mr. CHAN Loi Shun, aged 51, is an executive Director. Mr. Chan joined the Group and was appointed to the boards of HEC and PAH in June 2012. He is an executive director and alternate director to Mr. Kam Hing Lam on the PAH Board. He is an executive director and chief financial officer of CKI and a director of Envestra Limited (listed on the Australian Securities Exchange, code: ENV). He was also a non-executive director of Spark Infrastructure Group (listed on the Australian Securities Exchange, code: SKI) prior to his resignation on 31 May 2011. Mr. Chan joined HWL in January 1992 and has been with the CKH group since May 1994.

Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and has been a member of the Association of Chartered Certified Accountants since 1989. He is also a member of the Institute of Certified Management Accountants (Australia).

Mrs. CHOW WOO Mo Fong, Susan

Mrs. CHOW WOO Mo Fong, Susan (alias, WOO Mo Fong, Susan), aged 60, is an executive Director. She joined the Group and was appointed as an alternate director of HEC in 1993. Mrs. Chow was appointed to the PAH Board in 1996 and will cease to be a director of PAH prior to the Listing. Mrs. Chow is the deputy group managing director of HWL, an executive director and an alternate director of CKI, an executive director of HHRL, a non-executive director of HTHKH, a director and an alternate director of HTA and a director of HIL and Hutchison Infrastructure Holdings Limited. She is also an

alternate director of TOM Group Limited (listed on the Stock Exchange, stock code: 2383) ("**TOM**"). Mrs. Chow was previously a non-executive director of TOM prior to her resignation on 5 March 2012 and an alternate director of HPHMPL, which is the trustee-manager of HPH Trust, prior to her resignation on 24 October 2012.

Mrs. Chow obtained a Bachelor of Science degree in Business Administration from The University of Bath in the United Kingdom in June 1976. She was admitted as a solicitor in England and Wales as well as in Hong Kong in March 1980 and June 1980, respectively.

Mr. YUEN Sui See

Mr. YUEN Sui See, aged 63, is an executive Director. Mr. Yuen joined the Group in 1986 and is the Director of Operations of the Group. He was appointed to the boards of HEC and PAH in 2008 and will cease to be a director of PAH prior to the Listing. Mr. Yuen has over 30 years of experience in the electricity industry. He was General Manager (Transmission & Distribution) of PAH prior to his appointment to the PAH Board in 2008.

Mr. Yuen obtained a Bachelor of Science degree from the University of Hong Kong in November 1972 and a Master of Science degree in Engineering from the Victoria University of Manchester in the United Kingdom in December 1983. He is a Chartered Engineer of the Engineering Council in the United Kingdom, a Registered Professional Engineer in Hong Kong and a Fellow of the Hong Kong Institution of Engineers.

Mr. CHENG Cho Ying, Francis

Mr. CHENG Cho Ying, Francis (alias, CHENG Cho Ying), aged 57, is an executive Director. He joined the Group in 1979.

Mr. Cheng is the General Manager (Generation) of the Group in charge of the Generation Division which is responsible for the maintenance, operations, material handlings, technical services, safety and training, fire, chemistry and administrative functions of the Group's generating facilities at the Lamma Power Station, and security services of the Group. Mr. Cheng had worked in the Technical Services, Operations and Maintenance Departments of the Generation Division of HEC.

Mr. Cheng obtained a Bachelor's degree in Chemistry from the University of Hong Kong in October 1977 and became a Fellow of the Royal Society of Chemistry in the United Kingdom in January 1993. He was also admitted as a Member of the Hong Kong Institution of Engineers in January 2006.

Non-executive Directors

Mr. TSO Kai Sum
Deputy Chairman and Senior Adviser to the Company Board

Mr. TSO Kai Sum, aged 82, is a non-executive Director and the Deputy Chairman and Senior Adviser to the Company Board. Mr. Tso first joined the Group in 1966. He was appointed to the board of HEC in 1985. He was the group managing director of PAH from 1997 to 2012, and retired from such position and was re-designated as a non-executive director of PAH and appointed as deputy chairman and senior adviser to the PAH Board in January 2013. He will cease to be a director of PAH and the deputy chairman and senior adviser to the PAH Board prior to the Listing. Mr. Tso worked with the PAH Group from 1966 to 1981, holding the positions of chief project engineer of HEC and executive director

of Associated Technical Services Limited. In 1981, he joined International City Holdings Limited as an executive director. In 1987, he joined the HWL group as the group managing director of Hutchison Whampoa Properties group. In 1997, he rejoined the PAH Group as group managing director. He is also a non-executive director of CKI.

Mr. Tso obtained a Bachelor of Science degree in Civil Engineering from the University of Hong Kong in 1954.

Mr. Ronald Joseph ARCULLI

Mr. Ronald Joseph ARCULLI, aged 75, is a non-executive Director. Mr. Arculli joined the Group and was appointed to the boards of HEC and PAH in 1997. He will cease to be a director of PAH prior to the Listing.

Mr. Arculli was a Member of the Legislative Council of Hong Kong from 1988 to 2000, representing the Real Estate and Construction functional constituency between 1991 and 2000. He was a non-official member of the Executive Council of the Hong Kong Special Administrative Region from November 2005 to June 2012, and served as Convenor from October 2011 to June 2012. He has a distinguished record of public service and has served on numerous government committees and advisory bodies. Mr. Arculli is an independent non-executive director of Hang Lung Properties Limited (listed on the Stock Exchange, stock code: 0101) and SCMP Group Limited (listed on the Stock Exchange, stock code: 0583). He is a non-executive director of HKR International Limited (listed on the Stock Exchange, stock code: 0480), Sino Hotels (Holdings) Limited (listed on the Stock Exchange, stock code: 1221), Sino Land Company Limited (listed on the Stock Exchange, stock code: 0083), Tsim Sha Tsui Properties Limited (listed on the Stock Exchange, stock code: 0247) and HHRL. Mr. Arculli was an independent non-executive director of Hong Kong Exchanges and Clearing Limited (listed on the Stock Exchange, stock code: 0388) between April 2006 and April 2013.

Mr. Arculli is a practising solicitor and was admitted as a solicitor in England and Wales as well as in Hong Kong in June 1976.

Independent Non-executive Directors

Mr. FONG Chi Wai, Alex

Mr. FONG Chi Wai, Alex, aged 57, is an independent non-executive Director. Mr. Fong was appointed to the boards of HEC and PAH in December 2012 and will cease to be a director of PAH prior to the Listing. Mr. Fong was CEO of the Hong Kong General Chamber of Commerce ("**Chamber**") from 2006 to 2011. Prior to joining the Chamber, he served in the civil service sector for over 25 years, holding various senior positions in the Hong Kong Government. Mr. Fong has a long record of public service providing both operational and policy-formulation expertise.

Mr. Fong received a Bachelor of Social Sciences degree in Business and Economics from the University of Hong Kong in November 1978, a Master of Technology Management degree in Global Logistics Management and a Master of Science degree in Global Finance from the Hong Kong University of Science and Technology in April 2007 and May 2009 respectively.

Mr. LEE Lan Yee, Francis

Mr. LEE Lan Yee, Francis (alias, LEE Lan Yee), aged 72, is an independent non-executive Director. He has been a director of HEC since 1997. Mr. Lee was appointed to the PAH Board in September 1997 and will cease to be a director of PAH prior to the Listing. He has served the PAH Group for over 40 years in various capacities and while being Director & General Manager (Engineering) from 1997 to 2008, Mr. Lee was responsible for all the engineering activities of the PAH Group, including the development and operation of power generation, transmission and distribution systems.

Mr. Lee received a Bachelor of Science degree and a Master of Science degree in Engineering from the University of Hong Kong in November 1965 and November 1968 respectively. He is a Chartered Engineer and has been a Fellow of the Institution of Mechanical Engineers in the United Kingdom since January 1991 and has been a Fellow of Hong Kong Institution of Engineers since October 1995.

Mr. George Colin MAGNUS

Mr. George Colin MAGNUS, aged 78, is an independent non-executive Director. He was appointed to the boards of PAH and HEC in 1985 and had been the chairman of PAH from 1993 to 2005 and a non-executive director of PAH from 2005 prior to his re-designation as an independent non-executive director in September 2012. He will cease to be a director of PAH prior to the Listing. He is a non-executive director of CKH, HWL, and CKI having served previously as Deputy Chairman of each of these companies. Mr. Magnus is also a director of Husky.

Mr. Magnus received a Master's degree in Economics from King's College of the University of Cambridge in the United Kingdom in 1963.

Mr. Donald Jeffrey ROBERTS

Mr. Donald Jeffrey ROBERTS, aged 62, is an independent non-executive Director. He joined the HWL group in 1988 and was the Group Deputy Chief Financial Officer of HWL from 2000 until his retirement in 2011. In his position of Group Deputy Chief Financial Officer of HWL, he was directly involved and responsible for the financial and taxation aspects of business financings, numerous equity and debt capital market transactions, reporting listed company results pursuant to international accounting standards and stock exchange rules and regulations.

Mr. Roberts received a Bachelor of Commerce degree from the University of Calgary in June 1973. He is a Chartered Accountant with the Canadian Institute of Chartered Accountants, the Institute of Chartered Accountants of Alberta and the Institute of Chartered Accountants of British Columbia, all in Canada, and is a fellow of the Hong Kong Institute of Certified Public Accountants.

In view of Mr. Roberts' experience in finance and his experience with reporting listed company results pursuant to international accounting standards and stock exchange rules and regulations, the Directors believe that Mr. Roberts has the appropriate accounting or related financial management expertise for the purposes of Rule 3.10 of the Listing Rules.

Save as disclosed in *"— Directors"* above and *"Appendix VII — Statutory and General Information"*, each Director had not held any other directorships in listed companies during the three years immediately prior to the Latest Practicable Date and there is no other information in respect of the Directors to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Holders of Share Stapled Units.

SENIOR MANAGEMENT OF THE COMPANY

The Chief Executive Officer and members of the senior management of the Group, together with the executive Directors, are responsible for the day-to-day operations and management of the business of the Group.

In addition to the executive Directors, members of the senior management of the Group include the following:

Name	Age	Position in the Group
Mr. WONG Kim Man	53	Chief Financial Officer
Ms. CHAN Lai Yee, Trini	59	General Manager (Human Resources)
Mr. CHAN Ping Kee	55	General Manager (Transmission & Distribution)
Mr. LAU Chi Kwong	57	General Manager (Projects)
Mr. NG Wai Cheong, Alex	44	Group Legal Counsel & Company Secretary
Mr. WONG Yuk Keung, Arthur	56	General Manager (Group Commercial)
Mr. YEE Tak Chow	59	General Manager (Corporate Development)
Ms. YEUNG Yuk Chun, Mimi.	50	General Manager (Public Affairs)

Roles and biographical details of the Chief Executive Officer and the General Manager (Generation) of the Group is set out in *"— Directors"* above. The roles and biographical details of the other eight members of the senior management team of the Group are set out below.

Mr. WONG Kim Man

Mr. WONG Kim Man, aged 53, is the Chief Financial Officer of the Group in charge of the Accounts Department, which is responsible for overseeing all management and financial accounting, budgeting and forecasting, financial operation and insurance functions of the Group. He joined the Group in September 2010. Mr. Wong has over 25 years of experience in financial management and accounting. He is the Group Manager (Finance & Accounting) of PAH and will cease to hold such position prior to the Listing. He received a Bachelor's degree in Business Administration and a Master's degree in Business Administration from the Chinese University of Hong Kong in December 1983 and October 1985 respectively. He is also a member of the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants. He is a Council member of the Hong Kong Institute of Certified Public Accountants.

Ms. CHAN Lai Yee, Trini

Ms. CHAN Lai Yee, Trini, aged 59, is the General Manager (Human Resources) of the Group. She is in charge of the Human Resources and Administration Division, which is responsible for the human resources (such as employees relation, human resources services and compensation and benefit), training and development and administration services (such as building management and office services) functions of the Group. She joined the Group in December 2005. Ms. Chan has over 25 years of experience in human resources management and administration. She is the General Manager (Human Resources) of PAH and will cease to hold such position prior to the Listing. She received a Bachelor's degree in Politics and Education from University of York in the United Kingdom in July 1988.

Mr. CHAN Ping Kee

Mr. CHAN Ping Kee, aged 55, is the General Manager (Transmission & Distribution) of the Group in charge of the Transmission and Distribution Division, which is responsible for the operations, construction and maintenance, customer services, technical services, distribution planning of the Group's transmission and distribution facilities and transport services of the Group. Mr. Chan has over 30 years of experience in electricity supply and has been with the Group since October 1980. He received a Bachelor of Science degree in Engineering from the University of Hong Kong in November 1980. He is registered as a Chartered Engineer with the Engineering Council in the United Kingdom. He is also a member of the Hong Kong Institution of Engineers and the Institution of Engineering and Technology in the United Kingdom.

Mr. LAU Chi Kwong

Mr. LAU Chi Kwong, aged 57, is the General Manager (Projects) of the Group in charge of the Projects Division, which is responsible for the electrical, mechanical, civil and architectural aspects of the Group's projects. Mr. Lau has been with the Group since August 1977. He has over 30 years of experience in project management. He is the General Manager (Projects) of PAH and will cease to hold such position prior to the Listing. He was awarded an Associateship in Electrical Engineering by Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) in Hong Kong in October 1977. He is registered as a Chartered Engineer with the Engineering Council in the United Kingdom and a Registered Professional Engineer with the Engineers Registration Board in Hong Kong. He is also a member of the Hong Kong Institution of Engineers and the Institution of Engineering and Technology in the United Kingdom.

Mr. NG Wai Cheong, Alex

Mr. NG Wai Cheong, Alex, aged 44, is the Group Legal Counsel and the Company Secretary of the Trustee-Manager and the Company, and is in charge of the legal and company secretarial functions of the Group. Mr. Ng has been with the Group since November 2008. He has over 15 years of experience in legal, regulatory and compliance fields, including 10 years of experience as a solicitor in private practice. He is also the Group Legal Counsel and the Company Secretary of PAH. Mr. Ng received a Bachelor's degree in Science and a Bachelor's degree in Laws from the University of Toronto in Canada in June 1991 and June 1994, respectively. He was admitted as a solicitor in Hong Kong as well as in England and Wales in May 1998 and May 2001, respectively.

Mr. WONG Yuk Keung, Arthur

Mr. WONG Yuk Keung, Arthur, aged 56, is the General Manager (Group Commercial) of the Group in charge of the Group Commercial Division, which is responsible for, among other things, the Group's commercial services (such as fuel, sales and marketing), supplies (ranging from procurement, warehouse and logistics) and contractual services (such as electrical, mechanical, civil, IT and services contracts). Mr. Wong has been with the Group since January 1982. He was engaged in the construction of Lamma Power Station upon joining the PAH Group and subsequently worked in and was promoted to the head of the various departments in the Group Commercial Division of PAH. He is the General Manager (Group Commercial) of PAH and will cease to hold such position prior to the Listing. He obtained a Bachelor of Science degree, a Master of Science degree in Engineering and a Master's degree in Business Administration from the University of Hong Kong in November 1980, December 1989 and December 2006 respectively.

Mr. YEE Tak Chow

Mr. YEE Tak Chow, aged 59, is the General Manager (Corporate Development) of the Group in charge of the Corporate Development Division, which is responsible for overseeing the Group's energy and performance, environmental affairs and planning and regulation. He has been with the Group since August 1976. Mr. Yee had worked on a number of energy infrastructure projects both within and outside Hong Kong, including being based in Saudi Arabia and Japan for a total of three years. Between 2005 and 2008, he worked for the PAH Group's investments outside Hong Kong. He is the General Manager (Corporate Development) of PAH, and will cease to hold such position prior to the Listing. He received a Master's degree in Information Technology from Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) in Hong Kong in November 1993. He is registered as a Chartered Engineer with the Engineering Council in the United Kingdom and a Registered Professional Engineer with the Engineers Registration Board in Hong Kong. He is also a member of The Hong Kong Institution of Engineers, The Institute of Engineers in Australia, and The Institution of Engineering and Technology in the United Kingdom.

Ms. YEUNG Yuk Chun, Mimi

Ms. YEUNG Yuk Chun, Mimi, aged 50, is the General Manager (Public Affairs) of the Group in charge of the Public Affairs Department, which is responsible for the Group's corporate and community affairs, media and external affairs, as well as overseeing the operations of our home management centre. She has been with the Group since July 2003. Ms. Yeung has over 27 years of experience in journalism and corporate communications. She is the General Manager (Public Affairs) of PAH and will cease to hold such position prior to the Listing. She obtained a Bachelor of Arts degree and a Master's degree in Public Administration from the University of Hong Kong in 1984 and 1992 respectively.

TRUSTEE-MANAGER SECRETARY AND COMPANY SECRETARY

Mr. NG Wai Cheong, Alex

Mr. NG Wai Cheong, Alex, aged 44, is the Company Secretary of the Company and of the Trustee-Manager. His biographical details are set out in *"— Senior Management of the Company"* above.

TRUSTEE-MANAGER AUDIT COMMITTEE

The Trustee-Manager Board has established the Trustee-Manager Audit Committee. The primary duties of the Trustee-Manager Audit Committee are to oversee the financial reporting system and internal control procedures of the Trustee-Manager and HK Electric Investments, review the financial information of the Trustee-Manager and HK Electric Investments and consider issues relating to the external auditors and their appointment. The Trustee-Manager Audit Committee consists of three directors of the Trustee-Manager.

The Trust Deed requires that the memberships of the Trustee-Manager Audit Committee and the Company Audit Committee must be the same.

As at the date of this prospectus, the members of the Trustee-Manager Audit Committee are:

Mr. Donald Jeffrey ROBERTS *(Chairman)*
Mr. Ronald Joseph ARCULLI
Mr. LEE Lan Yee, Francis

COMPANY BOARD COMMITTEES

The Company Board has established the Company Audit Committee and a remuneration committee.

Company Audit Committee

The Company Audit Committee has been established in compliance with Rules 3.21 to 3.23 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Company Audit Committee are to oversee the financial reporting system and internal control procedures of the Company, review the financial information of the Company and consider issues relating to the external auditors and their appointment. The Company Audit Committee consists of three Directors.

The Trust Deed requires that the memberships of the Company Audit Committee and the Trustee-Manager Audit Committee must be the same.

As at the date of this prospectus, the members of the Company Audit Committee are:

Mr. Donald Jeffrey ROBERTS *(Chairman)*
Mr. Ronald Joseph ARCULLI
Mr. LEE Lan Yee, Francis

Remuneration Committee

The remuneration committee of the Company Board has been established in compliance with Rules 3.25 and 3.26 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to make recommendations to the Company Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

As at the date of this prospectus, the remuneration committee of the Company Board consists of three Directors of the Company. Members of the remuneration committee are:

Mr. Donald Jeffrey ROBERTS *(Chairman)*
Mr. FOK Kin Ning, Canning
Mr. FONG Chi Wai, Alex

REMUNERATION OF DIRECTORS AND REMUNERATION OF FIVE HIGHEST PAID INDIVIDUALS

No remuneration was paid or is payable to any Director in his/her capacity as such during the Track Record Period. Under the current arrangements, the aggregate remuneration and benefits in kind payable to the Directors for the year ending 31 December 2014 are estimated to be HK$1.1 million from the Company and HK$28.0 million from HEC.

For FY2010, FY2011, FY2012 and 9M2013, the total remuneration received by the Directors for services to HEC amounted to approximately HK$11.0 million, HK$10.4 million, HK$11.7 million and HK$4.2 million, respectively. For details, please refer to *"Appendix VII — Statutory and General Information"*.

For FY2010, FY2011, FY2012 and 9M2013, the aggregate amount or value of fees, salaries, housing allowances, other allowances, benefits in kind (including contribution to the Group's retirement scheme on behalf of the five highest paid individuals) or any bonuses paid by the Group to the five highest paid individuals in relation to services rendered to HEC were approximately HK$20.2 million, HK$19.1 million, HK$20.3 million and HK$12.1 million, respectively.

During the Track Record Period, no remuneration was paid to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group. No compensation was paid to, or receivable by, the Directors or past directors of the Company or the five highest paid individuals for the loss of office as director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group. None of the Directors had waived any remuneration and/or emoluments during the Track Record Period.

Information on the letters of appointment entered into between the Company and the Company Directors and between the Trustee-Manager and the Trustee-Manager Directors is set out in *"Appendix VII — Statutory and General Information"*.

COMPLIANCE ADVISER

The Company has appointed Haitong International Capital Limited as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules to provide advisory services to the Company. In compliance with Rule 3A.23 of the Listing Rules, the Company must consult with, and if necessary, seek advice from, the compliance adviser on a timely basis in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated;

(c) where the Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the Group's business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry concerning unusual movements in the price or trading volume of the Share Stapled Units, the possible development of a false market in the Share Stapled Units or any other matters.

The term of the appointment of the compliance adviser will commence on the Listing Date and will end on the date on which the Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date.

RETIREMENT OR REMOVAL OF THE TRUSTEE-MANAGER

Under the Trust Deed, the Trustee-Manager may be removed as trustee-manager of HK Electric Investments by the Registered Holders of Units only by way of an Ordinary Resolution of Registered Holders of Units. Alternatively, under the Trust Deed, the trustee-manager of HK Electric Investments may resign from that position by notice to all Registered Holders of Units. Any removal or resignation of the trustee-manager must be made in accordance with the procedures as set out in the Trust Deed. Any purported change of the trustee-manager of HK Electric Investments is ineffective unless it is made in accordance with the Trust Deed. The removal or resignation shall only be effective upon the original trustee-manager or the resigning trustee-manager (as the case may be) having taken all necessary steps to transfer legal title to all Trust Property to the successor trustee-manager, including but not limited to, the Ordinary Shares. The responsibilities and obligations of the trustee-manager which is being removed or is resigning will only cease, and the responsibilities and obligations of the successor trustee-manager will only commence, on all those necessary steps having been completed.

The Trustee-Manager will remain the trustee-manager of HK Electric Investments until another person is appointed by the Registered Holders of Units to be the trustee-manager of HK Electric Investments by an Ordinary Resolution of Registered Holders of Units, and such appointment shall be effective from the date stated in the resolution of the Registered Holders of Units. When there is any change of the trustee-manager of HK Electric Investments or any change of the Directors, an announcement will be made.

Please refer to *"Appendix IV — Trust Deed — Effects of Change of the Trustee-Manager"* for more detailed information regarding changes of the trustee-manager of HK Electric Investments.

FINANCIAL STATEMENTS AND REPORTS

Registered Holders of Share Stapled Units will be provided with:

(a) annual reports and audited consolidated financial statements of HK Electric Investments and the Company and the annual audited financial statements of the Trustee-Manager;

(b) semi-annual reports and unaudited consolidated financial statements of HK Electric Investments and the Company and the semi-annual unaudited financial statements of the Trustee-Manager; and

(c) preliminary announcements of results of HK Electric Investments, the Company and the Trustee-Manager, and other reports, circulars and information required to be provided under the Listing Rules and other relevant laws, rules and regulations,

within the applicable time periods prescribed by the Listing Rules and other relevant laws, rules and regulations.

The Trustee-Manager and the Company will prepare and publish their respective annual and semi-annual reports referred to above in the form of a combined document which will be sent to Registered Holders of Share Stapled Units within the applicable time period prescribed by the Listing Rules.

The Trustee-Manager Board will confirm in the annual report:

(a) that the charges paid or payable out of the Trust Property of HK Electric Investments to the Trustee-Manager are in accordance with the Trust Deed;

(b) that the connected transactions (as defined in the Listing Rules) are entered into (i) in the ordinary and usual course of business of the Group; and (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or obtained from the independent third parties, with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Holders of Share Stapled Units as a whole; and

(c) whether the Trustee-Manager Board is aware of any violation of duties of the Trustee-Manager which would have a material adverse effect on the business of HK Electric Investments or on the interests of all the Holders of Share Stapled Units as a whole.

The corporate governance report of the Trustee-Manager in the annual report will include a description of the policies and measures taken by the Trustee-Manager to manage conflicts and potential conflicts of interests between (1) HK Electric Investments and (2) any Unitholder holding 30% or more of the Units in issue, or any director or shareholder of the Trustee-Manager holding 30% or more of the issued shares in the Trustee-Manager.

Further information in relation to the financial statements and reports to be provided to the Registered Holders of Share Stapled Units is set out in *"Appendix IV — Trust Deed — Financial Statements and Reports"*.

The net proceeds from the Global Offering which HK Electric Investments and the Company will receive, assuming an Offer Price of HK$5.88 (being the mid-point of the Offer Price Range), will be approximately HK$25,249.3 million, after deducting the estimated underwriting commissions and incentive fees (assuming the full payment of the discretionary incentive fee) in relation to the Global Offering payable by HK Electric Investments and the Company.

All of the net proceeds from the Global Offering which HK Electric Investments and the Company will receive will be used to pay PAH for partial settlement of the consideration for the Acquisition.

As the Over-allotment Option will be granted by Quickview, and not HK Electric Investments and the Company, HK Electric Investments and the Company will not receive any proceeds from any exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised in full and assuming an Offer Price of HK$5.88 (being the mid-point of the Offer Price Range), the net proceeds which Quickview will receive from such exercise will be approximately HK$3,787.4 million, after deducting the estimated underwriting commissions and incentive fees (assuming the full payment of the discretionary incentive fee) in relation to the Global Offering payable by Quickview.

In preparation of the Global Offering, the Trustee-Manager and the Company have sought the following waivers and exemption from strict compliance with the relevant provisions of the Listing Rules and of the Companies Ordinance:

1. Waiver in Relation to Non-Exempt Continuing Connected Transactions

Certain members of the Group have entered into certain transactions which will constitute continuing connected transactions of HK Electric Investments and the Company under the Listing Rules following the completion of the Global Offering. The Trustee-Manager and the Company have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement and/or independent shareholders' approval requirements in respect of such continuing connected transactions under Chapter 14A of the Listing Rules. For further details of such continuing connected transactions and the waiver, see *"Connected Transactions"*.

2. Permission for Allocation of Share Stapled Units to Directors

The Qualifying PAH Shareholders who are entitled to participate in the Preferential Offering include certain of the Directors and/or their associates. In the absence of a written consent from the Stock Exchange, participation by the Directors and/or their associates who are Qualifying PAH Shareholders in the Preferential Offering would be prohibited by paragraph 5(2) of Appendix 6 to the Listing Rules which restricts share allocations to directors of the listing applicant or their associates, whether in their own names or through nominees, unless the conditions set out in Rule 10.03 of the Listing Rules are fulfilled.

Rule 10.03 of the Listing Rules provides that directors of the listing applicant and their associates may only subscribe for or purchase securities for which listing is sought which are being marketed by or on behalf of a new applicant if no securities are offered to them on a preferential basis and no preferential treatment is given to them in the allocation of the securities. The Reserved Share Stapled Units offered to the Directors (and/or their associates) who are Qualifying PAH Shareholders are to be offered on a preferential basis pursuant to the Preferential Offering and therefore the condition set out in Rule 10.03(1) is not fulfilled. However, the Directors (and/or their associates) who are eligible to participate in the Preferential Offering will be participating in their capacity as Qualifying PAH Shareholders (rather than in their capacity as Directors or the associates of Directors), on the same terms as all other Qualifying PAH Shareholders, and not on a basis of preferential treatment given to them in their capacity as Directors (or associates of Directors).

In view of the above, the Trustee-Manager and the Company have sought the Stock Exchange's consent for, and the Stock Exchange has consented to, the inclusion of the Directors and/or their associates in the Preferential Offering notwithstanding the requirements under paragraph 5(2) of Appendix 6 to the Listing Rules and the requirements under Rule 10.03 of the Listing Rules, subject to the conditions that (a) no preferential treatment will be given to the Directors (and/or their associates) who are Qualifying PAH Shareholders in the allocation of the Reserved Share Stapled Units under the Preferential Offering and (b) the minimum public float requirement will be complied with.

3. Waiver in Relation to the Clawback Mechanism

The Trustee-Manager and the Company have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that, in the event of over-applications in the Hong Kong Public Offering, the Joint Global Coordinators will apply a clawback mechanism following the closing of the application lists as further described in *"Structure of the Global Offering — The Hong Kong Public Offering — Reallocation"*.

4. Waiver in Relation to Public Offering Without Listing in Japan

As part of the International Offering, the Trustee-Manager and the Company are conducting a public offering without listing in Japan (the "**POWL**"). In this connection, the Trustee-Manager and the Company have applied to the Stock Exchange for, and the Stock Exchange has granted, waivers in relation to the requirement under Rule 9.11(35)(b) of and Paragraph 11 of Appendix 6 to the Listing Rules for each placing broker to provide a list setting out the names, addresses and identity card or passport numbers of placees and beneficial owners in the POWL and the amount of shares taken up by each of the placees in the POWL. The waiver was granted subject to the following:

(i) each POWL syndicate member will submit to the Stock Exchange a list setting out details of all institutional placees and the number of Share Stapled Units taken by each of them as required under Rule 9.11(35)(b) of and Paragraph 11 of Appendix 6 to the Listing Rules;

(ii) the POWL will be conducted in accordance with the laws and regulations of a public offering in Japan to ensure the independence of the investors;

(iii) the Company, the Trustee-Manager, the International Underwriters and the POWL syndicate members will use all reasonable efforts to comply with the requirements under the Listing Rules in good faith; and

(iv) the POWL syndicate members will confirm in writing to the Stock Exchange the independence of the POWL placees.

5. Waiver in Relation to Rule 4.04(1) of the Listing Rules

Rule 4.04(1) of the Listing Rules requires that the accountants' report that is included in the prospectus must include the consolidated results of the company and its subsidiaries in respect of each of the three financial years immediately preceding the issue of the prospectus.

The Accountants' Report containing the audited consolidated results of the Operating Group for each of the three financial years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2013 is set out in *"Appendix I — Accountants' Report"*. However, strict compliance with Rule 4.04(1) of the Listing Rules would be unduly burdensome for the Trustee-Manager and the Company as there would not be sufficient time for the Trustee-Manager, the Company and the reporting accountants to finalise the audited financial statements of the Operating Group for the financial year ended 31 December 2013 for inclusion in this prospectus.

The Trustee-Manager and the Company have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 4.04(1) of the Listing Rules in relation to the inclusion in this prospectus of the consolidated results of the Operating Group for the full financial year ended 31 December 2013 on the conditions that (a) the Listing will occur by 31 March 2014; (b) a certificate of exemption from the SFC from similar requirements under paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance is obtained by the Company (see *"— Exemption from Paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance"* below); (c) a profit estimate for the financial year ended 31 December 2013 which complies with Rules 11.17 to 11.19 of the Listing Rules will be included in this prospectus (see *"2013 Profit Estimate and 2014 Profit Forecast"*); and (d) a statement from the Directors that there is no material adverse change to the financial and trading positions or prospect of the Trust Group with specific reference to the trading results from 30 September 2013 to 31 December 2013 will be included in this prospectus (see *"Financial Information — No Material Adverse Change"*).

6. Exemption from Paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance

Paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance require, among other things, that a prospectus includes (i) a statement as to the gross trading income or sales turnover (as may be appropriate) and (ii) a report by the auditors of the company with respect to profits and losses and assets and liabilities of the company, for each of the three financial years immediately preceding the issue of the prospectus.

The Accountants' Report containing the audited consolidated results of the Operating Group for each of the three financial years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2013 is set out in "*Appendix I — Accountants' Report* ". However, strict compliance with paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance would be unduly burdensome for the Trustee-Manager and the Company as there would not be sufficient time for the Trustee-Manager, the Company and the reporting accountants to finalise the audited financial statements of the Operating Group for the financial year ended 31 December 2013 for inclusion in this prospectus.

The Trustee-Manager and the Company have applied to the SFC for an exemption, and the SFC has issued a certificate for such exemption under section 342A of the Companies Ordinance, from strict compliance with the requirements of paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance in relation to the inclusion in this prospectus of the financial information of the Operating Group for the full financial year ended 31 December 2013, on the condition that particulars of the exemption are set out in this prospectus and that this prospectus will be issued on or before 16 January 2014. The Directors consider that all information that is reasonably necessary for the potential investors to make an informed assessment of the activities or financial position of the Trust Group has been included in this prospectus and that the exemption from strict compliance as mentioned above would not prejudice the interests of the investing public.

CORNERSTONE INVESTMENTS

As part of the International Offering, the Trustee-Manager, the Company and the Joint Global Coordinators have entered into cornerstone investment agreements with SGID and OIF.

KEY TERMS OF THE SGID AGREEMENT

Pursuant to the SGID Agreement, SGID has agreed to subscribe at the Offer Price for such number of Share Stapled Units which is equivalent to 18.0% of the total Share Stapled Units in issue on the Listing Date immediately following the completion of the Reorganisation and the Global Offering (rounded down to the nearest whole board lot of 500 Share Stapled Units).

Based on the total number of Share Stapled Units which will be in issue on the Listing Date immediately following the completion of the Reorganisation and the Global Offering, SGID will subscribe for 1,590,516,000 Offer Share Stapled Units. Such number of Offer Share Stapled Units represents approximately 35.9% of the total number of Offer Share Stapled Units initially available under the Global Offering. The number of Offer Share Stapled Units to be subscribed for by SGID will not be affected by any reallocation of the Offer Share Stapled Units between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering or any exercise of the Over-allotment Option as described in "*Structure of the Global Offering*". SGID has agreed that, other than pursuant to the SGID Agreement, SGID will not subscribe for any Offer Share Stapled Units pursuant to the Global Offering.

Assuming an Offer Price of HK$5.45 (being the Minimum Offer Price), the aggregate subscription price payable by SGID for its cornerstone investment will be HK$8,668,312,200. Assuming an Offer Price of HK$6.30 (being the Maximum Offer Price), the aggregate subscription price payable by SGID for its cornerstone investment will be HK$10,020,250,800.

SGID may obtain external financing from lenders (which may include affiliates of HSBC Corporate Finance (Hong Kong) Limited) to finance its subscription of the Offer Share Stapled Units pursuant to the SGID Agreement. Such loan, if obtained, will be on normal commercial terms after arm's length negotiations.

Information About SGID

SGID is a wholly-owned subsidiary of the State Grid Corporation of China ("**SGCC**"), the largest state-owned PRC grid company, which primarily focuses on the construction and operation of a grid network covering 26 provinces, autonomous regions and municipalities in China. SGID is a subsidiary of SGCC for developing its international businesses and engaging in international investments and other services.

As at the date of this prospectus, SGID is an independent third party, is not a connected person of HK Electric Investments and the Company, and is not an existing Holder of Share Stapled Units. Immediately upon completion of the Global Offering, SGID will be a Substantial Holder of Share Stapled Units and a connected person of HK Electric Investments and the Company. Accordingly, the Offer Share Stapled Units which are subscribed for by SGID pursuant to the SGID Agreement will not count towards the public float of Share Stapled Units.

KEY TERMS OF THE OIF AGREEMENT

Pursuant to the OIF Agreement, OIF has agreed to subscribe for such number of Share Stapled Units at the Offer Price for an aggregate subscription amount equal to HK$387.5 million (rounded down to the nearest whole board lot of 500 Share Stapled Units).

Assuming an Offer Price of HK$5.45 (being the Minimum Offer Price), the number of Share Stapled Units to be subscribed for by OIF would be 71,100,500, representing approximately 0.8% of the total issued Share Stapled Units in issue immediately following the completion of the Reorganisation and the Global Offering. Assuming an Offer Price of HK$6.30 (being the Maximum Offer Price), the number of Share Stapled Units to be subscribed for by OIF would be 61,507,500, representing approximately 0.7% of the total issued Share Stapled Units in issue immediately following the completion of the Reorganisation and the Global Offering. The number of Share Stapled Units to be subscribed for by OIF will not be affected by any reallocation of the Offer Share Stapled Units between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering, or any exercise of the Over-allotment Option as described in "*Structure of the Global Offering*". OIF has agreed that, other than pursuant to the OIF Agreement, OIF will not subscribe for any Offer Share Stapled Units pursuant to the Global Offering.

Information About OIF

OIF is a sovereign wealth fund of the Government of Oman responsible for investment in public equity, private equity and real estate globally. OIF is an independent third party, is not a connected person of HK Electric Investments and the Company, and is not an existing Holder of Share Stapled Units. The Offer Share Stapled Units which are subscribed for by OIF pursuant to the OIF Agreement will count towards the public float of Share Stapled Units.

CONDITIONS PRECEDENT

The subscription obligation of each of SGID and OIF under their respective cornerstone investment agreements is conditional upon the following conditions precedent:

(a) the Underwriting Agreements being entered into and having become unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements or as subsequently waived or varied by agreement of the parties thereto;

(b) neither of the Underwriting Agreements having been terminated; and

(c) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Share Stapled Units in issue and to be issued and such approval or permission not having been revoked prior to the commencement of dealings in the Share Stapled Units on the Stock Exchange.

RESTRICTIONS ON DISPOSAL OF SHARE STAPLED UNITS BY SGID AND OIF

Each of SGID and OIF has agreed that without the prior written consent of the Trustee-Manager, the Company and the Joint Global Coordinators, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of any of the Share Stapled Units (or any interests in HK Electric Investments, any Share Stapled Units or any other securities of the Company which are derived therefrom) or any interest in any company or entity holding any of the Share Stapled Units, subscribed for by it pursuant to their respective cornerstone investment agreements, other than transferring such Share Stapled Units or interests to its wholly-owned subsidiary, provided that such wholly-owned subsidiary undertakes in writing, and each of SGID and OIF undertakes in writing to procure such wholly-owned subsidiary, to be bound by the obligations under its respective cornerstone investment agreements.

OTHER INFORMATION

The Share Stapled Units to be delivered and issued to each of SGID and OIF pursuant to their respective cornerstone investment agreements will rank *pari passu* with all other Share Stapled Units then in issue and to be listed on the Stock Exchange.

Immediately following the completion of the Global Offering, neither SGID nor OIF will have any representation on the board of directors of the Trustee-Manager or the Company. Compared with public Holders of Share Stapled Units, neither SGID nor OIF has any preferential rights pursuant to their respective cornerstone investment agreements.

Details of the aggregate subscription price payable by SGID pursuant to the SGID Agreement, and details of the interest of OIF immediately following the completion of the Reorganisation and the Global Offering, if any, will be disclosed in the allocation results announcement which is expected to be made by the Trustee-Manager and the Company on 28 January 2014.

HONG KONG UNDERWRITERS

Goldman Sachs (Asia) L.L.C.
The Hongkong and Shanghai Banking Corporation Limited
Australia and New Zealand Banking Group Limited, Hong Kong Branch
Barclays Bank PLC, Hong Kong Branch
BNP Paribas Securities (Asia) Limited
BOCI Asia Limited
Citigroup Global Markets Asia Limited
Crédit Agricole Corporate and Investment Bank
DBS Asia Capital Limited
Mizuho Securities Asia Limited
Morgan Stanley Asia Limited
The Bank of Nova Scotia, Hong Kong Branch
Canadian Imperial Bank of Commerce, Hong Kong Branch
CCB International Capital Limited
Oversea-Chinese Banking Corporation Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering (which includes the Preferential Offering) is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters), Quickview, the Trustee-Manager and the Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 221,345,000 Hong Kong Offer Share Stapled Units and the International Offering of initially 4,205,555,000 International Offer Share Stapled Units (including the Preferential Offering), subject, in each case, to reallocation on the basis as described in *"Structure of the Global Offering"* and the Over-allotment Option (in case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on 14 January 2014. Pursuant to the Hong Kong Underwriting Agreement, the Trustee-Manager and the Company are offering the Hong Kong Offer Share Stapled Units for subscription on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the listing of and permission to deal in all the Share Stapled Units having been granted (subject only to despatch of the Share Stapled Unit certificates) by the Listing Committee in principle on or before the Price Determination Date and dealings in the Share Stapled Units being allowed by the Stock Exchange to commence on the Stock Exchange on or before 29 January 2014 (or such later date as the Trustee-Manager, the Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) may agree) and such listing and permission not subsequently being

revoked or suspended prior to 8:00 a.m. on the Listing Date and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Share Stapled Units being offered which are not taken up under the Hong Kong Public Offering, on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) may in their absolute discretion terminate the Hong Kong Underwriting Agreement by giving notice to the Trustee-Manager, the Company and Quickview at any time prior to 8:00 a.m. on the Listing Date, if prior to such time:

(a) there shall have developed, occurred, existed or come into force:

(i) any change or development involving a prospective change or development, or any event or series of events resulting in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, fiscal or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States) in or affecting Hong Kong, the PRC, Japan, the United States, the United Kingdom or the Cayman Islands; or

(ii) any new law or regulation or any change in existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, Japan, the United States, the United Kingdom or the Cayman Islands; or

(iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption or delay in transportation) in or affecting Hong Kong, the PRC, Japan, the United States, the United Kingdom or the Cayman Islands; or

(iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting Hong Kong, the PRC, Japan, the United States, the United Kingdom or the Cayman Islands; or

(v) the imposition or declaration of (A) any suspension or material limitation on trading in securities generally on the Stock Exchange, the New York Stock Exchange and/or the London Stock Exchange or (B) a general moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting Hong Kong, the United States or the United Kingdom; or

(vi) any change or prospective change in taxation or exchange controls, currency exchange rates or foreign investment regulations in Hong Kong or the Cayman Islands or any other relevant jurisdiction adversely affecting Hong Kong or the Cayman Islands or any other relevant jurisdiction or affecting an investment in the Share Stapled Units; or

(vii) any material litigation or claim being threatened or instigated against any member of the Group; or

(b) there has come to the notice of the Joint Global Coordinators or any of the Hong Kong Underwriters that:

(i) any statement contained in this prospectus, the Application Forms or the formal notice, or any announcements, offer awareness materials or summary disclosure materials issued or to be issued by the Trustee-Manager or the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incorrect or misleading in any respect; or

(ii) any matter has arisen or has been discovered which would, had it arisen immediately before the date of this prospectus, not having been disclosed in this prospectus, constitute an omission therefrom; or

(iii) any matter or event showing any of the warranties given by the Trustee-Manager, the Company, PAH or Quickview in the Hong Kong Underwriting Agreement to be untrue or misleading in any respect when first given or repeated; or

(iv) any event, act or omission which gives or is likely to give rise to any liability of any of the Trustee-Manager, the Company, PAH or Quickview pursuant to the indemnities given by them in the Hong Kong Underwriting Agreement; or

(v) any breach of any of the obligations of any party (other than the Hong Kong Underwriters) to the Hong Kong Underwriting Agreement; or

(vi) any adverse change or prospective adverse change in the business or in the financial or trading position of the Group as a whole;

and which, in any such case in either paragraph (a) or (b) above and in the judgment of the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Underwriters):

(A) is or will be or is reasonably likely to be materially adverse to, or materially and prejudicially affect, the business or financial or trading position or prospects of the Group as a whole; or

(B) has or will have or is reasonably likely to have a material adverse effect on the success of the Global Offering and/or make it impracticable or inadvisable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or

(C) makes it inadvisable or impracticable to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Share Stapled Units on the terms and in the manner contemplated by this prospectus.

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) *Undertakings by the Trustee-Manager and the Company*

Pursuant to Rule 10.08 of the Listing Rules, the Trustee-Manager and the Company have undertaken to the Stock Exchange that they will not exercise their power to issue any further Share Stapled Units, Units or Shares, or securities convertible into Share Stapled Units (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Share Stapled Units or securities will be completed within six months from the commencement of dealing), except (a) pursuant to the Global Offering or (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) *Undertakings by PAH and Quickview*

Pursuant to Rule 10.07(1) of the Listing Rules, PAH, as the Controlling Holder of Share Stapled Units, and Quickview have undertaken to the Stock Exchange, the Trustee-Manager and the Company that, except pursuant to (a) any lending of Share Stapled Units pursuant to the Share Stapled Units Borrowing Agreement and (b) any sale of Share Stapled Units pursuant to any exercise of the Over-allotment Option, they shall not and shall procure that the relevant registered holder(s) shall not:

(i) in the period commencing on the date by reference to which disclosure of their holdings of Share Stapled Units are made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Share Stapled Units in respect of which they are shown by this prospectus to be beneficial owners; and

(ii) in the period of six months commencing on the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Share Stapled Units referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they would cease to be Controlling Holders of Share Stapled Units,

in each case, save as permitted under the Listing Rules.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, PAH and Quickview have undertaken to the Stock Exchange, the Trustee-Manager and the Company respectively that, within the period commencing on the date by reference to which disclosure of their holdings of Share Stapled Units is made in this prospectus and ending on the date which is 12 months from the Listing Date:

(1) when any of them (the "**Pledgor**") pledges or charges any of the Share Stapled Units beneficially owned by it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, the Pledgor shall immediately inform the Trustee-Manager and the Company of such pledge or charge together with the number of Share Stapled Units so pledged or charged; and

(2) when any of them (the "**Recipient**") receives indications, either verbal or written, from the pledgee or chargee of any Share Stapled Units that any of the pledged or charged Share Stapled Units will be disposed of, the Recipient shall immediately inform the Trustee-Manager and the Company of such indications.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

(A) *Undertakings by the Trustee-Manager and the Company*

Each of the Trustee-Manager and the Company has undertaken to each of the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters that (except for the offer, allotment and issue of Share Stapled Units pursuant to the Reorganisation and the Global Offering), at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), the Trustee-Manager and the Company shall not, and shall procure that each other member of the Trust Group shall not, without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, grant or sell any option, warrant, contract or right to subscribe for or purchase, either directly or indirectly, conditionally or unconditionally, any Share Stapled Units, Preference Shares, Ordinary Shares or any other equity securities of the Company or interests in HK Electric Investments or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Share Stapled Units, Preference Shares or Ordinary Shares);

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Share Stapled Units, Preference Shares, Ordinary Shares or any other equity securities of the Company or interests in HK Electric Investments or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Share Stapled Units, Preference Shares or Ordinary Shares);

(c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of Share Stapled Units, Preference Shares, Ordinary Shares or such other equity securities of the Company or interests in HK Electric Investments, or in cash or otherwise (whether or not the allotment or issue of the Share Stapled Units, the Preference Shares, the Ordinary Shares or such other securities will be completed within the First Six-Month Period).

In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), the Trustee-Manager or the Company enters into any of the transactions specified in paragraph (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, the Trustee-Manager and the Company shall take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the Share Stapled Units.

(B) *Undertakings by Quickview*

Quickview has undertaken to each of the Trustee-Manager, the Company, the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters that, without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) (except for the lending of Share Stapled Units pursuant to the Share Stapled Units Borrowing Agreement, any sale of Share Stapled Units pursuant to any exercise of the Over-allotment Option and any pledge or charge of Share Stapled Units (in respect of which it is shown in this prospectus as the beneficial owner) by it as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a *bona fide* commercial loan), at any time during the First Six-Month Period, it shall not, and shall procure that the relevant registered holder(s) shall not:

(i) sell, offer to sell, contract or agree to sell, lend, grant or sell any option, warrant, contract or right to purchase, purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Share Stapled Units, Preference Shares, Ordinary Shares or any other equity securities of the Company or interests in HK Electric Investments or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Share Stapled Units, Preference Shares or Ordinary Shares) beneficially owned by it as at the Listing Date (the "**Locked-up Securities**"); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Locked-up Securities; or

(iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (a)(i) or (a)(ii) above; or

(iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a)(i), (a)(ii) or (a)(iii) above,

in each case, whether any of the transactions specified in paragraph (a)(i), (a)(ii) or (a)(iii) above is to be settled by delivery of Share Stapled Units, Preference Shares, Ordinary Shares or any other equity securities of the Company or interests in HK Electric Investments, or in cash or otherwise;

(b) it shall not, and shall procure that the relevant registered holder(s) shall not, during the Second Six-Month Period, enter into any of the transactions specified in paragraph (a)(i), (a)(ii) or (a)(iii) above or offer to or agree to or publicly announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a Controlling Holder of Share Stapled Units; and

(c) until the expiry of the Second Six-Month Period, in the event that it or the relevant registered holder(s) enter(s) into any of the transactions specified in paragraph (a)(i), (a)(ii) or (a)(iii) above in respect of the Locked-up Securities or offers to or agrees to or publicly announces any intention to effect any such transaction, it shall take all reasonable steps to ensure that any such transaction, offer, agreement or announcement shall not create a disorderly or false market in the Share Stapled Units.

In addition, Quickview has undertaken to each of the Trustee-Manager, the Company, the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters that it shall, and it shall procure that the relevant registered holder(s) shall, at any time within the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date which is 12 months after the Listing Date:

(a) upon any pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) of any Share Stapled Units beneficially owned by it for a *bona fide* commercial loan, immediately inform the Trustee-Manager, the Company and the Joint Global Coordinators in writing of such pledge or charge together with the number of Share Stapled Units so pledged or charged; and

(b) upon any indication received by it, either verbal or written, from any pledgee or chargee that any of the pledged or charged interests in the Share Stapled Units will be disposed of, immediately inform the Trustee-Manager, the Company and the Joint Global Coordinators in writing of such indications.

The Trustee-Manager and the Company have agreed and undertaken to each of the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters that, upon receiving such information in writing from Quickview, they shall, as soon as possible, notify the Stock Exchange and make a public announcement in relation to such information in accordance with the Listing Rules and, if applicable, the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO.

Hong Kong Underwriters' Interests in HK Electric Investments and the Company

Save for their respective obligations under the Hong Kong Underwriting Agreement and, if applicable, the Share Stapled Units Borrowing Agreement, as at the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any Share Stapled Units or any securities of HK Electric Investments, the Trustee-Manager or any member of the Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Share Stapled Units or any securities of HK Electric Investments, the Trustee-Manager or any member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Share Stapled Units as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, the Trustee-Manager, the Company, PAH and Quickview expect to enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally to subscribe for, or procure subscribers for, their respective applicable proportions of the International Offer Share Stapled Units initially being offered pursuant to the International Offering. Please refer to *"Structure of the Global Offering — The International Offering"* for further details.

Over-allotment Option

Quickview expects to grant to the International Underwriters the Over-allotment Option, which will be exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) in whole or in part from the Listing Date until 30 days after the last day for lodging of applications under the Hong Kong Public Offering and the Preferential Offering. Pursuant to the Over-allotment Option, Quickview may be required to sell up to an aggregate of 664,035,000 Share Stapled Units, representing not more than 15% of the number of Offer Share Stapled Units initially available under the Global Offering, at the Offer Price, to, among other things, cover over-allocations in the International Offering, if any.

Commissions and Expenses

The Underwriters will receive an underwriting commission of 2.50% of the aggregate Offer Price of all the Offer Share Stapled Units (including any Offer Share Stapled Units to be sold pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees.

The Joint Global Coordinators may receive a discretionary incentive fee of up to 0.50% of the aggregate Offer Price of all the Offer Share Stapled Units (including any Offer Share Stapled Units to be sold pursuant to the exercise of the Over-allotment Option).

For any unsubscribed Hong Kong Offer Share Stapled Units reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

The aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK$890.0 million (assuming an Offer Price of HK$5.88 per Offer Share Stapled Unit (which is the

mid-point of the Offer Price Range) and the full payment of the discretionary incentive fee) and will be paid by the Trustee-Manager and the Company, save for the underwriting commissions and fees relating to the Offer Share Stapled Units to be sold by Quickview pursuant to the exercise of the Over-allotment Option, which will be paid by Quickview.

Indemnity

The Trustee-Manager and the Company have jointly and severally agreed to indemnify the Hong Kong Underwriters out of the Trust Property for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by them of the Hong Kong Underwriting Agreement.

INDEPENDENCE OF THE JOINT SPONSORS

Goldman Sachs (Asia) L.L.C. satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

HSBC Corporate Finance (Hong Kong) Limited does not satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules because its parent company, The Hongkong and Shanghai Banking Corporation Limited, was the financial adviser to PAH in connection with the 2013 profit forecast and the 2014 profit projection included in the PAH Circular relating to the Spin-off.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of HK Electric Investments, the Company and/or persons and entities with relationships with HK Electric Investments and the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group's loans and other debt (including with respect to the Loan Facilities, which loans, swaps or other financial instruments may be dependent on whether the Global Offering closes and as such may impact the Syndicate Members' and their affiliates' economic gains and losses).

In relation to the Share Stapled Units, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Share Stapled Units, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Share Stapled Units (which financing may be secured by the Share Stapled Units) in the Global Offering, proprietary trading in the Share Stapled Units, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative

warrants listed on a stock exchange) which have as their underlying assets, assets including the Share Stapled Units. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Share Stapled Units, which may have a negative impact on the trading price of the Share Stapled Units. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Share Stapled Units, in baskets of securities or indices including the Share Stapled Units, in units of funds that may purchase the Share Stapled Units, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Share Stapled Units as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Share Stapled Units in most cases.

All such activities may occur both during and after the end of the stabilising period described in *"Structure of the Global Offering"*. Such activities may affect the market price or value of the Share Stapled Units, the liquidity or trading volume in the Share Stapled Units and the volatility of the price of the Share Stapled Units, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Share Stapled Units, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Share Stapled Units), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Share Stapled Units at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Trustee-Manager or the Company and each of their affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions. In particular, affiliates of each of Goldman Sachs (Asia) L.L.C. and HSBC Corporate Finance (Hong Kong) Limited are lenders under one or more of the Group's bank loan facilities and will receive fees from the Group in connection therewith. See *"Financial Information — Indebtedness"*.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Share Stapled Units in the Global Offering.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Goldman Sachs (Asia) L.L.C. and The Hongkong and Shanghai Banking Corporation Limited are the Joint Global Coordinators of the Global Offering.

4,426,900,000 Offer Share Stapled Units will initially be made available under the Global Offering comprising:

(a) the Hong Kong Public Offering of initially 221,345,000 Share Stapled Units (subject to reallocation) in Hong Kong as described in *"— The Hong Kong Public Offering"* below; and

(b) the International Offering of initially 4,205,555,000 Share Stapled Units (subject to reallocation and the Over-allotment Option) (i) outside the United States (including to professional and institutional investors within Hong Kong and a public offering without listing in Japan) in offshore transactions in reliance on Regulation S and (ii) in the United States solely to QIBs pursuant to an exemption from registration under the U.S. Securities Act, as described in *"— The International Offering"* below.

Of the 4,205,555,000 Offer Share Stapled Units initially being offered under the International Offering, 533,565,500 Share Stapled Units will be offered under the Preferential Offering to the Qualifying PAH Shareholders as an Assured Entitlement as described in *"— The Preferential Offering"* below.

Investors may either:

(a) apply for Hong Kong Offer Share Stapled Units under the Hong Kong Public Offering; or

(b) apply for or indicate an interest for International Offer Share Stapled Units under the International Offering,

but may not do both (except that Qualifying PAH Shareholders who are eligible to apply for the Reserved Share Stapled Units in the Preferential Offering may also either (i) apply for the Hong Kong Offer Share Stapled Units under the Hong Kong Public Offering, if eligible or (ii) indicate an interest for the Share Stapled Units under the International Offering, if qualified to do so).

The Offer Share Stapled Units will represent approximately 50.1% of the total Share Stapled Units in issue immediately following the completion of the Reorganisation and the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Share Stapled Units will represent approximately 57.6% of the total Share Stapled Units in issue immediately following the completion of the Reorganisation and the Global Offering.

References in this prospectus to applications, Application Forms, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Share Stapled Units initially offered

The Trustee-Manager and the Company are initially offering 221,345,000 Share Stapled Units for subscription by the public in Hong Kong at the Offer Price, representing 5% of the total number of Offer Share Stapled Units initially available under the Global Offering. The number of Share Stapled Units initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Share Stapled Units between the International Offering and the Hong Kong Public Offering, will represent approximately 2.5% of the total Share Stapled Units in issue immediately following the completion of the Reorganisation and the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in *"— Conditions of the Global Offering"* below.

Allocation

Allocation of Offer Share Stapled Units to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Share Stapled Units validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Share Stapled Units, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Share Stapled Units.

For allocation purposes only, the total number of Hong Kong Offer Share Stapled Units available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B. The Hong Kong Offer Share Stapled Units in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Share Stapled Units with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Share Stapled Units in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Share Stapled Units with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Share Stapled Units in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Share Stapled Units will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong Offer Share Stapled Units means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Share Stapled Units from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 110,672,500 Hong Kong Offer Share Stapled Units are liable to be rejected.

Reallocation

The allocation of the Offer Share Stapled Units between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Share Stapled Units under the Hong Kong Public Offering to a certain percentage of the total number of Offer Share Stapled Units offered under the Global Offering if certain prescribed total demand levels are reached. An application has been made for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules, subject to the condition that the initial allocation of Share Stapled Units under the Hong Kong Public Offering shall not be less than 5% of the Global Offering such that in the event of over-applications in the Hong Kong Public Offering, the Joint Global Coordinators will apply a clawback mechanism following the closing of the application lists as described below.

If the number of Offer Share Stapled Units validly applied for under the Hong Kong Public Offering represents (a) 10 times or more but less than 15 times, (b) 15 times or more but less than 20 times and (c) 20 times or more of the total number of Offer Share Stapled Units initially available under the Hong Kong Public Offering, then Offer Share Stapled Units will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Share Stapled Units available under the Hong Kong Public Offering will be increased to 664,035,000 Offer Share Stapled Units (in the case of (a)), 885,380,000 Offer Share Stapled Units (in the case of (b)) and 1,106,725,000 Offer Share Stapled Units (in the case of (c)), representing 15%, 20% and 25% of the total number of Offer Share Stapled Units initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Share Stapled Units reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Share Stapled Units allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate.

In addition, the Joint Global Coordinators may reallocate Offer Share Stapled Units from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

The Offer Share Stapled Units to be offered in the Hong Kong Public Offering and the Offer Share Stapled Units to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators.

The Reserved Share Stapled Units which are offered under the Preferential Offering to Qualifying PAH Shareholders out of the Offer Share Stapled Units being offered under the International Offering will not be subject to reallocation between the Hong Kong Public Offering and the International Offering.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Share Stapled Units under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he has been or will be placed or allocated International Offer Share Stapled Units under the International Offering.

The listing of the Share Stapled Units on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the Maximum Offer Price of HK$6.30 per Offer Share Stapled Unit in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share Stapled Unit, amounting to a total of HK$3,181.75 for one board lot of 500 Share Stapled Units. If the Offer Price, as finally determined in the manner described in *"— Pricing and Allocation"* below, is less than the Maximum Offer Price of HK$6.30 per Offer Share Stapled Unit, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in *"How to Apply for Hong Kong Offer Share Stapled Units and Reserved Share Stapled Units"*.

THE PREFERENTIAL OFFERING

Basis of the Assured Entitlement

In order to enable PAH Shareholders to participate in the Global Offering on a preferential basis as to allocation only, subject to the Stock Exchange granting approval for the listing of, and permission to deal in, the Share Stapled Units on the Main Board of the Stock Exchange and such approval not having been withdrawn and the Global Offering becoming unconditional, Qualifying PAH Shareholders are being invited to apply for an aggregate of 533,565,500 Reserved Share Stapled Units in the Preferential Offering, representing approximately 12.1% of the Share Stapled Units initially available under the Global Offering, as an Assured Entitlement. The Reserved Share Stapled Units are being offered out of the International Offer Share Stapled Units under the International Offering and are not subject to reallocation as described in *"— The Hong Kong Public Offering — Reallocation"* above.

The basis of the Assured Entitlement is one Reserved Share Stapled Unit for every four PAH Shares held by Qualifying PAH Shareholders on the Record Date.

Qualifying PAH Shareholders should note that their Assured Entitlement to Reserved Share Stapled Units may not represent a number of a full board lot of 500 Share Stapled Units. No odd lot matching services will be provided. Furthermore, the Reserved Share Stapled Units allocated to each Qualifying PAH Shareholder will be rounded down to the closest whole number if required, and dealings in odd lots of the Share Stapled Units may be at a price below the prevailing market price for full board lots.

The Assured Entitlements of Qualifying PAH Shareholders to Reserved Share Stapled Units are not transferable. There will be no trading in nil-paid entitlements on the Stock Exchange.

Qualifying PAH Shareholders who hold less than four PAH Shares on the Record Date and therefore will not have an Assured Entitlement to the Reserved Share Stapled Units will still be entitled to participate in the Preferential Offering by applying for excess Reserved Share Stapled Units as further described below.

Basis of Allocation for Applications for Reserved Share Stapled Units

Qualifying PAH Shareholders may apply for a number of Reserved Share Stapled Units which is greater than, less than or equal to their Assured Entitlement or may apply only for excess Reserved Share Stapled Units under the Preferential Offering.

A valid application for a number of Reserved Share Stapled Units which is less than or equal to a Qualifying PAH Shareholder's Assured Entitlement under the Preferential Offering will be accepted in full, subject to the terms and conditions set out in the **BLUE** Application Forms or the **Blue Form eIPO** service via **www.eipo.com.hk** and assuming the conditions of the Preferential Offering are satisfied.

Where a Qualifying PAH Shareholder applies for a number of Reserved Share Stapled Units which is greater than the Qualifying PAH Shareholder's Assured Entitlement under the Preferential Offering, the relevant Assured Entitlement will be satisfied in full, subject as mentioned above, but the excess portion of such application will only be satisfied to the extent that there are sufficient Available Reserved Share Stapled Units as described below.

Where a Qualifying PAH Shareholder applies for excess Reserved Share Stapled Units only under the Preferential Offering, such application will only be satisfied to the extent that there are sufficient Available Reserved Share Stapled Units as described below.

Qualifying PAH Shareholders (other than HKSCC Nominees) who intend to apply for more than their Assured Entitlement should either apply for a number which is one of the numbers set out in the table of numbers and payments in the **BLUE** Application Form and make a payment of the corresponding amount, or else the applicant must calculate the correct amount of remittance payable on application for the number of Reserved Share Stapled Units applied for by using the formula set out in the **BLUE** Application Form.

To the extent that excess applications for the Reserved Share Stapled Units are:

(a) less than the Assured Entitlement not taken up by the Qualifying PAH Shareholders (the "**Available Reserved Share Stapled Units**"), the Available Reserved Share Stapled Units will first be allocated to satisfy such excess applications for the Reserved Share Stapled Units in full and thereafter will be allocated, at the discretion of the Joint Global Coordinators, to the International Offering;

(b) equal to the Available Reserved Share Stapled Units, the Available Reserved Share Stapled Units will be allocated to satisfy such excess applications for the Reserved Share Stapled Units in full; or

(c) more than the Available Reserved Share Stapled Units, the Available Reserved Share Stapled Units will be allocated on an allocation basis which will be consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications. If there are any Share Stapled Units remaining after satisfying the excess applications, such Share Stapled Units will be re-allocated, at the discretion of the Joint Global Coordinators, to the International Offering. No preference will be given to any excess applications made to top up odd lot holdings to whole lot holdings of Share Stapled Units.

Save for the above, the Preferential Offering will not be subject to the clawback arrangement between the International Offering and the Hong Kong Public Offering.

Beneficial PAH Shareholders whose PAH Shares are held by a nominee company should note that the Trustee-Manager and the Company will regard the nominee company as a single PAH Shareholder according to the register of members of PAH. Accordingly, Beneficial PAH Shareholders whose PAH Shares are held by a nominee company should note that the arrangement under paragraph (c) above

will not apply to them individually. Any Beneficial PAH Shareholders whose PAH Shares are registered in the name of a nominee, trustee or registered holder in any other capacity should make arrangements with such nominee, trustee or registered holder in relation to applications for Reserved Share Stapled Units under the Preferential Offering. Any such person is advised to consider whether it wishes to arrange for the registration of the relevant PAH Shares in the name of the beneficial owner prior to the Record Date.

Applications by Qualifying PAH Shareholders for Hong Kong Offer Share Stapled Units

In addition to any application for Reserved Share Stapled Units made either through the **Blue Form eIPO** service via **www.eipo.com.hk** or on a **BLUE** Application Form, Qualifying PAH Shareholders will be entitled to make one application for Hong Kong Offer Share Stapled Units on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC via CCASS or by applying through the **White Form eIPO** service. Qualifying PAH Shareholders will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Share Stapled Units made on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service under the Hong Kong Public Offering.

Qualifying PAH Shareholders and Non-Qualifying PAH Shareholders

Only PAH Shareholders whose names appeared on the register of members of PAH on the Record Date and who are not Non-Qualifying PAH Shareholders are entitled to subscribe for the Reserved Share Stapled Units under the Preferential Offering.

Non-Qualifying PAH Shareholders are those PAH Shareholders with registered addresses in, or who are otherwise known by PAH to be residents of, jurisdictions outside Hong Kong on the Record Date who the directors of PAH and the Trustee-Manager and the Company, based on the enquiries made by them, consider it necessary or expedient to exclude from the Preferential Offering on account either of the legal restrictions under the laws of the relevant jurisdiction in which the relevant PAH Shareholder is located or the requirements of the relevant regulatory body or stock exchange in that jurisdiction.

The directors of PAH, the Trustee-Manager and the Company have made enquiries regarding the legal restrictions under the applicable securities legislation of the Specified Territories and the requirements of the relevant regulatory bodies or stock exchanges with respect to the offer of the Reserved Share Stapled Units to the PAH Shareholders in the Specified Territories. Having considered the circumstances, the directors of PAH, the Trustee-Manager and the Company have formed the view that it is necessary or expedient to restrict the ability of PAH Shareholders in the Specified Territories to take up their Assured Entitlement to the Reserved Share Stapled Units under the Preferential Offering due to the time and costs involved in the registration or filing of this prospectus and/or approval required by the relevant authorities in those territories and/or additional steps which the Trustee-Manager, the Company and the PAH Shareholders would need to take to comply with the local legal and/or other requirements which would need to be satisfied in order to comply with the relevant local or regulatory requirements in those territories.

Accordingly, for the purposes of the Preferential Offering, the Non-Qualifying PAH Shareholders are:

(a) PAH Shareholders whose names appeared in the register of members of PAH on the Record Date and whose addresses as shown in such register is/are in any of the Specified Territories; and

(b) PAH Shareholders or Beneficial PAH Shareholders on the Record Date who are otherwise known by PAH to be resident in any of the Specified Territories.

The Preferential Offering will not be extended to the PAH Shareholders whose registered addresses are in Singapore as at the Record Date (the "**Singapore PAH Shareholders**"). Accordingly, Singapore PAH Shareholders will not be entitled to participate in the Preferential Offering, and no application by Singapore PAH Shareholders for the Reserved Share Stapled Units under the Preferential Offering will be accepted by the Company or the Trustee-Manager.

This prospectus does not constitute a prospectus for the purposes of the United Kingdom Listing Authority Prospectus Rules, made under Part IV of the Financial Services and Markets Act 2000 pursuant to European Union Directive (2003/71/EC) (the "**Directive**"), by virtue of Article 4.1(d) of the Directive and has not been approved by or filed with a competent authority in the United Kingdom. Accordingly, the Share Stapled Units being the subject of the Global Offering may not be offered or sold, directly or indirectly, in the United Kingdom except pursuant to an exemption from the prospectus requirements of the United Kingdom.

Notwithstanding any other provision in this prospectus or the **BLUE** Application Forms or the terms and conditions of the **Blue Form eIPO** Service, the Trustee-Manager and the Company reserve the right to permit any PAH Shareholder to take up his/her/its Assured Entitlement to the Reserved Share Stapled Units if the Trustee-Manager and the Company, in their absolute discretion, are satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions described above.

Distribution of this Prospectus and the BLUE Application Forms

BLUE Application Forms have been despatched to all Qualifying PAH Shareholders. In addition, Qualifying PAH Shareholders will receive a copy of this prospectus in the manner in which they have elected, or are deemed to have elected, to receive corporate communications under PAH's corporate communications policy. For further details, see *"How to Apply for Hong Kong Offer Share Stapled Units and Reserved Share Stapled Units"*.

Application Procedures

The procedures for application under and the terms and conditions of the Preferential Offering are set out in *"How to Apply for Hong Kong Offer Share Stapled Units and Reserved Share Stapled Units"* and on the **BLUE** Application Forms.

THE INTERNATIONAL OFFERING

Number of Offer Share Stapled Units initially offered

The International Offering will consist of an offering of initially 4,205,555,000 Share Stapled Units, representing 95% of the total number of Offer Share Stapled Units initially available under the Global Offering. The Reserved Share Stapled Units being offered pursuant to the Preferential Offering are being offered out of the International Offer Share Stapled Units.

Allocation

The International Offering will include selective marketing of Offer Share Stapled Units to QIBs in the United States as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Share Stapled Units in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S (including Offer Share Stapled Units to be offered under the POWL). Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Share Stapled Units pursuant to the International Offering will be effected in accordance with the "book-building" process described in *"— Pricing and Allocation"* below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Share Stapled Units, and/or hold or sell its Share Stapled Units, after the Listing. Such allocation is intended to result in a distribution of the Share Stapled Units on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Trust Group and the Holders of Share Stapled Units as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Share Stapled Units under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allotment of Offer Share Stapled Units under the Hong Kong Public Offering.

Reallocation

The total number of Offer Share Stapled Units to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in "— *The Hong Kong Public Offering — Reallocation"* above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Share Stapled Units originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, Quickview is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require Quickview to sell up to an aggregate of 664,035,000 Share Stapled Units, representing not more than 15% of the total number of Offer Share Stapled Units initially available under the Global Offering, at the Offer Price under the International Offering to, among other things, cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional International Offer Share Stapled Units to be sold pursuant thereto will represent approximately 7.5% of the total Share Stapled Units in issue immediately following the completion of the Reorganisation and the Global Offering. If the Over-allotment Option is exercised, an announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of the Share Stapled Units at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising action. Such stabilising action, if taken, (a) will be conducted at the absolute discretion of the Stabilising Manager or any person acting for it and in what the Stabilising Manager reasonably regards as the best interest of HK Electric Investments and the Company, (b) may be discontinued at any time and (c) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (a) over-allocating for the purpose of preventing or minimising any reduction in the market price of the Share Stapled Units, (b) selling or agreeing to sell the Share Stapled Units so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Share Stapled Units, (c) purchasing, or agreeing to purchase, the Share Stapled Units pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the Share Stapled Units for the sole purpose of preventing or minimising any reduction in the market price of the Share Stapled Units, (e) selling or agreeing to sell any Share Stapled Units in order to liquidate any position established as a result of those purchases and (f) offering or attempting to do anything as described in (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Share Stapled Units should note that:

(a) the Stabilising Manager or any person acting for it may, in connection with the stabilising action, maintain a long position in the Share Stapled Units;

(b) there is no certainty as to the extent to which and the time or period for which the Stabilising Manager or any person acting for it will maintain such a long position;

(c) liquidation of any such long position by the Stabilising Manager or any person acting for it and selling in the open market may have an adverse impact on the market price of the Share Stapled Units;

(d) no stabilising action can be taken to support the price of the Share Stapled Units for longer than the stabilisation period, which will begin on the Listing Date, and is expected to expire on 20 February 2014, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Share Stapled Units, and therefore the price of the Share Stapled Units, could fall;

(e) the price of the Share Stapled Units cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and

(f) stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Share Stapled Units.

The Trustee-Manager and the Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

Over-allocation

Following any over-allocation of Share Stapled Units in connection with the Global Offering, the Stabilising Manager or any person acting for it may cover such over-allocations by, among other methods, exercising the Over-allotment Option in full or in part, by using Share Stapled Units purchased by the Stabilising Manager or any person acting for it in the secondary market at prices that do not exceed the Offer Price or through the Share Stapled Units Borrowing Agreement as detailed below or a combination of these means.

SHARE STAPLED UNITS BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager or any person acting for it may choose to borrow up to 664,035,000 Share Stapled Units (being the maximum number of Share Stapled Units which may be sold pursuant to the exercise of the Over-allotment Option) from Quickview pursuant to the Share Stapled Units Borrowing Agreement, which is expected to be entered into between the Stabilising Manager (or any person acting for it) and Quickview on or about the Price Determination Date.

If the Share Stapled Units Borrowing Agreement with Quickview is entered into, the borrowing of Share Stapled Units will only be effected by the Stabilising Manager (or any person acting for it) for the settlement of over-allocations in the International Offering and such borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set out in Rule 10.07(3) of the Listing Rules, being that the Share Stapled Units Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering, are complied with.

The same number of Share Stapled Units so borrowed must be returned to Quickview or its nominees, as the case may be, on or before the third business day following the earlier of (a) the last day for exercising the Over-allotment Option and (b) the day on which the Over-allotment Option is exercised in full.

The Share Stapled Units borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Quickview by the Stabilising Manager (or any person acting for it) in relation to such Share Stapled Units borrowing arrangement.

OFFER SIZE

The allocation and the total number of Offer Share Stapled Units under the Global Offering will be determined in the following manner:

- The allocation of Offer Share Stapled Units between the International Offering and the Hong Kong Public Offering will first be subject to a reallocation adjustment depending on the number of Offer Share Stapled Units validly applied for under the Hong Kong Public Offering. See *"— The Hong Kong Public Offering — Reallocation"* above for details.

- The number of Offer Share Stapled Units to be made available under the International Offering may be further increased if the Over-allotment Option is exercised. The maximum number of additional International Offer Share Stapled Units to be offered pursuant to the exercise of the Over-allotment Option will represent not more than 15% of the number of Offer Share Stapled Units initially being offered under the Global Offering. See *"— Over-allotment Option"* above for details.

The table below sets out a summary of the total number of Hong Kong Offer Share Stapled Units and International Offer Share Stapled Units being offered in the Global Offering under different scenarios, depending on (a) whether a reallocation pursuant to the clawback arrangement described in *"— The Hong Kong Public Offering — Reallocation"* above occurs and (b) whether the Over-allotment Option is exercised at all or exercised in full. The number of Reserved Share Stapled Units to be offered pursuant to the Preferential Offering is not subject to any clawback reallocation or the Over-allotment Option and will remain unchanged.

	No clawback reallocation	15% clawback reallocation	20% clawback reallocation	25% clawback reallocation
Total number of Offer Share Stapled Units before the exercise of the Over-allotment Option	221,345,000 Hong Kong Offer Share Stapled Units	664,035,000 Hong Kong Offer Share Stapled Units	885,380,000 Hong Kong Offer Share Stapled Units	1,106,725,000 Hong Kong Offer Share Stapled Units
	4,205,555,000 International Offer Share Stapled Units	3,762,865,000 International Offer Share Stapled Units	3,541,520,000 International Offer Share Stapled Units	3,320,175,000 International Offer Share Stapled Units
Total number of Offer Share Stapled Units following the full exercise of the Over-allotment Option	221,345,000 Hong Kong Offer Share Stapled Units	664,035,000 Hong Kong Offer Share Stapled Units	885,380,000 Hong Kong Offer Share Stapled Units	1,106,725,000 Hong Kong Offer Share Stapled Units
	4,869,590,000 International Offer Share Stapled Units	4,426,900,000 International Offer Share Stapled Units	4,205,555,000 International Offer Share Stapled Units	3,984,210,000 International Offer Share Stapled Units

PRICING AND ALLOCATION

Pricing for the Offer Share Stapled Units for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about 22 January 2014 and, in any event, no later than 28 January 2014, by agreement among the Joint Global Coordinators (on behalf of the Underwriters), Quickview, the Trustee-Manager and the Company, and the number of Offer Share Stapled Units to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$6.30 per Offer Share Stapled Unit and is expected to be not less than HK$5.45 per Offer Share Stapled Unit, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering and the Preferential Offering must pay, on application, the Maximum Offer Price of HK$6.30 per Offer Share Stapled Unit plus brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, amounting to a total of HK$3,181.75 for one board lot of 500 Share Stapled Units. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the Offer Price Range stated in this prospectus.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Share Stapled Units in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Share Stapled Units under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Global Coordinators (on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of the Trustee-Manager and the Company, reduce the number of Offer Share Stapled Units offered and/or the Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Trustee-Manager and the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Company and the Stock Exchange at **www.hkei.hk** and **www.hkexnews.com.hk**, respectively, notices of the reduction. Upon the issue of such a notice, the revised number of Offer Share Stapled Units and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters), Quickview, the Trustee-Manager and the Company, will be fixed within such revised Offer Price range.

Before submitting applications for the Hong Kong Offer Share Stapled Units, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Share Stapled Units and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Share Stapled Units will not be reduced and/or the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters), Quickview, the Trustee-Manager and the Company, will under no circumstances be set outside the Offer Price Range as stated in this prospectus.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the Preferential Offering, the basis of allocations of the Hong Kong Offer Share Stapled Units and the Reserved Share Stapled Units and the results of allocations in the Hong Kong Public Offering and the Preferential Offering are expected to be made available through a variety of channels in the manner described in *"How to Apply for Hong Kong Offer Share Stapled Units and Reserved Share Stapled Units — Publication of Results"*.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to the Joint Global Coordinators (on behalf of the Underwriters), Quickview, the Trustee-Manager and the Company agreeing on the Offer Price.

The Trustee-Manager and the Company expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarised in *"Underwriting"*.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Share Stapled Units will be conditional on:

(a) the Listing Committee granting approval for the listing of, and permission to deal in, the Share Stapled Units in issue and to be issued pursuant to the Reorganisation and the Global Offering on the Main Board of the Stock Exchange and such approval not having been withdrawn;

(b) the Offer Price having been agreed between the Joint Global Coordinators (on behalf of the Underwriters), Quickview, the Trustee-Manager and the Company;

(c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters), Quickview, the Trustee-Manager and the Company on or before 28 January 2014, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Trustee-Manager and the Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Company and the Stock Exchange at **www.hkei.hk** and **www.hkexnews.hk**, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in *"How to Apply for Hong Kong Offer Share Stapled Units and Reserved Share Stapled Units"*. In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share Stapled Unit certificates for the Offer Share Stapled Units will only become valid at 8:00 a.m. on 29 January 2014, provided that the Global Offering has become unconditional in all respects at or before that time.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on 29 January 2014, it is expected that dealings in the Share Stapled Units on the Stock Exchange will commence at 9:00 a.m. on 29 January 2014.

The Share Stapled Units will be traded in board lots of 500 Share Stapled Units each and the stock code of the Share Stapled Units will be 02638.

IMPORTANT

HK Electric Investments and the Company will be relying on Section 9A of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and will be issuing (a) the **WHITE** and **YELLOW** Application Forms without them being accompanied by a printed prospectus and (b) the **BLUE** Application Forms to the Qualifying PAH Shareholders without them being accompanied by a printed prospectus, unless the relevant Qualifying PAH Shareholders have elected to receive corporate communications in printed form under PAH's corporate communications policy or have not been asked to elect the means of receiving PAH's corporate communications, in which case the printed prospectus will be despatched to them separately. The contents of the printed prospectus are identical to the electronic form of the prospectus which can be accessed and downloaded from the websites of the Company at **www.hkei.hk** and the Stock Exchange at **www.hkexnews.hk** under the *"HKExnews > Listed Company Information > Latest Listed Company Information"* section.

Members of the public and Qualifying PAH Shareholders may obtain a copy of the printed prospectus, free of charge, upon request during normal business hours from 9:00 a.m. on Thursday, 16 January 2014 until 12:00 noon on Tuesday, 21 January 2014 at the following locations:

1. any of the following branches of the receiving banks for the Hong Kong Public Offering:

   (a) **The Hongkong and Shanghai Banking Corporation Limited**

	Branch Name	Address
Hong Kong Island	Hong Kong Office	Level 3, 1 Queen's Road Central
	Hopewell Centre Branch	Shops 2A, 2/F, Hopewell Centre, 183 Queen's Road East, Wan Chai
Kowloon	Mong Kok Branch	Basement & U/G, 673 Nathan Road, Mong Kok
	Tsim Sha Tsui Branch	Basement & 1/F, 82-84 Nathan Road, Tsim Sha Tsui
	Kowloon City Branch	1/F, 18 Fuk Lo Tsun Road, Kowloon City
	238 Nathan Road Branch	Shop No. 1, 1/F, 238 Nathan Road
New Territories	Discovery Park Branch	Shop 3D, Level 1 & Upper Level 1, Discovery Park Shopping Centre, 398 Castle Peak Road, Tsuen Wan

(b) **Bank of China (Hong Kong) Limited**

	Branch Name	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Sheung Wan Branch	252 Des Voeux Road Central
	Chai Wan Branch	Block B, Walton Estate, 341-343 Chai Wan Road, Chai Wan
	Taikoo Shing Branch	Shop G1006, Hoi Sing Mansion, Taikoo Shing
Kowloon	Humphrey's Avenue Branch	4-4A Humphrey's Avenue, Tsim Sha Tsui
	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom
	East Point City Branch	Shop 101, East Point City, Tseung Kwan O
	Wong Tai Sin Branch	Shop G13, Wong Tai Sin Plaza, Wong Tai Sin
	Wang Kwun Road Branch	Unit G1, Nan Fung Commercial Centre, Wang Kwun Road, Kowloon Bay
New Territories	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza Phase II

(c) **DBS Bank (Hong Kong) Limited**

	Branch Name	Address
Hong Kong Island	Quarry Bay Branch	Shop A, G/F, 1063 King's Road, Quarry Bay
	United Centre Branch	Shops 1015-1018, 1/F, United Centre, 95 Queensway, Admiralty
	North Point Branch	G/F, 391 King's Road, North Point
	Causeway Bay Branch	427-429 Hennessy Road, Causeway Bay
Kowloon	Mongkok Branch	G/F, Wofoo Commercial Building, 574-576 Nathan Road, Mongkok
	Hoi Yuen Road Branch	Unit 2, G/F, Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong
New Territories	Yuen Long Branch	G/F, 1-5 Tai Tong Road, Yuen Long
	Shatin Plaza Branch	Shop 47 & 48, Level 1, Shatin Plaza, 21-27 Sha Tin Centre Street, Shatin
	Tsuen Wan Branch	G/F, 23 Chung On Street, Tsuen Wan
	Ma On Shan Branch	Shop 205-206, Level 2, Ma On Shan Plaza, Ma On Shan

2. any of the following offices of the Joint Global Coordinators:

   (a) **Goldman Sachs (Asia) L.L.C.**, at 68th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong; and

   (b) **The Hongkong and Shanghai Banking Corporation Limited**, at Level 15, 1 Queen's Road Central, Hong Kong; and

3. the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong.

Details of where printed prospectuses may be obtained will be displayed prominently at every branch of The Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited and DBS Bank (Hong Kong) Limited where WHITE Application Forms are distributed.

During normal business hours from 9:00 a.m. on Thursday, 16 January 2014 until 12:00 noon on Tuesday, 21 January 2014, at least three copies of the printed prospectus will be available for inspection at every location where the **WHITE** and **YELLOW** Application Forms are distributed as set out below.

A. APPLICATIONS FOR HONG KONG OFFER SHARE STAPLED UNITS

1. How to Apply

If you apply for Hong Kong Offer Share Stapled Units, then you may not apply for or indicate an interest for International Offer Share Stapled Units (except in respect of Reserved Share Stapled Units applied for pursuant to the Preferential Offering).

To apply for Hong Kong Offer Share Stapled Units, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online through the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Trustee-Manager, the Company, the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents may reject or accept any application, in full or in part, for any reason at their discretion.

2. Who Can Apply

You can apply for Hong Kong Offer Share Stapled Units on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you apply for Hong Kong Offer Share Stapled Units online through the **White Form eIPO** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Trustee-Manager, the Company and the Joint Global Coordinators, as the Trustee-Manager's and the Company's agents, may accept it at their discretion, and on any conditions they think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Share Stapled Units.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Share Stapled Units if:

- you are an existing beneficial owner of Share Stapled Units or Shares or an associate of any such owner;
- you are a Director of the Trustee-Manager or the Company, or an associate of any such Director;
- you are any other connected person of HK Electric Investments, the Trustee-Manager or the Company, or a person who will become a connected person of HK Electric Investments, the Trustee-Manager or the Company immediately upon the completion of the Global Offering; or
- you have been allocated or have applied for any International Offer Share Stapled Units or otherwise participate in the International Offering (except in respect of Reserved Share Stapled Units applied for pursuant to the Preferential Offering).

3. Applying for Hong Kong Offer Share Stapled Units

Which Application Channel to Use

For Hong Kong Offer Share Stapled Units to be issued in your own name, use a **WHITE** Application Form or apply only through the **White Form eIPO** service at **www.eipo.com.hk**.

For Hong Kong Offer Share Stapled Units to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 16 January 2014 until 12:00 noon on Tuesday, 21 January 2014 from:

(a) any of the following offices of the Joint Global Coordinators:

Goldman Sachs (Asia) L.L.C.
68th Floor
Cheung Kong Center
2 Queen's Road Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
Level 15
1 Queen's Road Central
Hong Kong

(b) any of the following branches of the receiving banks for the Hong Kong Public Offering:

(i) **The Hongkong and Shanghai Banking Corporation Limited**

	Branch Name	Address
Hong Kong Island	Hong Kong Office	Level 3, 1 Queen's Road Central
	Hopewell Centre Branch	Shops 2A, 2/F, Hopewell Centre, 183 Queen's Road East, Wan Chai
Kowloon	Mong Kok Branch	Basement & U/G, 673 Nathan Road, Mong Kok
	Tsim Sha Tsui Branch	Basement & 1/F, 82-84 Nathan Road, Tsim Sha Tsui
	Kowloon City Branch	1/F, 18 Fuk Lo Tsun Road, Kowloon City
	238 Nathan Road Branch	Shop No. 1, 1/F, 238 Nathan Road
New Territories	Discovery Park Branch	Shop 3D, Level 1 & Upper Level 1, Discovery Park Shopping Centre, 398 Castle Peak Road, Tsuen Wan

(ii) **Bank of China (Hong Kong) Limited**

	Branch Name	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Sheung Wan Branch	252 Des Voeux Road Central
	Chai Wan Branch	Block B, Walton Estate, 341-343 Chai Wan Road, Chai Wan
	Taikoo Shing Branch	Shop G1006, Hoi Sing Mansion, Taikoo Shing
Kowloon	Humphrey's Avenue Branch	4-4A Humphrey's Avenue, Tsim Sha Tsui
	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom
	East Point City Branch	Shop 101, East Point City, Tseung Kwan O
	Wong Tai Sin Branch	Shop G13, Wong Tai Sin Plaza, Wong Tai Sin
	Wang Kwun Road Branch	Unit G1, Nan Fung Commercial Centre, Wang Kwun Road, Kowloon Bay
New Territories	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza Phase II

(iii) **DBS Bank (Hong Kong) Limited**

	Branch Name	Address
Hong Kong Island	Quarry Bay Branch	Shop A, G/F, 1063 King's Road, Quarry Bay
	United Centre Branch	Shops 1015-1018, 1/F, United Centre, 95 Queensway, Admiralty
	North Point Branch	G/F, 391 King's Road, North Point
	Causeway Bay Branch	427-429 Hennessy Road, Causeway Bay
Kowloon	Mongkok Branch	G/F, Wofoo Commercial Building, 574-576 Nathan Road, Mongkok
	Hoi Yuen Road Branch	Unit 2, G/F, Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong
New Territories	Yuen Long Branch	G/F, 1-5 Tai Tong Road, Yuen Long
	Shatin Plaza Branch	Shop 47 & 48, Level 1, Shatin Plaza, 21-27 Sha Tin Centre Street, Shatin
	Tsuen Wan Branch	G/F, 23 Chung On Street, Tsuen Wan
	Ma On Shan Branch	Shop 205-206, Level 2, Ma On Shan Plaza, Ma On Shan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 16 January 2014 until 12:00 noon on Tuesday, 21 January 2014 from:

- the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or

- your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "HSBC Nominees (Hong Kong) Limited — HK Electric Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above at the following times:

Thursday, 16 January 2014 — 9:00 a.m. to 4:30 p.m.
Friday, 17 January 2014 — 9:00 a.m. to 4:30 p.m.
Saturday, 18 January 2014 — 9:00 a.m. to 1:00 p.m.
Monday, 20 January 2014 — 9:00 a.m. to 4:30 p.m.
Tuesday, 21 January 2014 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 21 January 2014, the last day for applications, or such later time as described in *"— Effect of Bad Weather on the Opening and Closing of the Application Lists"* below.

4. Terms and Conditions of an Application

Follow the detailed instructions in the **WHITE** or **YELLOW** Application Form carefully, otherwise your application may be rejected.

By submitting a **WHITE** or **YELLOW** Application Form or applying through the **White Form eIPO** service, among other things, you:

(a) undertake to execute all relevant documents and instruct and authorise the Trustee-Manager, the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Trustee-Manager and the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Share Stapled Units allocated to you in your name or in the name of HKSCC Nominees as required by the Trust Deed and the Company's Articles;

(b) agree to comply with the Trust Deed, the Memorandum and Articles of Association of the Company, the Companies Ordinance and the Cayman Companies Law;

(c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(d) confirm that you have received and read this prospectus and have relied only on the information and representations in this prospectus in making your application and will not rely on any other information or representations, except those in any supplement to this prospectus;

(e) confirm that you are aware of the restrictions on the Global Offering set out in this prospectus;

(f) agree that none of the Trustee-Manager, the Company, the Relevant Persons and the White Form eIPO Service Provider is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);

(g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Share Stapled Units nor participated in the International Offering (except in respect of Reserved Share Stapled Units applied for pursuant to the Preferential Offering);

(h) agree to disclose to the Trustee-Manager, the Company, the Share Stapled Units Registrar, the receiving banks and the Relevant Persons any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Trustee-Manager, the Company and the Relevant Persons will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this prospectus and the Application Form;

(j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(k) agree that your application will be governed by the laws of Hong Kong;

(l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Share Stapled Units have not been and will not be registered under the U.S. Securities Act and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Share Stapled Units are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(m) warrant that the information you have provided is true and accurate;

(n) agree to accept the Hong Kong Offer Share Stapled Units applied for or any lesser number allocated to you under the application;

(o) authorise (i) the Trustee-Manager and the Company to place your name(s) or the name of HKSCC Nominees on the Share Stapled Units Register as the holder(s) of any Hong Kong Offer Share Stapled Units allocated to you and such other registers as required under the Trust Deed and the Company's Articles and (ii) the Trustee-Manager, the Company and/or their agents to send any Share Stapled Unit certificate(s) and/or any e-Refund payment

instructions and/or any refund cheque(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the Share Stapled Unit certificate(s) and/or refund cheque(s) in person;

(p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(q) understand that the Trustee-Manager, the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Share Stapled Units to you and that you may be prosecuted for making a false declaration;

(r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the White Form eIPO Service or by any one as your agent or by any other person; and

(s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as its agent.

Additional Instructions for YELLOW Application Forms

You should refer to the **YELLOW** Application Form for details.

5. Applying Through the White Form eIPO Service

General

Individuals who meet the criteria in *"— Who Can Apply"* above may apply through the **White Form eIPO** service for the Offer Share Stapled Units to be allocated and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are set out on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Trustee-Manager and the Company. If you apply through the designated website, you authorise the White Form eIPO Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the White Form eIPO Service Provider.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application through the **White Form eIPO** service through the designated website at **www.eipo.com.hk** (24 hours daily, except on the last day for applications) from 9:00 a.m. on Thursday, 16 January 2014 until 11:30 a.m. on Tuesday, 21 January 2014 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 21 January 2014, the last day for applications, or such later time as described in *"— Effect of Bad Weather on the Opening and Closing of the Application Lists"* below.

No Multiple Applications

If you apply by means of the **White Form eIPO** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Share Stapled Units, an actual application will be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies Ordinance

For the avoidance of doubt, the Trustee-Manager, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Environmental Protection

The advantage of White Form eIPO is that it saves paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK$2 for each "HK Electric Investments" **White Form eIPO** application submitted via the designated website to support the funding of "Source of DongJiang — Hong Kong Forest" project initiated by Friends of the Earth (HK).

6. Applying By Giving Electronic Application Instructions to HKSCC via CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Share Stapled Units and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from the above address.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Share Stapled Units on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Trustee-Manager, the Company, the Joint Global Coordinators and the Share Stapled Units Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Share Stapled Units and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus; and

(b) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Share Stapled Units to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Share Stapled Units applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Share Stapled Units nor participated in the International Offering (except in respect of Reserved Share Stapled Units applied for pursuant to the Preferential Offering);

- declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as its agent;

- confirm that you understand that the Trustee-Manager, the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Share Stapled Units to you and that you may be prosecuted for making a false declaration;

- authorise the Trustee-Manager and the Company to place HKSCC Nominees' name on the Share Stapled Units Register as the holder of the Hong Kong Offer Share Stapled Units allocated to you and such other registers as required under the Trust Deed, and despatch Share Stapled Unit certificate(s) and/or refund monies in accordance with the arrangements separately agreed between the Trustee-Manager, the Company and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made and will not rely on any other information or representations, except those in any supplement to this prospectus;

- agree that none of the Trustee-Manager, the Company and the Relevant Persons is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);

- agree to disclose to the Trustee-Manager, the Company, the Share Stapled Units Registrar, the receiving banks and the Relevant Persons any personal data which they may require about you;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with the Trustee-Manager and the Company, and to become binding when you give the instructions and such collateral contract to be in consideration of the Trustee-Manager and the Company agreeing that they will not offer any Hong Kong Offer Share Stapled Units to any person on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application

on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Share Stapled Units;

- agree with the Trustee-Manager and the Company, for HK Electric Investments and the Company, respectively, and for the benefit of each Holder of Share Stapled Units (and so that the Trustee-Manager and the Company will be deemed by their acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for HK Electric Investments and the Company and on behalf of each Holder of Share Stapled Units, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Trust Deed, the Memorandum and Articles of Association of the Company, the Companies Ordinance and the Cayman Companies Law; and

- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to the Trustee-Manager, the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Share Stapled Units on your behalf;

- instructed and authorised HKSCC to arrange payment of the Maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the Maximum Offer Price initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 500 Hong Kong Offer Share Stapled Units. Instructions for more than 500 Hong Kong Offer Share Stapled Units must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Share Stapled Units will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Thursday, 16 January 2014 — 9:00 a.m. to 8:30 p.m.(1)
Friday, 17 January 2014 — 8:00 a.m. to 8:30 p.m.(1)
Saturday, 18 January 2014 — 8:00 a.m. to 1:00 p.m.(1)
Monday, 20 January 2014 — 8:00 a.m. to 8:30 p.m.(1)
Tuesday, 21 January 2014 — 8:00 a.m.(1) to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 16 January 2014 until 12:00 noon on Tuesday, 21 January 2014 (24 hours daily, except on the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 21 January 2014, the last day for applications, or such later time as described in *"— Effect of Bad Weather on the Opening and Closing of the Application Lists"* below.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Share Stapled Units applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Share Stapled Units for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Share Stapled Units given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies Ordinance

For the avoidance of doubt, the Trustee-Manager, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Trustee-Manager, the Company, the Share Stapled Units Registrar, the receiving banks and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. Warning for Electronic Applications

The application for Hong Kong Offer Share Stapled Units by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Share Stapled Units through the **White Form eIPO** service is only a facility provided by the White Form eIPO Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic application. The Trustee-Manager, the Company, the Relevant Persons and the White Form eIPO Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allocated any Hong Kong Offer Share Stapled Units.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System for submission of their **electronic application instructions**, they should either (a) submit a **WHITE** or **YELLOW** Application Form or (b) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, 21 January 2014, the last day for applications, or such later time as described in *"— Effect of Bad Weather on the Opening and Closing of the Application Lists"* below.

8. How Many Applications Can You Make

Multiple applications for the Hong Kong Offer Share Stapled Units are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees", you must include:

- an account number; or
- some other identification code

for **each** beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

If you are a Qualifying PAH Shareholder applying for Reserved Share Stapled Units under the Preferential Offering either through the **Blue Form eIPO** service via **www.eipo.com.hk** or on a **BLUE** Application Form, you may also make one application for Hong Kong Offer Share Stapled Units either on a **WHITE** or **YELLOW** Application Form or electronically through CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or submit an application

through the **White Form eIPO** service through the designated website at **www.eipo.com.hk**. However, in respect of any application for Hong Kong Offer Share Stapled Units using the above methods, you will not enjoy the preferential treatment accorded to you under the Preferential Offering as described in *"Structure of the Global Offering — The Preferential Offering"*.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**) (other than any application(s) made either through the **Blue Form eIPO** service via **www.eipo.com.hk** or on a **BLUE** Application Form in your capacity as a Qualifying PAH Shareholder).

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

B. APPLICATIONS FOR RESERVED SHARE STAPLED UNITS

1. Who Can Apply

Only PAH Shareholders whose names appeared on the register of members of PAH on the Record Date and who are not Non-Qualifying PAH Shareholders are entitled to subscribe for the Reserved Share Stapled Units under the Preferential Offering.

Non-Qualifying PAH Shareholders are those PAH Shareholders with registered addresses in, or who are otherwise known by PAH to be residents of, jurisdictions outside Hong Kong on the Record Date and in respect of whom the directors of PAH and the Trustee-Manager and the Company, based on the enquiries made by them, consider it necessary or expedient to exclude them from the Preferential Offering on account either of the legal restrictions under the laws of the relevant jurisdiction in which the relevant PAH Shareholder is located or the requirements of the relevant regulatory body or stock exchange in that jurisdiction.

The directors of PAH and the Trustee-Manager and the Company have made enquiries regarding the legal restrictions under the applicable securities legislation of the Specified Territories and the requirements of the relevant regulatory bodies or stock exchanges with respect to the offer of the Reserved Share Stapled Units to the PAH Shareholders in the Specified Territories. Having considered the circumstances, the directors of PAH and the Trustee-Manager and the Company have formed the view that it is necessary or expedient to restrict the ability of PAH Shareholders in the Specified Territories to take up their Assured Entitlement to the Reserved Share Stapled Units under the Preferential Offering due to the time and costs involved in the registration or filing of this prospectus and/or approval required by the relevant authorities in those territories and/or additional steps which the Trustee-Manager, the Company and the PAH Shareholders would need to take to comply with the local legal and/or other requirements which would need to be satisfied in order to comply with the relevant local or regulatory requirements in those territories.

Accordingly, for the purposes of the Preferential Offering, the Non-Qualifying PAH Shareholders are:

(a) PAH Shareholders whose names appeared in the register of members of PAH on the Record Date and whose addresses as shown in such register is/are in any of the Specified Territories; and

(b) PAH Shareholders or Beneficial PAH Shareholders on the Record Date who are otherwise known by PAH to be resident in any of the Specified Territories.

Notwithstanding any other provision in this prospectus or the **BLUE** Application Forms or the terms and conditions of the **Blue Form eIPO** service, the Trustee-Manager and the Company reserve the right to permit any PAH Shareholder to take up his/her/its Assured Entitlement to the Reserved Share Stapled Units if the Trustee-Manager and the Company, in their absolute discretion, are satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions described above.

With respect to the Specified Territories, PAH has sent a letter to CCASS Participants (other than CCASS Investor Participants) notifying them that in light of applicable laws and regulations of the Specified Territories, to the extent they hold any PAH Shares on behalf of the Non-Qualifying PAH Shareholders, they are excluded from participating in the Preferential Offering.

Qualifying PAH Shareholders are entitled to apply on the basis of an Assured Entitlement of one Reserved Share Stapled Unit for every four PAH Shares held by them on the Record Date.

Qualifying PAH Shareholders who hold less than four PAH Shares on the Record Date will not have an Assured Entitlement to the Reserved Share Stapled Units, but they will still be entitled to participate in the Preferential Offering by applying for excess Reserved Share Stapled Units.

If the applicant is a firm, the application must be in the individual members' names. If the applicant is a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with the corporation's chop.

If an application is made by a person under a power of attorney, the Trustee-Manager, the Company and the Joint Global Coordinators, as the Trustee-Manager's and the Company's agents, may accept it at their discretion, and on any conditions they think fit, including requiring evidence of the attorney's authority. The Trustee-Manager, the Company and the Joint Global Coordinators, as the Trustee-Manager's and the Company's agents, will have full discretion to reject or accept any application, in full or in part, without giving any reason.

You cannot apply for any Reserved Share Stapled Units if you are:

- an existing beneficial owner of Share Stapled Units or Shares or an associate (as defined in the Listing Rules) of any such owner;

- a Director of the Trustee-Manager or the Company, or an associate of any such Director (other than a Director and/or his associates who are Qualifying PAH Shareholders who may apply for Reserved Share Stapled Units pursuant to the Preferential Offering);

- any other connected person of HK Electric Investments, the Trustee-Manager or the Company, or a person who will become a connected person of HK Electric Investments, the Trustee-Manager or the Company immediately upon the completion of the Global Offering; or

- a Non-Qualifying PAH Shareholder.

2. How to Apply

An application for Reserved Share Stapled Units under the Preferential Offering may only be made by Qualifying PAH Shareholders either through the **Blue Form eIPO** service via **www.eipo.com.hk** or using **BLUE** Application Forms which have been despatched to Qualifying PAH Shareholders by the Trustee-Manager and the Company.

Qualifying PAH Shareholders may apply for a number of Reserved Share Stapled Units which is greater than, less than or equal to their Assured Entitlement or may apply only for excess Reserved Share Stapled Units under the Preferential Offering.

A valid application for a number of Reserved Share Stapled Units which is less than or equal to a Qualifying PAH Shareholder's Assured Entitlement under the Preferential Offering will be accepted in full, subject to the terms and conditions set out in the **BLUE** Application Forms or the terms and conditions of the **Blue Form eIPO** service and assuming the conditions of the Preferential Offering are satisfied.

Where a Qualifying PAH Shareholder applies for a number of Reserved Share Stapled Units which is greater than the Qualifying PAH Shareholder's Assured Entitlement under the Preferential Offering, the relevant Assured Entitlement will be satisfied in full, subject as mentioned above, but the excess portion of such application will only be satisfied to the extent that there are sufficient Available Reserved Share Stapled Units as described below.

Where a Qualifying PAH Shareholder applies for excess Reserved Share Stapled Units only under the Preferential Offering, such application will only be satisfied to the extent that there are sufficient Available Reserved Share Stapled Units as described below.

Qualifying PAH Shareholders (other than HKSCC Nominees) who intend to apply for more than their Assured Entitlement should either apply for a number which is one of the numbers set out in the table of numbers and payments in the **BLUE** Application Form and make a payment of the corresponding amount, or else the applicant must calculate the correct amount of remittance payable on application for the number of Reserved Share Stapled Units applied for by using the formula set out in the **BLUE** Application Form.

To the extent that excess applications for the Reserved Share Stapled Units are:

(a) less than the Available Reserved Share Stapled Units, the Available Reserved Share Stapled Units will first be allocated to satisfy such excess applications for the Reserved Share Stapled Units in full and thereafter will be allocated, at the discretion of the Joint Global Coordinators, to the International Offering;

(b) equal to the Available Reserved Share Stapled Units, the Available Reserved Share Stapled Units will be allocated to satisfy such excess applications for the Reserved Share Stapled Units in full; or

(c) more than the Available Reserved Share Stapled Units, the Available Reserved Share Stapled Units will be allocated on an allocation basis which will be consistent with the allocation basis commonly used in the case of over-subscription in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications. If there are any Share Stapled Units remaining after satisfying the excess applications, such Share Stapled Units will be re-allocated, at the discretion of the Joint Global Coordinators, to the International Offering. No preference will be given to any excess applications made to top up odd lot holdings to whole lot holdings of Share Stapled Units.

Save for the above, the Preferential Offering will not be subject to the clawback arrangement between the International Offering and the Hong Kong Public Offering.

Qualifying PAH Shareholders who have applied for Reserved Share Stapled Units under the Preferential Offering either through the **Blue Form eIPO** service via **www.eipo.com.hk** or on a **BLUE** Application Form, may also make one application either on a **WHITE** or **YELLOW** Application Form, or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or through the **White Form eIPO** service for the Hong Kong Offer Share Stapled Units in the Hong Kong Public Offering. However, Qualifying PAH Shareholders will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Share Stapled Units made on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service under the Hong Kong Public Offering.

Persons who held their PAH Shares on the Record Date in CCASS indirectly through a broker/custodian, and wish to participate in the Preferential Offering, should instruct their broker or custodian to apply for the Reserved Share Stapled Units on their behalf by no later than the deadline set by HKSCC or HKSCC Nominees. In order to meet the deadline set by HKSCC, such persons should check with their broker/custodian for the timing on the processing of their instructions, and submit their

instructions to their broker/custodian as required by them. Persons who held their PAH Shares on the Record Date in CCASS directly as a CCASS Investor Participant, and wish to participate in the Preferential Offering, should give their instruction to HKSCC via the CCASS Phone System or CCASS Internet System by no later than the deadline set by HKSCC or HKSCC Nominees.

3. Distribution of this Prospectus and the BLUE Application Forms

BLUE Application Forms have been despatched to all Qualifying PAH Shareholders to their address recorded on the register of members of PAH on the Record Date.

In addition, Qualifying PAH Shareholders will receive a copy of this prospectus in the manner in which they have elected, or are deemed to have elected, to receive corporate communications under PAH's corporate communications policy.

If a Qualifying PAH Shareholder has elected to receive corporate communications from PAH in printed form under PAH's corporate communications policy or has not been asked to elect the means of receiving PAH's corporate communications, a printed copy of this prospectus in the elected language version(s) (if applicable) will be despatched to such Qualifying PAH Shareholder.

If a Qualifying PAH Shareholder (a) has elected to receive an electronic version of corporate communications or (b) is deemed to have consented to receiving the electronic form of corporate communications from PAH, an electronic version of this prospectus (which is identical to the printed prospectus) can be accessed and downloaded from the websites of the Company at **www.hkei.hk** and the Stock Exchange at **www.hkexnews.hk** under the section headed *"HKExnews > Listed Company Information > Latest Listed Company Information"*.

A Qualifying PAH Shareholder who has elected to receive or is deemed to have consented to receiving the electronic form of this prospectus may at any time request for a printed copy of this prospectus, free of charge, by sending a request in writing to PAH c/o Computershare Hong Kong Investor Services Limited or by email to PAH at mail@powerassets.com. PAH will promptly, upon request, send by ordinary post a printed copy of this prospectus to such Qualifying PAH Shareholder, free of charge, although such Qualifying PAH Shareholder may not receive that printed copy of this prospectus before the close of the Hong Kong Public Offering and the Preferential Offering.

HK Electric Investments and the Company will also be relying on Section 9A of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and, unless a Qualifying PAH Shareholder has elected to receive corporate communications in printed form under PAH's corporate communications policy or has not been asked to elect the means of receiving PAH's corporate communications, will be issuing the **BLUE** Application Form to the Qualifying PAH Shareholders without it being accompanied by a printed prospectus. An electronic version of this prospectus (which is identical to the printed prospectus) can be accessed and downloaded from the websites of the Company at **www.hkei.hk** and the Stock Exchange at **www.hkexnews.hk** under the *"HKExnews > Listed Company Information > Latest Listed Company Information"* section. Qualifying PAH Shareholders may also obtain a printed copy of this prospectus, free of charge, during normal business hours from 9:00 a.m. on Thursday, 16 January 2014 until 12:00 noon on Tuesday, 21 January 2014 at the locations described in *"— IMPORTANT"* above.

Qualifying PAH Shareholders who require a replacement **BLUE** Application Form should contact Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or on its hotline 2862 8555.

Distribution of this prospectus and/or the **BLUE** Application Forms into any jurisdiction other than Hong Kong may be restricted by law. Persons into whose possession this prospectus and/or the **BLUE** Application Forms come (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, this prospectus should not be distributed, forwarded or transmitted in, into or from any of the Specified Territories with or without the **BLUE** Application Forms, except to Qualifying PAH Shareholders as specified in this prospectus.

Receipt of this prospectus and/or the **BLUE** Application Forms does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this prospectus and/or the **BLUE** Application Forms must be treated as sent for information only and should not be copied or redistributed. Persons (including, without limitation, agents, custodians, nominees and trustees) who receive a copy of this prospectus and/or the **BLUE** Application Forms should not, in connection with the Preferential Offering, distribute or send the same in, into or from, any of the Specified Territories. If the **BLUE** Application Form is received by any person in any such territory, or by his/her/its agent or nominee, he/she/it should not apply for any Reserved Share Stapled Units unless the directors of PAH and the Trustee-Manager and the Company determine that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, agents, custodians, nominees and trustees) who forwards this prospectus and/or the **BLUE** Application Form(s) in, into or from any Specified Territory (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section.

4. Applying Through the Blue Form eIPO Service

If you apply for Reserved Share Stapled Units online through the **Blue Form eIPO** service:

(a) detailed instructions for application through the **Blue Form eIPO** service are set out on the designated website at **www.eipo.com.hk**. You should read those instructions carefully. If you do not follow the instructions, your application may be rejected by the White Form eIPO Service Provider and may not be submitted to the Trustee-Manager and the Company;

(b) you must provide a valid e-mail address; and

(c) once payment is completed via electronic application instructions given by you or for your benefit, an actual application is deemed to have been made. If you submit applications both via the **Blue Form eIPO** service and by using a **BLUE** Application Form, only the application submitted via the **Blue Form eIPO** service will be accepted and the other application will be rejected.

The application for Reserved Share Stapled Units through the **Blue Form eIPO** service is only a facility provided by the White Form eIPO Service Provider to Qualifying PAH Shareholders. Such facility is subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for application to make your electronic application. The Trustee-Manager, the Company, the Relevant Persons and the White Form eIPO Service Provider take no responsibility for such applications.

5. Applying By Using Blue Application Forms

(a) You may choose one of the four options on the **BLUE** Application Form when applying for Reserved Share Stapled Units.

- **Option 1** — Apply for a number of Reserved Share Stapled Units that is equal to your Assured Entitlement.
- **Option 2** — Apply for a number of Reserved Share Stapled Units up to your Assured Entitlement and excess Reserved Share Stapled Units.
- **Option 3** — Apply for excess Reserved Share Stapled Units only.
- **Option 4** — Apply for a number of Reserved Share Stapled Units that is less than your Assured Entitlement.

(b) The **BLUE** Application Form will be rejected by the Trustee-Manager and the Company if:

- the **BLUE** Application Form is not completed in accordance with the instructions as stated in the **BLUE** Application Form;
- the **BLUE** Application Form has not been duly signed (only written signatures are acceptable) (or in the case of a joint application, not all applicants have signed);
- in respect of applicants who are corporate entities, the **BLUE** Application Form has not been duly signed (only written signature is acceptable) by an authorised officer or affixed with a company chop;
- the cheque/banker's cashier order/**BLUE** Application Form is defective;
- the **BLUE** Application Form is not accompanied with a cheque/banker's cashier order or is accompanied by more than one cheque/banker's cashier order;
- the account name on cheque/banker's cashier order is not pre-printed or certified by the issuing bank;
- the cheque/banker's cashier order is not drawn on a Hong Kong dollar bank account in Hong Kong;
- the name of the payee indicated on the cheque/banker's cashier order is not "HSBC Nominees (Hong Kong) Limited — HK Electric Preferential Offer";
- the cheque has not been crossed "Account payee only";

- the cheque was post-dated;
- the applicant's payment is not made correctly or the applicant paid by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation;
- the applicant's name/the first applicant's name on the joint application is not the same as the name pre-printed or certified/endorsed by the drawee bank on the cheque/banker's cashier order;
- alteration(s) to the application details on the **BLUE** Application Form has not been authorised by the signature(s) of the applicant(s);
- the application is completed by pencil;
- the applicant does not fill in all the boxes in the option he/she/it chooses;
- the applicant chooses more than one of the options on the **BLUE** Application Form;
- the Trustee-Manager and the Company believe that by accepting the application, the Trustee-Manager and Company would violate the applicable securities or other laws, rules or regulations of the jurisdiction where the **BLUE** Application Form is received or where the applicant's address is located; or
- the Trustee-Manager, the Company and the Joint Global Coordinators, and their respective agents or nominees, exercise their discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

(c) If you are applying for a number of Reserved Share Stapled Units which is equal to your Assured Entitlement (**Option 1**):

- Your application will be rejected by the Trustee-Manager and the Company if the amount on your cheque/banker's cashier order does not match with the amount payable in Box B set out in the **BLUE** Application Form.

(d) If you are applying for a number of Reserved Share Stapled Units up to your Assured Entitlement and excess Reserved Share Staple Units (**Option 2**):

- Your application will be rejected if the amount on the cheque/banker's cashier order does not match and is less than the amount payable in relation to your Assured Entitlement applied for in your **BLUE** Application Form.
- Your application for your Assured Entitlement will be accepted in full but your application for excess Reserved Share Stapled Units will be rejected if the amount on the cheque/banker's cashier order does not match and is more than the amount payable in relation to your Assured Entitlement applied for but is less than the total amount payable in relation to both your Assured Entitlement applied for and the excess Reserved Share Stapled Units applied for in your **BLUE** Application Form.

- Your application will be accepted in full if the amount on the cheque/banker's cashier order does not match and is more than the total amount payable in relation to both your Assured Entitlement applied for and the excess Reserved Share Stapled Units applied for in your **BLUE** Application Form.

(e) If you are applying for excess Reserved Share Stapled Units only (**Option 3**):

- You should apply for Reserved Share Stapled Units in one of the numbers set out in the table in the **BLUE** Application Form. When the number of Reserved Share Staple Units applied for is one of the numbers set out in the table in the **BLUE** Application Form, your application will be rejected by the Trustee-Manager and the Company if the amount on your cheque/banker's cashier order does not match with the corresponding amount payable as set out in the table in the **BLUE** Application Form.

- When the number of Reserved Share Stapled Units applied for is **not** in one of the numbers set out in the table in the **BLUE** Application Form, your application will be rejected by the Trustee-Manager and the Company if the amount on your cheque/banker's cashier order does not match with the amount payable calculated by using the formula set out in the **BLUE** Application Form.

(f) If you are applying for a number of Reserved Share Stapled Units which is less than your Assured Entitlement (**Option 4**):

- You should apply for Reserved Share Stapled Units in one of the numbers set out in the table in the **BLUE** Application Form. When the number of Reserved Share Staple Units applied for is in one of the numbers set out in the table in the **BLUE** Application Form, your application will be rejected by the Trustee-Manager and the Company if the amount on your cheque/banker's cashier order does not match with the corresponding amount payable as set out in the table in the **BLUE** Application Form.

- When the number of Reserved Share Stapled Units applied for is **not** in one of the numbers set out in the table in the **BLUE** Application Form, your application will be rejected by the Trustee-Manager and the Company if the amount on your cheque/banker's cashier order does not match with the amount payable calculated by using the formula set out in the **BLUE** Application Form.

Instead of using the **BLUE** Application Form, you may apply for Reserved Share Staple Units through the **Blue Form eIPO** service at **www.eipo.com.hk**.

6. When May Applications Be Made

(a) ***Application through the Blue Form eIPO service***

You may submit your application via the **Blue Form eIPO** service through the designated website at **www.eipo.com.hk** from 9:00 a.m. on Thursday, 16 January 2014 until 11:30 a.m. on Tuesday, 21 January 2014 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 21 January 2014, the last day for applications, or such later time as described in *"— Effect of Bad Weather on the Opening and Closing of the Application Lists"* below.

If you do not complete payment of the application monies (including any related fees) in time, the White Form eIPO Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at **www.eipo.com.hk**.

(b) ***Applications on BLUE Application Form(s)***

Your completed **BLUE** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "HSBC Nominees (Hong Kong) Limited — HK Electric Preferential Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above or at Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong at the following times:

Thursday, 16 January 2014 — 9:00 a.m. to 4:30 p.m.
Friday, 17 January 2014 — 9:00 a.m. to 4:30 p.m.
Saturday, 18 January 2014 — 9:00 a.m. to 1:00 p.m.
Monday, 20 January 2014 — 9:00 a.m. to 4:30 p.m.
Tuesday, 21 January 2014 — 9:00 a.m. to 12:00 noon

Completed **BLUE** Application Forms, together with payment attached, must be lodged by 12:00 noon on Tuesday, 21 January 2014, the last day for applications, or such later time as described in *"— Effect of Bad Weather on the Opening and Closing of the Application Lists"* below.

(c) ***Application Lists***

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 21 January 2014, the last day for applications, or such later time as described in *"— Effect of Bad Weather on the Opening and Closing of the Application Lists"* below.

7. How Many Applications May Be Made

You should refer to "*— Applications for Hong Kong Offer Share Stapled Units — How Many Applications Can You Make"* above for the situations where you may make an application for Hong Kong Offer Share Stapled Units under the Hong Kong Public Offering in addition to application(s) for Reserved Share Stapled Units under the Preferential Offering.

8. Additional Terms and Conditions and Instructions

You should refer to the **BLUE** Application Form for details of the additional terms and conditions and instructions which apply to applications for Reserved Share Stapled Units.

C. HOW MUCH ARE THE HONG KONG OFFER SHARE STAPLED UNITS AND THE RESERVED SHARE STAPLED UNITS

The Maximum Offer Price is HK$6.30 per Offer Share Stapled Unit. You must also pay brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 500 Hong Kong Offer Share Stapled Units or Reserved Share Stapled Units, you will pay HK$3,181.75.

You must pay the Maximum Offer Price, together with brokerage, SFC transaction levy and Stock Exchange trading fee, in full upon application for Hong Kong Offer Share Stapled Units or Reserved Share Stapled Units under the terms and conditions set out in the Application Forms.

The Application Forms have tables showing the exact amount payable for the numbers of Offer Share Stapled Units that may be applied for.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 500 Hong Kong Offer Share Stapled Units. Each application or electronic application instruction in respect of more than 500 Hong Kong Offer Share Stapled Units must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**. For applicants on the **BLUE** Application Form or **Blue Form eIPO** service, if the number of Reserved Share Stapled Units applied for is not one of the numbers set out in the table, you must calculate the correct amount payable on application by using the formula set out in the **BLUE** Application Form or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see *"Structure of the Global Offering — Pricing and Allocation"*.

D. EFFECT OF BAD WEATHER ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open or close if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 21 January 2014. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 21 January 2014 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in *"Expected Timetable"*, an announcement will be made in such event.

E. PUBLICATION OF RESULTS

The Trustee-Manager and the Company expect to announce the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the Preferential Offering and the basis of allocations of the Hong Kong Offer Share Stapled Units and the Reserved Share Stapled Units on Tuesday, 28 January 2014 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Company at **www.hkei.hk** and the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering and the Preferential Offering will be available at the times and dates and in the manner set out below:

- in the announcement to be posted on the websites of the Company and the Stock Exchange at **www.hkei.hk** and **www.hkexnews.hk**, respectively, by no later than Tuesday, 28 January 2014;

- from the designated results of allocations website at **www.iporesults.com.hk** with a "search by ID function" on a 24 hour basis from 8:00 a.m. on Tuesday, 28 January 2014 to 12:00 midnight on Monday, 3 February 2014;

- from the allocation results telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Tuesday, 28 January to Friday, 31 January 2014; and

- in the special allocation results booklets which will be available for inspection during the opening hours of the individual receiving bank branches and sub-branches referred to above from Tuesday, 28 January 2014 to Thursday, 30 January 2014.

If the Trustee-Manager and the Company accept your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Share Stapled Units and/or the Reserved Share Stapled Units (as the case may be) if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in *"Structure of the Global Offering"*.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

F. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARE STAPLED UNITS AND/OR RESERVED SHARE STAPLED UNITS

You should note the following situations in which the Hong Kong Offer Share Stapled Units and/or Reserved Share Stapled Units will not be allocated to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, you agree that your application or the application

made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Trustee-Manager and the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

(b) If the Trustee-Manager, the Company or their agents exercise their discretion to reject your application:

The Trustee-Manager, the Company, the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allocation of Hong Kong Offer Share Stapled Units and/or Reserved Share Stapled Units is void:

The allocation of Hong Kong Offer Share Stapled Units and/or Reserved Share Stapled Units will be void if the Listing Committee does not grant permission to list the Share Stapled Units either:

- within three weeks from the closing date of the applications lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Trustee-Manager and the Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- you make multiple applications or are suspected of making multiple applications (other than an application (if any) made either through the **Blue Form eIPO** service via **www.eipo.com.hk** or on a **BLUE** Application Form in your capacity as a Qualifying PAH Shareholder);

- you or the person for whose benefit you apply for, have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Share Stapled Units and International Offer Share Stapled Units (except in respect for Reserved Share Stapled Units applied for pursuant to the Preferential Offering);

- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;

- your Application Form is not completed in accordance with the stated instructions;

- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at **www.eipo.com.hk**;

- you apply for more than 110,672,500 Hong Kong Offer Share Stapled Units, being 50% of the 221,345,000 Hong Kong Offer Share Stapled Units initially available under the Hong Kong Public Offering;

- the Trustee-Manager, the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

- the Underwriting Agreements do not become unconditional or are terminated.

G. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the Maximum Offer Price per Offer Share Stapled Unit (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable thereon) paid on application, or if the conditions of the Global Offering as set out in *"Structure of the Global Offering — Conditions of the Global Offering"* are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, 28 January 2014.

H. DESPATCH/COLLECTION OF SHARE STAPLED UNIT CERTIFICATES/e-REFUND PAYMENT INSTRUCTIONS/REFUND CHEQUES

You will receive one Share Stapled Unit certificate for all Hong Kong Offer Share Stapled Units and/or Reserved Share Stapled Units allocated to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share Stapled Unit certificates will be deposited into CCASS as described below) and one Share Stapled Unit certificate for all Reserved Share Stapled Units allocated to you under the Preferential Offering.

No temporary document of title will be issued in respect of the Offer Share Stapled Units. No receipt will be issued for sums paid on application.

If you apply by **WHITE**, **YELLOW** or **BLUE** Application Form(s), subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

(a) Share Stapled Unit certificate(s) for all the Hong Kong Offer Share Stapled Units and/or Reserved Share Stapled Units allocated to you (for applicants on **YELLOW** Application Forms, Share Stapled Unit certificate(s) for the Hong Kong Offer Share Stapled Units allocated to you will be deposited into CCASS as described below); and

(b) refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Share Stapled Units and/or Reserved Share Stapled Units, wholly or partially unsuccessfully applied for and/or (ii) the difference between the Offer Price and the Maximum Offer Price paid on application in the event that the Offer Price is less than the Maximum Offer Price paid on application (including brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% but without interest).

Part of the Hong Kong identity card number/passport number provided by you or the first-named applicant (if you are joint applicants) may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque.

Subject to arrangement on despatch/collection of Share Stapled Unit certificates and refund cheques as mentioned below, any refund cheques and Share Stapled Unit certificate(s) are expected to be posted on or before Tuesday, 28 January 2014. The right is reserved to retain any Share Stapled Unit certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

Share Stapled Unit certificates will only become valid at 8:00 a.m. on Wednesday, 29 January 2014, provided that the Global Offering has become unconditional in all respects at or before that time. Investors who trade Share Stapled Units on the basis of publicly available allocation details or prior to the receipt of the Share Stapled Unit certificates or prior to the Share Stapled Unit certificates becoming valid do so entirely at their own risk.

Personal Collection

(a) ***If you apply using a WHITE or BLUE Application Form:***

- If you apply for 1,000,000 Hong Kong Offer Share Stapled Units or more on a **WHITE** Application Form or 1,000,000 Reserved Share Stapled Units or more on a **BLUE** Application Form and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share Stapled Unit certificate(s) (where applicable) from the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 28 January 2014, or any other place or date notified by the Trustee-Manager and the Company in the newspapers.

- If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant who is eligible for personal collection, your authorised representative must provide a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Share Stapled Units Registrar.

- If you do not personally collect your refund cheque(s) and/or Share Stapled Unit certificate(s) (where applicable) within the time specified for collection, they will be despatched promptly to you to the address specified in your Application Form by ordinary post and at your own risk.

- If you apply for less than 1,000,000 Hong Kong Offer Share Stapled Units or less than 1,000,000 Reserved Share Stapled Units, your refund cheque(s) and/or Share Stapled Unit certificate(s) (where applicable) will be sent to the address specified in your Application Form on Tuesday, 28 January 2014 by ordinary post and at your own risk.

(b) ***If you apply using a YELLOW Application Form:***

- If you apply for 1,000,000 Hong Kong Offer Share Stapled Units or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Share Stapled Units, your refund cheque(s) will be sent to the address on the specified in the Application Form on Tuesday, 28 January 2014 by ordinary post and at your own risk.

- If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share Stapled Unit certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or your designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 28 January 2014 or, in the event of a contingency, on any other date determined by HKSCC or HKSCC Nominees.

- If you apply through a designated CCASS Participant (other than a CCASS Investor Participant), for Hong Kong Offer Share Stapled Units credited to your designated CCASS Participant's stock account (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Share Stapled Units allocated to you with that CCASS Participant.

- If you apply as a CCASS Investor Participant, the Trustee-Manager and the Company expect to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering and the Preferential Offering on Tuesday, 28 January 2014 in the manner as described in *"— Publication of Results"* above. You should check the announcement published by the Trustee-Manager and the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 28 January 2014 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Share Stapled Units to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System. HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Share Stapled Units credited to your CCASS Investor Participant stock account.

(c) ***If you apply through White Form eIPO service or Blue Form eIPO service:***

- If you apply for (i) 1,000,000 Hong Kong Offer Share Stapled Units or more through the **White Form eIPO** service or (ii) 1,000,000 Reserved Share Stapled Units or more through the **Blue Form eIPO** service, and your application is wholly or partially successful, you may collect your Share Stapled Unit certificate(s) (where applicable) in person from the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 28 January 2014, or any other place or date notified by the Trustee-Manager and the Company in the newspapers.

- If you do not personally collect your Share Stapled Unit certificate(s) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.

- If you apply for (i) less than 1,000,000 Hong Kong Offer Share Stapled Units through the **White Form eIPO** service or (ii) less than 1,000,000 Reserved Share Stapled Units through the **Blue Form eIPO** service, your Share Stapled Unit certificate(s) (where applicable) will be sent to the address specified in your application instructions on Tuesday, 28 January 2014 by ordinary post and at your own risk.

- If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address specified in your application instructions in the form of refund cheque(s) by ordinary post and at your own risk.

(d) ***If you apply by giving electronic application instructions to HKSCC via CCASS:***

Allocation of Hong Kong Offer Share Stapled Units

- For the purposes of allocating Hong Kong Offer Share Stapled Units, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Stapled Unit Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share Stapled Unit certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 28 January 2014 or on any other date determined by HKSCC or HKSCC Nominees.

- The Trustee-Manager and the Company expect to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Trustee-Manager and the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card /passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations

of the Hong Kong Offer Share Stapled Units and the Reserved Share Stapled Units in the manner as described in *"— Publication of Results"* above on Tuesday, 28 January 2014. You should check the announcement published by the Trustee-Manager and the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 28 January 2014 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Share Stapled Units allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Share Stapled Units allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System on Tuesday, 28 January 2014. Immediately following the credit of the Hong Kong Offer Share Stapled Units to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Share Stapled Units credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the Maximum Offer Price per Offer Share Stapled Unit initially paid on application (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 28 January 2014.

I. ADMISSION OF THE SHARE STAPLED UNITS INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Share Stapled Units and the Trustee-Manager and the Company comply with the stock admission requirements of HKSCC, the Share Stapled Units will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Share Stapled Units on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made to enable the Share Stapled Units to be admitted into CCASS.

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.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

16 January 2014

The Directors
HK Electric Investments Manager Limited
(in its capacity as Trustee-Manager of HK Electric Investments)
HK Electric Investments Limited
44 Kennedy Road
Hong Kong

Goldman Sachs (Asia) L.L.C.
68th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

HSBC Corporate Finance (Hong Kong) Limited
1 Queen's Road Central
Hong Kong

Dear Sirs,

Introduction

We set out below our report on the financial information relating to The Hongkong Electric Company, Limited ("HEC") and its subsidiary (hereinafter collectively referred to as the "Operating Group"), which will be acquired by HK Electric Investments Limited (the "Company") through its indirect wholly owned subsidiary upon completion of the proposed reorganisation mentioned below, comprising the consolidated balance sheets of the Operating Group and the balance sheets of HEC as at 31 December 2010, 2011 and 2012 and 30 September 2013 and the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Operating Group, for each of the years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2013 (the "Relevant Periods"), together with the explanatory notes thereto (the "Financial Information"), for inclusion in the prospectus of HK Electric Investments (the "Trust") and the Company dated 16 January 2014 (the "Prospectus") in connection with the proposed listing of share stapled units to be issued by the Trust and the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing").

The Trust was constituted pursuant to a trust deed dated 1 January 2014 entered into between HK Electric Investments Manager Limited (the "Trustee-Manager") and the Company under the laws of Hong Kong and has been established as a fixed single investment trust, with its activities being limited to investment in securities and other interests in the Company. The Company was incorporated in the Cayman Islands on 23 September 2013 as an exempted company with limited liability under the Companies Law 2011 (as consolidated and revised) of the Cayman Islands. All assets of the Trust will be held by the Trustee-Manager on trust on behalf of holders of the share stapled units.

Pursuant to the reorganisation of the Company and its subsidiaries in anticipation for the listing of share stapled units to be issued by the Trust and the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Reorganisation"), the Operating Group will be acquired by the Company through its indirect wholly owned subsidiary in consideration for cash and share stapled units to be issued by the Trust and the Company (the "Acquisition"). The details of the Reorganisation are set out in the section headed "History and Reorganisation — The Reorganisation" in the Prospectus.

Neither the Trust nor the Company has carried on any business since the dates of their respective establishment/incorporation and neither are expected to carry on any business up to the date of completion of the Acquisition which is the same date as the date of the Listing. The Company does not have any material assets or liabilities and will have incurred an insignificant amount of expenses in connection with the Acquisition and the Listing up to the date of the Listing.

Both companies which comprise the Operating Group have adopted 31 December as their financial year end date.

Both companies which comprise the Operating Group were subject to audit during the Relevant Periods and the name of the respective auditors are set out in note 1(b) of Section B below. The financial statements of these companies were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The directors of HEC have prepared the consolidated financial statements of the Operating Group for the Relevant Periods (the "Underlying Financial Statements") in accordance with HKFRSs issued by the HKICPA. The Underlying Financial Statements for each of the years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2013 were audited by us under separate terms of engagement with HEC in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA.

The Financial Information has been prepared by the directors of the Trustee-Manager and the Company for inclusion in the Prospectus in connection with the listing of share stapled units of the Trust and the Company on the Main Board of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) ("Hong Kong Companies Ordinance") and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' responsibility for the Financial Information

The directors of the Trustee-Manager and the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Trustee-Manager and the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of HEC, its subsidiary or the Operating Group in respect of any period subsequent to 30 September 2013.

Opinion

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Operating Group and HEC as at 31 December 2010, 2011 and 2012 and 30 September 2013 and the Operating Group's consolidated results and cash flows for the Relevant Periods then ended.

Corresponding Financial Information

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Operating Group comprising the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended 30 September 2012, together with the notes thereon (the "Corresponding Financial Information"), for which the directors of the Trustee-Manager and the Company are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Trustee-Manager and the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A CONSOLIDATED FINANCIAL INFORMATION OF THE OPERATING GROUP

1 Consolidated statements of profit or loss

	Section B Note	Years ended 31 December			Nine months ended 30 September	
		2010	2011	2012	2012	2013
		HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Turnover	2	10,362,998	10,184,790	10,399,601	8,061,453	7,885,468
Standard fuel costs	4	(1,776,023)	(1,783,440)	(1,805,606)	(1,404,354)	(1,360,834)
Direct costs		(2,159,189)	(2,239,354)	(2,347,183)	(1,729,129)	(1,822,188)
		6,427,786	6,161,996	6,246,812	4,927,970	4,702,446
Other revenue and other net income	5	34,199	50,384	32,122	26,039	22,403
Other operating costs		(734,394)	(639,861)	(651,987)	(458,656)	(520,823)
Finance costs	8(a)	(112,857)	(249,160)	(264,910)	(190,559)	(214,626)
Profit before taxation	8	5,614,734	5,323,359	5,362,037	4,304,794	3,989,400
Income tax	9	(936,073)	(888,855)	(890,918)	(715,214)	(660,735)
Profit after taxation		4,678,661	4,434,504	4,471,119	3,589,580	3,328,665
Scheme of Control transfers (to)/from:	10					
- Tariff Stabilisation Fund		(58,200)	46,053	71,969	(152,309)	235,001
- Rate Reduction Reserve		(932)	(1,022)	(1,410)	(1,130)	(354)
Profit attributable to the equity shareholders of HEC	11	4,619,529	4,479,535	4,541,678	3,436,141	3,563,312
Earnings per share						
Basic and diluted	12	HK$3.83	HK$3.71	HK$3.77	HK$2.85	HK$2.96

The accompanying notes form part of the Financial Information. Details of dividends payable to the equity shareholders of HEC attributable to the profit for each of the Relevant Periods are set out in section B note 13(a).

2 Consolidated statements of comprehensive income

	Years ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Profit attributable to the equity shareholders of HEC	4,619,529	4,479,535	4,541,678	3,436,141	3,563,312
Other comprehensive income for the year/period, net of tax					
Items that may be reclassified subsequently to profit or loss					
Cash flow hedges:					
Effective portion of changes in fair value of hedging instruments recognised during the year/period	18,885	9,106	17,961	55,566	6,503
Reclassification adjustments for amounts transferred to profit or loss	195	(824)	(1,811)	462	—
Amounts transferred to initial carrying amount of hedged items	(2,882)	(22,457)	(7,734)	(5,103)	6,352
Net deferred tax (charged)/ credited to other comprehensive income	(2,673)	2,339	(1,389)	(8,403)	(2,121)
	13,525	(11,836)	7,027	42,522	10,734
Items that will not be reclassified subsequently to profit or loss					
Defined benefit retirement schemes:					
Remeasurement of net defined benefit obligations	380,764	(856,219)	(124,532)	(362,203)	693,874
Deferred tax credited/(charged) to other comprehensive income	—	141,276	130,778	169,993	(114,489)
	380,764	(714,943)	6,246	(192,210)	579,385
	394,289	(726,779)	13,273	(149,688)	590,119
Total comprehensive income for the year/period attributable to the equity shareholders of HEC	5,013,818	3,752,756	4,554,951	3,286,453	4,153,431

The accompanying notes form part of the Financial Information.

3 Consolidated balance sheets

	Section B Note	At 31 December 2010	At 31 December 2011	At 31 December 2012	At 30 September 2013
		HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets					
Fixed assets					
- Property, plant and equipment		43,585,103	43,776,231	44,455,207	43,899,825
- Assets under construction		2,238,323	2,976,141	2,852,140	3,022,555
- Interests in leasehold land held for own use under finance leases		2,152,815	2,095,629	2,038,248	2,019,999
	14	47,976,241	48,848,001	49,345,595	48,942,379
Employee retirement benefit scheme assets	26	796,397	271,233	215,721	470,461
Derivative financial instruments	24	20,646	432,537	645,669	299,628
		48,793,284	49,551,771	50,206,985	49,712,468
Current assets					
Inventories	16	746,939	1,115,081	1,114,511	990,318
Trade and other receivables	17	1,118,012	1,078,066	1,182,909	1,668,968
Amounts due from fellow subsidiaries	20(c)	1,725	5,586	5,463	5,491
Fuel Clause Recovery Account	18	569,485	1,035,209	819,781	—
Cash and bank balances		8,728	23,840	7,649	7,825
		2,444,889	3,257,782	3,130,313	2,672,602
Current liabilities					
Medium term notes	19	—	(501,847)	—	—
Amount due to a fellow subsidiary	20(c)	(10,225)	(10,225)	—	—
Current portion of bank loans	21	(50,000)	(115,000)	(5,310,488)	(792,000)
Bank overdrafts - unsecured		(1,685)	—	(5,931)	(6,022)
Trade and other payables	22	(1,569,364)	(2,559,892)	(2,310,404)	(1,931,246)
Fuel Clause Recovery Account	18	—	—	—	(1,893)
Current taxation	23(a)	(156,665)	(218,234)	(330,005)	(912,495)
		(1,787,939)	(3,405,198)	(7,956,828)	(3,643,656)
Net current assets/(liabilities)		656,950	(147,416)	(4,826,515)	(971,054)
Total assets less current liabilities		49,450,234	49,404,355	45,380,470	48,741,414

	Section B Note	At 31 December 2010	At 31 December 2011	At 31 December 2012	At 30 September 2013
		HK$'000	HK$'000	HK$'000	HK$'000
Non-current liabilities					
Loan from ultimate holding company	20(a)	(13,190,218)	(11,533,462)	(10,723,660)	(13,265,879)
Medium term notes	19	(7,542,595)	(10,161,423)	(11,169,265)	(11,518,566)
Bank loans	21	(4,993,988)	(4,996,238)	—	(1,500,000)
Derivative financial instruments	24	(131,778)	(10,019)	(302)	—
Customers' deposits		(1,747,607)	(1,801,353)	(1,838,963)	(1,880,851)
Deferred tax liabilities	23(b)	(5,762,500)	(5,882,629)	(5,911,283)	(5,943,701)
Employee retirement benefit scheme liabilities	26	(587,207)	(826,809)	(821,085)	(413,335)
		(33,955,893)	(35,211,933)	(30,464,558)	(34,522,332)
Tariff Stabilisation Fund	10(a)	(542,751)	(496,698)	(424,729)	(189,728)
Rate Reduction Reserve	10(b)	(4,172)	(1,222)	(2,632)	(2,986)
NET ASSETS		14,947,418	13,694,502	14,488,551	14,026,368
CAPITAL AND RESERVES					
Share capital	28(b)	2,411,600	2,411,600	2,411,600	2,411,600
Reserves		3,690,818	2,437,902	3,231,951	2,769,768
		6,102,418	4,849,502	5,643,551	5,181,368
Loan capital	28(c)	8,845,000	8,845,000	8,845,000	8,845,000
TOTAL EQUITY		14,947,418	13,694,502	14,488,551	14,026,368

The accompanying notes form part of the Financial Information.

4 Balance sheets of HEC

	Section B Note	At 31 December 2010	At 31 December 2011	At 31 December 2012	At 30 September 2013
		HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets					
Fixed assets					
- Property, plant and equipment		43,585,103	43,776,231	44,455,207	43,899,825
- Assets under construction		2,238,323	2,976,141	2,852,140	3,022,555
- Interests in leasehold land held for own use under finance leases		2,152,815	2,095,629	2,038,248	2,019,999
	14	47,976,241	48,848,001	49,345,595	48,942,379
Investment in a subsidiary	15	—	—	—	—
Employee retirement benefit scheme assets	26	796,397	271,233	215,721	470,461
Derivative financial instruments	24	20,646	432,537	645,669	299,628
		48,793,284	49,551,771	50,206,985	49,712,468
Current assets					
Inventories	16	746,939	1,115,081	1,114,511	990,318
Trade and other receivables	17	1,118,012	1,078,066	1,182,909	1,668,968
Amounts due from fellow subsidiaries	20(c)	1,725	5,586	5,463	5,491
Fuel Clause Recovery Account	18	569,485	1,035,209	819,781	—
Cash and bank balances		8,728	23,840	7,649	7,825
		2,444,889	3,257,782	3,130,313	2,672,602
Current liabilities					
Loan from a subsidiary	20(b)	—	(501,847)	—	—
Amount due to a subsidiary	20(c)	(33,010)	(40,901)	(40,495)	(100,935)
Amount due to a fellow subsidiary	20(c)	(10,225)	(10,225)	—	—
Current portion of bank loans	21	(50,000)	(115,000)	(5,310,488)	(792,000)
Bank overdrafts - unsecured		(1,685)	—	(5,931)	(6,022)
Trade and other payables	22	(1,536,354)	(2,518,991)	(2,269,909)	(1,830,311)
Fuel Clause Recovery Account	18	—	—	—	(1,893)
Current taxation	23(a)	(156,665)	(218,234)	(330,005)	(912,495)
		(1,787,939)	(3,405,198)	(7,956,828)	(3,643,656)
Net current assets/(liabilities)		656,950	(147,416)	(4,826,515)	(971,054)
Total assets less current liabilities		49,450,234	49,404,355	45,380,470	48,741,414

	Section B Note	At 31 December 2010	At 31 December 2011	At 31 December 2012	At 30 September 2013
		HK$'000	HK$'000	HK$'000	HK$'000
Non-current liabilities					
Loan from ultimate holding company	20(a)	(13,190,218)	(11,533,462)	(10,723,660)	(13,265,879)
Loan from a subsidiary	20(b)	(7,542,595)	(10,161,423)	(11,169,265)	(11,518,566)
Bank loans	21	(4,993,988)	(4,996,238)	—	(1,500,000)
Derivative financial instruments	24	(131,778)	(10,019)	(302)	—
Customers' deposits		(1,747,607)	(1,801,353)	(1,838,963)	(1,880,851)
Deferred tax liabilities	23(b)	(5,762,500)	(5,882,629)	(5,911,283)	(5,943,701)
Employee retirement benefit scheme liabilities	26	(587,207)	(826,809)	(821,085)	(413,335)
		(33,955,893)	(35,211,933)	(30,464,558)	(34,522,332)
Tariff Stabilisation Fund	10(a)	(542,751)	(496,698)	(424,729)	(189,728)
Rate Reduction Reserve	10(b)	(4,172)	(1,222)	(2,632)	(2,986)
NET ASSETS		14,947,418	13,694,502	14,488,551	14,026,368
CAPITAL AND RESERVES					
Share capital	28(b)	2,411,600	2,411,600	2,411,600	2,411,600
Reserves		3,690,818	2,437,902	3,231,951	2,769,768
		6,102,418	4,849,502	5,643,551	5,181,368
Loan capital	28(c)	8,845,000	8,845,000	8,845,000	8,845,000
TOTAL EQUITY		14,947,418	13,694,502	14,488,551	14,026,368

The accompanying notes form part of the Financial Information.

5 Consolidated statements of changes in equity

	Attributable to the equity shareholders of HEC					
	Share capital	Hedging reserve	Revenue reserve	Proposed/ declared dividend	Loan capital	Total
	(note 28(b))	(note 28(d))		(note 13)	(note 28(c))	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2010	2,411,600	(5,379)	5,379	4,196,091	8,845,000	15,452,691
Changes in equity for 2010:						
Profit attributable to the equity shareholders	—	—	4,619,529	—	—	4,619,529
Other comprehensive income	—	13,525	380,764	—	—	394,289
Total comprehensive income for the year	—	13,525	5,000,293	—	—	5,013,818
Final dividend in respect of the previous year approved and paid (see note 13(b))	—	—	—	(4,196,091)	—	(4,196,091)
Interim dividend paid (see note 13(a))	—	—	(1,323,000)	—	—	(1,323,000)
Proposed final dividend (see note 13(a))	—	—	(3,682,672)	3,682,672	—	—
Balance at 31 December 2010 and 1 January 2011	2,411,600	8,146	—	3,682,672	8,845,000	14,947,418
Changes in equity for 2011:						
Profit attributable to the equity shareholders	—	—	4,479,535	—	—	4,479,535
Other comprehensive income	—	(11,836)	(714,943)	—	—	(726,779)
Total comprehensive income for the year	—	(11,836)	3,764,592	—	—	3,752,756
Final dividend in respect of the previous year approved and paid (see note 13(b))	—	—	—	(3,682,672)	—	(3,682,672)
Interim dividend paid (see note 13(a))	—	—	(1,323,000)	—	—	(1,323,000)
Proposed final dividend (see note 13(a))	—	—	(2,437,902)	2,437,902	—	—
Balance at 31 December 2011 and 1 January 2012	2,411,600	(3,690)	3,690	2,437,902	8,845,000	13,694,502
Changes in equity for 2012:						
Profit attributable to the equity shareholders	—	—	4,541,678	—	—	4,541,678
Other comprehensive income	—	7,027	6,246	—	—	13,273
Total comprehensive income for the year	—	7,027	4,547,924	—	—	4,554,951
Final dividend in respect of the previous year approved and paid (see note 13(b))	—	—	—	(2,437,902)	—	(2,437,902)
Interim dividend paid (see note 13(a))	—	—	(1,323,000)	—	—	(1,323,000)
Proposed final dividend (see note 13(a))	—	—	(3,228,614)	3,228,614	—	—
Balance at 31 December 2012	2,411,600	3,337	—	3,228,614	8,845,000	14,488,551

	Attributable to the equity shareholders of HEC					
	Share capital	Hedging reserve	Revenue reserve	Proposed/ declared dividend	Loan capital	Total
	(note 28(b))	(note 28(d))		(note 13)	(note 28(c))	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2013	2,411,600	3,337	—	3,228,614	8,845,000	14,488,551
Changes in equity for the nine months ended 30 September 2013:						
Profit attributable to the equity shareholders	—	—	3,563,312	—	—	3,563,312
Other comprehensive income	—	10,734	579,385	—	—	590,119
Total comprehensive income for the period	—	10,734	4,142,697	—	—	4,153,431
Final dividend in respect of the previous year approved and paid (see note 13(b))	—	—	—	(3,228,614)	—	(3,228,614)
Interim dividend paid (see note 13(a))	—	—	(1,387,000)	—	—	(1,387,000)
Balance at 30 September 2013	2,411,600	14,071	2,755,697	—	8,845,000	14,026,368
Unaudited						
Balance at 1 January 2012	2,411,600	(3,690)	3,690	2,437,902	8,845,000	13,694,502
Changes in equity for the nine months ended 30 September 2012:						
Profit attributable to the equity shareholders	—	—	3,436,141	—	—	3,436,141
Other comprehensive income	—	42,522	(192,210)	—	—	(149,688)
Total comprehensive income for the period	—	42,522	3,243,931	—	—	3,286,453
Final dividend in respect of the previous year approved and paid (see note 13(b))	—	—	—	(2,437,902)	—	(2,437,902)
Interim dividend paid (see note 13(a))	—	—	(1,323,000)	—	—	(1,323,000)
Balance at 30 September 2012	2,411,600	38,832	1,924,621	—	8,845,000	13,220,053

The accompanying notes form part of the Financial Information.

6 Consolidated cash flow statements

	Section B Note	Years ended 31 December			Nine months ended 30 September	
		2010	2011	2012	2012	2013
		HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Operating activities						
Cash generated from operations	27	7,661,423	7,319,726	7,603,253	5,803,441	6,327,129
Interest received		268	85	274	265	18
Interest paid		(156,789)	(314,498)	(292,748)	(221,893)	(230,117)
Hong Kong Profits Tax paid		(877,647)	(563,542)	(621,104)	(171,983)	(162,437)
Rate Reduction Reserve rebated		(10,924)	(3,972)	—	—	—
Net cash generated from operating activities		6,616,331	6,437,799	6,689,675	5,409,830	5,934,593
Investing activities						
Purchase of fixed assets and capital stock		(2,235,951)	(2,477,610)	(2,604,969)	(2,075,308)	(1,537,908)
Capitalised interest paid		(51,668)	(55,017)	(72,608)	(58,338)	(47,110)
Proceeds from disposal of fixed assets		3,979	937	1,866	1,155	2,019
Net cash used in investing activities		(2,283,640)	(2,531,690)	(2,675,711)	(2,132,491)	(1,582,999)
Financing activities						
(Decrease)/increase in loan from ultimate holding company		(3,671,908)	(1,656,756)	(809,802)	(265,728)	2,542,219
Proceeds from issuance of medium term notes		4,659,151	2,654,325	800,000	800,000	700,000
Redemption of medium term notes		—	—	(500,000)	(500,000)	—
Proceeds from new bank loans		50,000	65,000	197,000	425,000	1,980,000
Repayment of bank loans		—	—	—	—	(5,000,000)
New customers' deposits		304,557	276,651	278,302	206,753	200,949
Repayment of customers' deposits		(233,459)	(222,905)	(240,692)	(179,682)	(159,061)
Dividends paid		(5,519,091)	(5,005,672)	(3,760,902)	(3,760,902)	(4,615,614)
Net cash used in financing activities		(4,410,750)	(3,889,357)	(4,036,094)	(3,274,559)	(4,351,507)

	Section B Note	Years ended 31 December			Nine months ended 30 September	
		2010	2011	2012	2012	2013
		HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
(Decrease)/increase in cash and cash equivalents		(78,059)	16,752	(22,130)	2,780	87
Cash and cash equivalents at 1 January		91,859	7,043	23,840	23,840	1,718
Effect of foreign exchange rate changes		(6,757)	45	8	(10)	(2)
Cash and cash equivalents at 31 December/ 30 September		7,043	23,840	1,718	26,610	1,803
Analysis of the balances of cash and cash equivalents						
Cash and bank balances		8,728	23,840	7,649	26,610	7,825
Bank overdrafts - unsecured		(1,685)	—	(5,931)	—	(6,022)
		7,043	23,840	1,718	26,610	1,803

The accompanying notes form part of the Financial Information.

B NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1 Significant accounting policies

(a) ***General and Basis of preparation***

Pursuant to the reorganisation of HK Electric Investments Limited (the "Company") and its subsidiaries (including the Acquisition (as defined below)) in anticipation for the listing of share stapled units of HK Electric Investments (the "Trust") and the Company (together, the "Trust Group") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Reorganisation"), The Hongkong Electric Company, Limited ("HEC") and its subsidiary, Hongkong Electric Finance Limited ("HEFL") (collectively referred to as the "Operating Group"), which are wholly owned subsidiaries of Power Assets Holdings Limited ("PAH") will be acquired by the Company via its indirect wholly owned subsidiary, Treasure Business Limited in consideration for cash and share stapled units to be issued by the Trust and the Company (the "Acquisition"). PAH is a company incorporated in Hong Kong with its shares listed on the Stock Exchange and traded in the form of American Depositary Receipts on the OTC Markets Group Inc. in the United States.

Neither the Trust nor the Company has carried on any business since the dates of their respective establishment/incorporation and neither are expected to carry on any business up to the date of completion of the Acquisition which is the same date as the date of the Listing. The Company does not have any material assets or liabilities 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 Financial Information set out in this report has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which is a collective term that includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and related interpretations, promulgated by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the Operating Group has adopted all applicable new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning 1 January 2013. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning 1 January 2013 are set out in note 35.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the nine months ended 30 September 2012 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(b) ***Basis of presentation***

The Financial Information comprises HEC and its subsidiary.

At the date of this report and during the Relevant Periods, the particulars of the companies comprising the Operating Group, both of which are companies incorporated with limited liability, are as follows:

Name of company	Place of incorporation	Date of incorporation	Issued share capital	Interest held by PAH during the Relevant Periods and at the date of this report	Principal activity
HEC	Hong Kong	24 January 1889	HK$2,411,600,000	100% (direct)	Generation and supply of electricity to Hong Kong Island and Lamma Island
HEFL.	The British Virgin Islands	12 April 2000	US$1	100% (indirect)	Financing

The statutory financial statements of HEC for each of the years ended 31 December 2010, 2011 and 2012 were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and were audited by KPMG in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") under separate engagements.

There are no statutory requirements to prepare financial statements for companies incorporated in the British Virgin Islands. The non-statutory financial statements of HEFL for each of the years ended 31 December 2010, 2011 and 2012 were prepared in accordance with HKFRSs and were audited by KPMG in accordance with HKSA issued by the HKICPA under separate engagements.

(c) ***Basis of measurement***

The Financial Information is presented in Hong Kong dollars ("HK$") rounded to the nearest thousand, except as otherwise stated herein. It is prepared on the historical cost basis except as set out in the accounting policies hereunder.

(d) ***Going concern***

The Financial Information has been prepared assuming the Operating Group will continue as a going concern notwithstanding the net current liabilities of the Operating Group at 30 September 2013.

At 30 September 2013, the Operating Group and HEC recorded net current liabilities of HK$971,054,000 which included the current portion of bank loans of HK$792,000,000. The Operating Group and HEC had undrawn committed bank facilities of HK$3,770,000,000 at 30 September 2013, of which, HK$2,770,000,000 was available for a period longer than one year which together with strong cash flows, will enable the Operating Group and HEC to return to a net current assets position in near future. In light of the foregoing, the Financial Information has been prepared on a going concern basis.

(e) ***Use of estimates and judgements***

The preparation of Financial Information 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.

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 34.

(f) ***Subsidiaries***

Subsidiaries are entities controlled by the Operating Group. The Operating Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Operating Group has power, only substantive rights (held by the Operating Group and other parties) are considered.

The financial information of the subsidiaries is included in the Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Operating Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Operating Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In HEC's balance sheet, the investment in a subsidiary is stated at cost less impairment losses (see note 1(i)).

(g) ***Fixed assets, depreciation and amortisation***

(i) Fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 1(g)(vii)), amortisation (see note 1(g)(vi)) and impairment losses (see note 1(i)).

(ii) The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located and an appropriate proportion of production overheads and borrowing costs (see note 1(v)).

(iii) Where parts of a fixed asset have different useful lives, the cost of the fixed asset is allocated on a reasonable basis between the parts and each part is depreciated separately. Subsequent expenditure to replace a component of a fixed asset that is accounted for separately, or to improve its operational performance is included in the asset's carrying amount or recognised as a separate asset as appropriate when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Operating Group and the cost of the item can be measured reliably. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss on the date of retirement or disposal.

(v) Interests in leasehold land held for own use under finance leases are stated in the balance sheet at cost less accumulated amortisation (see note 1(g)(vi)) and impairment losses (see note 1(i)).

(vi) The cost of acquiring land held under finance leases is amortised on a straight-line basis over the period of the unexpired lease terms.

(vii) Depreciation is calculated to write off the cost of fixed assets less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

—	Cable tunnels	100 years
—	Buildings	60 years
—	Ash lagoon and gas pipeline	60 years
—	Transmission and distribution equipment, overhead lines and cables	60 years
—	Generating plant and machinery	35 years
—	Gas turbines and gas turbine combined cycle	30 years
—	Mechanical meters	30 years
—	Photovoltaic systems	25 years
—	Wind turbines	20 years
—	Electronic meters, microwave and optical fibre equipment and trunk radio systems	15 years
—	Furniture and fixtures, sundry plant and equipment	10 years
—	Computers	5 to 10 years
—	Motor vehicles and marine craft	5 to 6 years
—	Workshop tools and office equipment	5 years

Immovable assets are amortised on a straight-line basis over the unexpired lease terms of the land on which the immovable assets are situated if the unexpired lease terms of the land are shorter than the estimated useful lives of the immovable assets.

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) ***Leased assets and operating lease charges***

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Operating Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Where the Operating Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

(i) ***Impairment of assets***

(i) Impairment of investment in a subsidiary, trade and other receivables and other financial assets

Investment in a subsidiary, trade and other receivables and other financial assets that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Operating Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investment in a subsidiary recognised at cost, the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 1(i)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(i)(ii).

— For trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of the asset), where the effect of discounting is material. For financial assets carried at cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that fixed assets including assets under construction may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount.

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(j) ***Short term employee benefits***

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(k) ***Retirement scheme obligations***

(i) The Operating Group's net obligation in respect of defined benefit retirement schemes is calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any scheme assets is deducted. The discount rate is the yield at the balance sheet date on Hong Kong Special Administrative Region Government Exchange Fund Notes that have maturity dates approximating the terms of the Operating Group's obligations. The calculation is performed by a qualified actuary using the "Projected Unit Credit Method".

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in revenue reserve and will not be reclassified to profit or loss.

The Operating Group determines the net interest expense or income for the period on the net defined benefit liability or asset by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability or asset at the beginning of the annual period, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Where the calculation of the Operating Group's net obligation results in a negative amount, the asset recognised is limited to the total of any cumulative unrecognised past service costs and the present value of any future refunds from the schemes or reductions in future contributions to the schemes.

(ii) Obligations for contributions to defined contribution retirement schemes, including contributions payable under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in profit or loss as incurred.

(l) ***Inventories***

Coal, stores, fuel oil and natural gas are valued at cost measured on a weighted average basis.

Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost of inventories recognised as an expense includes the write-off and all losses of inventories.

(m) ***Trade and other receivables***

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(n) ***Interest-bearing borrowings***

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, with the exception of fixed interest borrowings that are designated as hedged items in fair value hedges (see note 1(q)(i)), interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

For fixed interest borrowings that are designated as hedged items in fair value hedges, fair value changes that are attributable to the hedged risk are recognised in profit or loss (see note 1(q)(i)).

(o) ***Trade and other payables***

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(w)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) ***Derivative financial instruments***

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 1(q)).

(q) ***Hedging***

(i) *Fair value hedges*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss, along with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

(ii) *Cash flow hedges*

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity and included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the Operating Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

(r) ***Revenue recognition***

(i) *Regulation of earnings under the Scheme of Control Agreement*

The earnings of HEC are regulated by the Hong Kong SAR Government ("the Government") under a Scheme of Control Agreement ("SoCA") which provides for a permitted level of earnings based principally on a return on HEC's capital investment in electricity generation, transmission and distribution assets (the "Permitted Return"). The SoCA also provides for performance-based incentives and penalties which encourage emission reduction, customer service quality, energy efficiency and the use of renewable energy. The Net Return of HEC under the SoCA is determined by deducting from the Permitted Return interest and excess capacity adjustments, if any, and adjusting for the abovementioned incentives and penalties. HEC is required to submit detailed Development Plans for approval by the Executive Council of the Government which project the key determinants of the Net Return to which HEC will be entitled over the Development Plan period.

The Government has approved the Development Plan covering the period from 2009 to 2013. No further Government approval is required during this period unless a need for significant Basic Tariff increases, over and above those set out in the Development Plan, is identified during the Annual Tariff Review conducted with the Government under the terms of the SoCA.

(ii) *Fuel Clause Recovery Account*

Under the SoCA, any difference between the standard cost of fuel, as agreed with the Government, and the actual cost of fuel consumed is transferred to the Fuel Clause Recovery Account ("Fuel Cost Account Adjustments").

Fuel Clause Charges (or Rebates) are charged (or given) to customers by adding to (or deducting from) the Basic Tariff to produce a Net Tariff payable by customers and are credited (or debited) to the Fuel Clause Recovery Account.

The balance on the Fuel Clause Recovery Account at the end of a financial year represents the difference between Fuel Clause Charges (or Rebates) and Fuel Cost Account Adjustments during the year, together with any balance brought forward from the prior year and interest thereon based on prevailing market interest rates. Any debit balance is carried forward as a deferred receivable to be recovered from Fuel Clause Charges and/or Fuel Cost Account Adjustments and any credit balance is carried forward as a deferred payable to be cleared by Fuel Clause Rebates and/or Fuel Cost Account Adjustments.

Fuel Clause Charges or Rebates are utilised to smooth increases in Net Tariffs paid by customers. The impact of tariff smoothing is to reduce the Net Tariffs payable by customers in certain years and increase the Net Tariffs in other years. However, the tariff smoothing has no impact on HEC's total earnings and the related balance on the Fuel Clause Recovery Account is expected to be recovered by Fuel Clause Charges and/or Fuel Cost Account Adjustments.

(iii) *Income recognition*

Electricity income is recognised based on the actual and accrued units of electricity consumed by customers during the year at the Basic Tariff, which is the unit charge agreed with the Government during the Annual Tariff Review for each financial year.

Electricity-related income is recognised when the related services are rendered.

Interest income is recognised on a time apportioned basis using the effective interest method.

(s) ***Translation of foreign currencies***

The Financial Information is presented in Hong Kong dollars which is HEC's functional currency and the Operating Group's and HEC's presentation currency.

Foreign currency transactions during the year are translated into Hong Kong dollars at the foreign exchange rates ruling at the transaction dates, or at contract rates if foreign currencies are hedged by forward foreign exchange contracts. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date.

Exchange gains and losses in respect of fixed assets under construction are, up to the date of commissioning, incorporated in the cost of the assets. All other exchange differences are dealt with in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

(t) ***Cash and cash equivalents***

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions and short-term, highly liquid investments that are readily convertible into

known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Operating Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(u) ***Income tax***

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

All deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset.

(v) ***Borrowing costs***

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) ***Financial guarantees issued, provisions and contingent liabilities***

(i) *Financial guarantees issued*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

When consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in profit or loss.

(ii) *Other provisions and contingent liabilities*

Provisions are recognised for other liabilities of uncertain timing or amount when the Operating Group or HEC has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(x) ***Related parties***

(a) A person or a close member of that person's family is related to the Operating Group if that person:

(i) has control or joint control over the Operating Group;

(ii) has significant influence over the Operating Group; or

(iii) is a member of the key management personnel of the Operating Group or the Operating Group's parent.

(b) An entity is related to the Operating Group if any of the following conditions apply:

(i) The entity and the Operating Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) 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).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Operating Group or an entity related to the Operating Group.

(vi) The entity is controlled or jointly controlled by a person identified in (x)(a).

(vii) A person identified in (x)(a)(i) 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.

(y) ***Segment reporting***

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker of the Operating Group for the purposes of resource allocation and performance assessment. Accordingly, the Operating Group's aggregated operating segments are based on their principal activities and geographical regions to present the reportable segments.

2 Turnover

The principal activity of the Operating Group is the generation and supply of electricity to Hong Kong Island and Lamma Island.

Turnover is analysed as follows:

	Years ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Sales of electricity	10,337,644	10,140,054	10,363,713	8,044,730	7,871,141
Concessionary discount on sales of electricity	(6,008)	(6,470)	(6,890)	(5,229)	(4,910)
Electricity-related income	31,362	51,206	42,778	21,952	19,237
	10,362,998	10,184,790	10,399,601	8,061,453	7,885,468

The Operating Group's customer base is diversified and does not have customer with whom transactions have exceeded 10% of the Operating Group's turnover during the Relevant Periods.

3 Segment reporting

The Operating Group has one reporting segment which is the generation and supply of electricity to Hong Kong Island and Lamma Island. All segment assets are located in Hong Kong. The Operating Group's chief operating decision-maker reviews the consolidated results of the Operating Group for the purposes of resource allocation and performance assessment. Therefore, no additional reportable segment and geographical information has been presented.

4 Standard fuel costs

Standard fuel costs represent the standard cost of fuel as agreed with the Government including the actual fuel costs and Fuel Cost Account Adjustments as follows:

	Years ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Actual fuel costs	4,570,768	5,538,396	5,672,861	4,357,743	3,880,490
Fuel Cost Account Adjustments (see note 18)	(2,794,745)	(3,754,956)	(3,867,255)	(2,953,389)	(2,519,656)
Standard fuel costs	1,776,023	1,783,440	1,805,606	1,404,354	1,360,834

5 Other revenue and other net income

	Years ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Net profit on sale of fixed assets	3,071	818	273	823	1,892
Interest income from financial assets not at fair value through profit or loss	268	85	274	265	18
Sundry income	30,860	49,481	31,575	24,951	20,493
	34,199	50,384	32,122	26,039	22,403

6 Directors' remuneration of HEC

Year ended 31 December 2010

Name of director	Fees	Basic salaries, allowances and other benefits	Retirement scheme contributions	Bonuses	Total emoluments
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Fok Kin Ning, Canning	—	652	—	—	652
Wan Chi Tin	—	7	—	—	7
Chow Woo Mo Fong, Susan	—	85	—	—	85
Andrew John Hunter	—	32	—	—	32
Kam Hing Lam	—	50	—	—	50
Li Tzar Kuoi, Victor	—	498	—	—	498
Frank John Sixt	—	66	—	—	66
Yuen Sui See	—	3,552	712	1,800	6,064
Tso Kai Sum	—	40	—	—	40
Ronald Joseph Arculli	—	51	—	—	51
Holger Kluge	—	—	—	—	—
Lee Lan Yee, Francis	—	21	—	—	21
George Colin Magnus	—	31	—	—	31
Neil Douglas McGee	—	—	—	—	—
Ralph Raymond Shea	—	35	—	—	35
Wong Chung Hin	—	79	—	—	79
Total	—	5,199	712	1,800	7,711

Year ended 31 December 2011

Name of director	Fees	Basic salaries, allowances and other benefits	Retirement scheme contributions	Bonuses	Total emoluments
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Fok Kin Ning, Canning	—	750	—	—	750
Wan Chi Tin	—	7	—	—	7
Chow Woo Mo Fong, Susan	—	83	—	—	83
Andrew John Hunter	—	31	—	—	31
Kam Hing Lam	—	48	—	—	48
Li Tzar Kuoi, Victor	—	495	—	—	495
Frank John Sixt	—	65	—	—	65
Yuen Sui See	—	3,365	12	1,800	5,177
Tso Kai Sum	—	39	—	—	39
Ronald Joseph Arculli	—	50	—	—	50
Holger Kluge	—	—	—	—	—
Lee Lan Yee, Francis	—	21	—	—	21
George Colin Magnus	—	27	—	—	27
Neil Douglas McGee	—	—	—	—	—
Ralph Raymond Shea	—	30	—	—	30
Wong Chung Hin	—	71	—	—	71
Total	—	5,082	12	1,800	6,894

Year ended 31 December 2012

Name of director	Fees	Basic salaries, allowances and other benefits	Retirement scheme contributions	Bonuses	Total emoluments
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Fok Kin Ning, Canning	—	756	—	—	756
Wan Chi Tin	—	6	—	—	6
Chan Loi Shun (note (a))	—	5	—	—	5
Chow Woo Mo Fong, Susan	—	82	—	—	82
Andrew John Hunter	—	32	—	—	32
Kam Hing Lam	—	34	—	—	34
Li Tzar Kuoi, Victor	—	524	—	—	524
Frank John Sixt	—	76	—	—	76
Yuen Sui See	—	3,642	14	2,646	6,302
Tso Kai Sum	—	41	—	—	41
Ronald Joseph Arculli	—	50	—	—	50
Fong Chi Wai, Alex (note (b))	—	1	—	—	1
Holger Kluge	—	—	—	—	—
Lee Lan Yee, Francis	—	24	—	—	24
George Colin Magnus	—	25	—	—	25
Neil Douglas McGee	—	—	—	—	—
Ralph Raymond Shea	—	36	—	—	36
Wong Chung Hin	—	72	—	—	72
Total	—	5,406	14	2,646	8,066

Nine months ended 30 September 2012 (unaudited)

Name of directors	Fees	Basic salaries, allowances and other benefits	Retirement scheme contributions	Bonuses	Total emoluments
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Fok Kin Ning, Canning	—	570	—	—	570
Wan Chi Tin	—	5	—	—	5
Chan Loi Shun (note (a))	—	3	—	—	3
Chow Woo Mo Fong, Susan	—	67	—	—	67
Andrew John Hunter	—	26	—	—	26
Kam Hing Lam	—	28	—	—	28
Li Tzar Kuoi, Victor	—	401	—	—	401
Frank John Sixt	—	57	—	—	57
Yuen Sui See	—	2,736	10	1,417	4,163
Tso Kai Sum	—	32	—	—	32
Ronald Joseph Arculli	—	40	—	—	40
Holger Kluge	—	—	—	—	—
Lee Lan Yee, Francis	—	19	—	—	19
George Colin Magnus	—	19	—	—	19
Neil Douglas McGee	—	—	—	—	—
Ralph Raymond Shea	—	28	—	—	28
Wong Chung Hin	—	54	—	—	54
Total	—	4,085	10	1,417	5,512

Nine months ended 30 September 2013

Name of director	Fees	Basic salaries, allowances and other benefits	Retirement scheme contributions	Bonuses	Total emoluments
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Fok Kin Ning, Canning	—	599	—	—	599
Wan Chi Tin	—	5	—	—	5
Chan Loi Shun	—	5	—	—	5
Chow Woo Mo Fong, Susan	—	70	—	—	70
Andrew John Hunter	—	21	—	—	21
Kam Hing Lam	—	25	—	—	25
Li Tzar Kuoi, Victor	—	419	—	—	419
Frank John Sixt	—	54	—	—	54
Yuen Sui See (note (c))	—	10	—	—	10
Tso Kai Sum	—	29	—	—	29
Ronald Joseph Arculli	—	42	—	—	42
Fong Chi Wai, Alex	—	18	—	—	18
Holger Kluge	—	—	—	—	—
Lee Lan Yee, Francis	—	17	—	—	17
George Colin Magnus	—	21	—	—	21
Neil Douglas McGee	—	—	—	—	—
Ralph Raymond Shea	—	28	—	—	28
Wong Chung Hin	—	55	—	—	55
Total	—	1,418	—	—	1,418

Notes:

(a) Appointed as director on 1 June 2012.

(b) Appointed as director on 5 December 2012.

(c) Mr. Yuen Sui See was employed by Power Assets Holdings Limited with effect from 1 January 2013.

(d) During the Relevant Periods, no amount was paid or payable by the Operating Group to the directors or any of the five highest paid individual set out in note 7 below as an inducement to join or upon joining the Operating Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

7 Individuals with highest emoluments

The five highest paid individuals of the Operating Group included one director of HEC for each of the years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2012 whose total emoluments are shown above. The remuneration of the other four individuals for each of the years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2012 who comprises the five highest paid individuals of the Operating Group and the five highest paid individuals of the Operating Group for the nine months ended 30 September 2013 is set out below:

	Years ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Short-term employee benefits	12,047	11,779	12,221	8,971	10,838
Post-employment benefits	2,101	2,152	1,727	1,319	1,502
	14,148	13,931	13,948	10,290	12,340

The total remuneration of senior management, excluding directors, is within the following bands:

	Years ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	Number	Number	Number	Number (unaudited)	Number
$500,001 - $1,000,000	—	—	—	—	—
$1,000,001 - $1,500,000	—	—	—	—	—
$1,500,001 - $2,000,000	—	—	—	—	2
$2,000,001 - $2,500,000	—	—	—	2	1
$2,500,001 - $3,000,000	1	2	1	1	1
$3,000,001 - $3,500,000	1	—	1	1	1
$3,500,001 - $4,000,000	1	1	1	—	—
$4,000,001 - $4,500,000	1	1	1	—	—

8 Profit before taxation

Profit before taxation is shown after charging/(crediting):

		Years ended 31 December			Nine months ended 30 September	
		2010	2011	2012	2012	2013
		HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
(a)	Finance costs					
	Interest on overdrafts, bank loans and medium term notes repayable within five years	91,126	144,106	150,714	106,818	111,236
	Interest on bank loans and medium term notes repayable after five years	81,104	174,663	202,291	149,010	167,793
	Total interest expense arising from financial liabilities not at fair value through profit or loss	172,230	318,769	353,005	255,828	279,029
	Less: interest capitalised to fixed assets	(42,556)	(50,032)	(67,695)	(50,032)	(49,375)
	interest transferred to fuel costs	(16,817)	(19,577)	(20,400)	(15,237)	(15,028)
		112,857	249,160	264,910	190,559	214,626
(b)	Depreciation	1,736,005	1,779,414	1,862,207	1,373,382	1,441,132
(c)	Amortisation of leasehold land	58,030	58,061	58,192	43,801	43,866
(d)	Costs of inventories	4,578,351	5,552,115	5,856,950	4,534,378	3,892,852
(e)	Staff costs	383,073	388,909	432,928	315,466	374,310
(f)	Net loss on disposal of fixed assets and fixed assets written off	42,854	38,222	46,662	14,371	11,930
(g)	Auditor's remuneration	3,513	3,305	3,858	2,618	2,679
(h)	Write down of inventories	5,144	5,429	5,265	2,929	2,983

Interest expenses have been capitalised at the average rate of approximately 1.7% per annum, 1.9% per annum and 2.0% per annum for the years ended 31 December 2010, 2011 and 2012, respectively and 2.0% per annum (unaudited) and 2.2% per annum for the nine months ended 30 September 2012 and 2013, respectively, for assets under construction.

9 Income tax in the consolidated statements of profit or loss

(a) ***Taxation in the consolidated statements of profit or loss represents:***

	Years ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Current tax					
Provision for Hong Kong Profits Tax for the year/ period	797,000	625,111	817,318	646,475	744,927
Under/(over)-provision in respect of prior years	929	—	(84,443)	(67,456)	—
	797,929	625,111	732,875	579,019	744,927
Deferred tax (see note 23(b))					
Reversal and origination of temporary differences	138,144	263,744	158,043	136,195	(84,192)
	936,073	888,855	890,918	715,214	660,735

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the Relevant Periods.

Over-provision in respect of prior years for the year ended 31 December 2012 and the nine months ended 30 September 2012 resulted from a change in the Inland Revenue Department's practice in assessing the deductibility of defined benefit retirement scheme expenses.

(b) ***Reconciliation between tax expense and accounting profit at applicable tax rates:***

	Years ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Profit before taxation	5,614,734	5,323,359	5,362,037	4,304,794	3,989,400
Notional tax on profit before taxation, calculated at the Hong Kong Profits Tax rate of 16.5%	926,431	878,354	884,736	710,291	658,251
Tax effect of non-deductible expenses	13,061	13,088	12,699	10,179	6,986
Tax effect of non-taxable income	(2,546)	(1,931)	(2,358)	(1,938)	(4,502)
Tax effect on Rate Reduction Reserve rebated	(1,802)	(656)	—	—	—
Tax effect of recognition of previously unrecognised temporary differences	—	—	80,284	64,138	—
Under/(over)-provision in respect of prior years	929	—	(84,443)	(67,456)	—
Actual tax expense	936,073	888,855	890,918	715,214	660,735

10 Scheme of control transfers

The financial operations of HEC are governed by the SoCA agreed with the Government which provides for HEC to earn a Permitted Return (see note 1(r)(i)). Any excess or deficiency of the gross tariff revenue over the sum of total operating costs, Scheme of Control Net Return and Scheme of Control taxation charges is transferred to/(from) a Tariff Stabilisation Fund from/(to) the statement of profit or loss of HEC. When transfer from the Tariff Stabilisation Fund to the statement of profit or loss is required, the amount transferred shall not exceed the balance of the Tariff Stabilisation Fund. In addition, a charge calculated by applying the average one-month Hong Kong Interbank Offered Rate on the average balance of the Tariff Stabilisation Fund is transferred from the statement of profit or loss of HEC to a Rate Reduction Reserve, which amount is subsequently rebated to customers. Movements in the Tariff Stabilisation Fund and Rate Reduction Reserve are as follows:

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	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
(a) Tariff Stabilisation Fund				
At 1 January	484,551	542,751	496,698	424,729
Transfer from/(to) the consolidated statements of profit or loss	58,200	(46,053)	(71,969)	(235,001)
At 31 December/30 September	542,751	496,698	424,729	189,728
(b) Rate Reduction Reserve				
At 1 January	14,164	4,172	1,222	2,632
Transfer from the consolidated statements of profit or loss	932	1,022	1,410	354
Rebate to customers	(10,924)	(3,972)	—	—
At 31 December/30 September	4,172	1,222	2,632	2,986

11 Profit attributable to the equity shareholders of HEC

The consolidated profit attributable to the equity shareholders of HEC includes a profit of HK$4,619,529,000, HK$4,479,535,000, HK$4,541,678,000, HK$3,436,141,000 (unaudited) and HK$3,563,312,000 for the years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2012 and 2013, respectively, which has been dealt with in the financial statements of HEC.

12 Earnings per share

The calculation of earnings per share is based on the profit attributable to ordinary equity shareholders of HEC for the years ended 31 December 2010, 2011 and 2012 and for the nine months ended 30 September 2012 and 2013 of HK$4,619,529,000, HK$4,479,535,000, HK$4,541,678,000, HK$3,436,141,000 (unaudited) and HK$3,563,312,000, respectively, and 1,205,800,000 ordinary shares in issue throughout the Relevant Periods.

There were no dilutive potential ordinary shares in existence during the Relevant Periods.

13 Dividends payable to the equity shareholders of HEC attributable to the year/period

(a) ***Dividends payable to the equity shareholders of HEC attributable to the year/period***

	Years ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Interim dividend declared and paid of HK$1.10 per share for each of the years ended 31 December 2010, 2011 and 2012 and HK$1.15 per share for the year ending 31 December 2013	1,323,000	1,323,000	1,323,000	1,323,000	1,387,000
Final dividend proposed after the balance sheet date of HK$3.05 per share, HK$2.02 per share and HK$2.68 per share for the years ended 31 December 2010, 2011 and 2012, respectively	3,682,672	2,437,902	3,228,614	—	—
	5,005,672	3,760,902	4,551,614	1,323,000	1,387,000

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) ***Dividends payable to the equity shareholders of HEC attributable to the previous financial year, approved and paid during the year/period***

	Years ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2012 and 2013 of HK$3.48 per share, HK$3.05 per share, HK$2.02 per share and HK$2.02 per share and HK$2.68 per share, respectively.	4,196,091	3,682,672	2,437,902	2,437,902	3,228,614

14 Fixed assets

The Operating Group and HEC

	Site formation and buildings	Plant, machinery and equipment	Fixtures, fittings and motor vehicles	Assets under construction	Sub-total	Interests in leasehold land held for own use under finance leases	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost							
At 1 January 2010	13,785,198	56,318,092	834,268	2,540,377	73,477,935	2,815,077	76,293,012
Additions	2,442	569,560	61,611	1,791,236	2,424,849	1,931	2,426,780
Disposals	(247)	(383,624)	(19,986)	—	(403,857)	(832)	(404,689)
Transfers	79,622	1,993,021	20,647	(2,093,290)	—	—	—
At 31 December 2010	13,867,015	58,497,049	896,540	2,238,323	75,498,927	2,816,176	78,315,103
At 1 January 2011	13,867,015	58,497,049	896,540	2,238,323	75,498,927	2,816,176	78,315,103
Additions	4,532	763,961	89,741	2,027,776	2,886,010	875	2,886,885
Disposals	(148)	(655,577)	(99,131)	—	(754,856)	—	(754,856)
Transfers	93,346	1,180,638	15,974	(1,289,958)	—	—	—
At 31 December 2011	13,964,745	59,786,071	903,124	2,976,141	77,630,081	2,817,051	80,447,132
At 1 January 2012	13,964,745	59,786,071	903,124	2,976,141	77,630,081	2,817,051	80,447,132
Additions	4,351	581,706	49,637	1,976,404	2,612,098	811	2,612,909
Disposals	(822)	(287,723)	(8,094)	—	(296,639)	—	(296,639)
Transfers	151,009	1,922,432	26,964	(2,100,405)	—	—	—
At 31 December 2012	14,119,283	62,002,486	971,631	2,852,140	79,945,540	2,817,862	82,763,402
At 1 January 2013	14,119,283	62,002,486	971,631	2,852,140	79,945,540	2,817,862	82,763,402
Additions	161	186,715	9,381	970,869	1,167,126	25,617	1,192,743
Disposals	—	(214,537)	(9,887)	—	(224,424)	—	(224,424)
Transfers	30,069	767,457	2,928	(800,454)	—	—	—
At 30 September 2013	14,149,513	62,742,121	974,053	3,022,555	80,888,242	2,843,479	83,731,721
Accumulated depreciation and amortisation							
At 1 January 2010	4,717,157	22,816,496	630,932	—	28,164,585	605,544	28,770,129
Written back on disposals	(149)	(316,400)	(19,528)	—	(336,077)	(213)	(336,290)
Charge for the year	243,141	1,553,649	50,203	—	1,846,993	58,030	1,905,023
At 31 December 2010	4,960,149	24,053,745	661,607	—	29,675,501	663,361	30,338,862
At 1 January 2011	4,960,149	24,053,745	661,607	—	29,675,501	663,361	30,338,862
Written back on disposals	(112)	(589,296)	(99,495)	—	(688,903)	—	(688,903)
Charge for the year	245,608	1,589,142	56,361	—	1,891,111	58,061	1,949,172
At 31 December 2011	5,205,645	25,053,591	618,473	—	30,877,709	721,422	31,599,131

	Site formation and buildings	Plant, machinery and equipment	Fixtures, fittings and motor vehicles	Assets under construction	Sub-total	Interests in leasehold land held for own use under finance leases	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2012	5,205,645	25,053,591	618,473	—	30,877,709	721,422	31,599,131
Written back on disposals	(532)	(204,884)	(7,963)	—	(213,379)	—	(213,379)
Charge for the year	248,891	1,660,993	63,979	—	1,973,863	58,192	2,032,055
At 31 December 2012	5,454,004	26,509,700	674,489	—	32,638,193	779,614	33,417,807
At 1 January 2013	5,454,004	26,509,700	674,489	—	32,638,193	779,614	33,417,807
Written back on disposals	—	(192,042)	(9,714)	—	(201,756)	—	(201,756)
Charge for the period	188,739	1,290,759	49,927	—	1,529,425	43,866	1,573,291
At 30 September 2013	5,642,743	27,608,417	714,702	—	33,965,862	823,480	34,789,342
Net book value							
At 31 December 2010	8,906,866	34,443,304	234,933	2,238,323	45,823,426	2,152,815	47,976,241
At 31 December 2011	8,759,100	34,732,480	284,651	2,976,141	46,752,372	2,095,629	48,848,001
At 31 December 2012	8,665,279	35,492,786	297,142	2,852,140	47,307,347	2,038,248	49,345,595
At 30 September 2013	8,506,770	35,133,704	259,351	3,022,555	46,922,380	2,019,999	48,942,379

The above are mainly electricity-related fixed assets in respect of which financing costs capitalised during the years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2012 and 2013 amounted to HK$42,556,000, HK$50,032,000, HK$67,695,000, HK$50,032,000 (unaudited) and HK$49,375,000, respectively.

Leasehold land at 31 December 2010, 2011 and 2012 and 30 September 2013 is held in Hong Kong and comprises long term and medium term leasehold land with carrying values of HK$42,022,000 and HK$2,110,793,000, HK$41,796,000 and HK$2,053,833,000 and HK$41,439,000 and HK$1,996,809,000 and HK$41,170,000 and HK$1,978,829,000, respectively.

Depreciation charges for the years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2012 and 2013 included HK$110,988,000, HK$111,697,000, HK$111,656,000, HK$83,684,000 (unaudited) and HK$88,293,000, respectively, relating to assets utilised in development activities, which has been capitalised.

15 Investment in a subsidiary

HEC

	At 31 December			At 30 September
	2010	2011	2012	2013
	HK$	HK$	HK$	HK$
Unlisted shares, at cost	8	8	8	8

Details of the subsidiary at 31 December 2010, 2011 and 2012 and 30 September 2013 are as follows:

Name of subsidiary	Issued share capital	Percentage of equity held	Place of incorporation/ operation	Principal activity
Hongkong Electric Finance Limited . .	US$1	100	British Virgin Islands/ Hong Kong	Financing

The subsidiary has no post-acquisition profits or losses attributable to HEC.

The details of the medium term notes issued by the subsidiary at 31 December 2010, 2011 and 2012 and 30 September 2013 are disclosed in note 19.

16 Inventories

	The Operating Group and HEC			
	At 31 December			At 30 September
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Coal	133,143	459,248	411,499	305,217
Fuel oil and natural gas	299,941	321,267	352,421	315,611
Stores and materials (see note below)	313,855	334,566	350,591	369,490
	746,939	1,115,081	1,114,511	990,318

Included in stores and materials are capital stocks of HK$212,433,000, HK$220,620,000, HK$201,900,000 and HK$211,947,000 as at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively which was purchased for future maintenance of capital assets.

17 Trade and other receivables

	The Operating Group and HEC			
	At 31 December			At 30 September
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Trade debtors (see note (a) below)	637,503	637,313	689,727	979,389
Other receivables.	420,232	414,069	457,336	658,608
	1,057,735	1,051,382	1,147,063	1,637,997
Derivative financial instruments - held as cash flow/fair value hedging instruments (see note 24)	45,769	15,862	250	1,725
Deposits and prepayments.	14,508	10,822	35,596	29,246
	1,118,012	1,078,066	1,182,909	1,668,968

All of the trade and other receivables are expected to be recovered within one year.

As at 31 December 2010, 2011 and 2012 and 30 September 2013, other receivables included unbilled electricity charges of HK$369,675,000, HK$378,649,000, HK$404,254,000 and HK$586,105,000, respectively, to be received from electricity customers.

(a) ***Ageing analysis***

The ageing analysis of trade debtors, based on the invoice date, that are neither individually nor collectively considered to be impaired is as follows:

	The Operating Group and HEC			
	At 31 December			At 30 September
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Current and within 1 month	582,385	597,156	650,583	922,410
1 to 3 months	36,701	26,159	28,382	46,793
More than 3 months but less than 12 months	18,417	13,998	10,762	10,186
Total trade debtors	637,503	637,313	689,727	979,389

Electricity bills issued to domestic, small industrial, commercial and miscellaneous customers for electricity supplies are due upon presentation whereas maximum demand customers are allowed a credit period of 16 working days. If settlements by maximum demand customers are received after the credit period, a surcharge of 5% can be added to the electricity bills.

Trade debtors for electricity charges that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade debtors for electricity charges that were past due but not impaired relate to a number of independent customers. The Operating Group and HEC obtain collateral in the form of security deposits or bank guarantees from customers (see note 29(a)) and the balances are considered to be fully recoverable.

(b) ***Impairment of trade and other receivables***

The Operating Group's and HEC's trade debtors are individually assessed for impairment. Any impairment losses are written off against the trade debtors directly. No separate account is maintained for impairment losses. During the years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2012 and 2013, impairment of trade and other receivables of HK$1,611,000, HK$1,599,000, HK$1,600,000, HK$1,124,000 (unaudited) and HK$929,000, respectively, was charged to profit or loss.

18 Fuel Clause Recovery Account

	The Operating Group and HEC			
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January	551,561	569,485	1,035,209	819,781
Transferred to profit or loss (see note 4)	2,794,745	3,754,956	3,867,255	2,519,656
Fuel Clause Charges during the year/period	(2,776,821)	(3,289,232)	(4,082,683)	(3,341,330)
At 31 December/30 September	569,485	1,035,209	819,781	(1,893)

The Fuel Clause Charges per unit for electricity sales was HK25.4 cents, HK30.2 cents, HK37.0 cents, HK37.0 cents (unaudited) and HK40.2 cents for the years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2012 and 2013, respectively.

This account, inclusive of interest, has been and will continue to be used to stabilise electricity tariffs (see note 1(r)(ii)).

The outstanding amount of Fuel Clause Recovery Account was neither past due nor impaired (see note 1(r)(ii)).

19 Medium term notes

The medium term notes ("the Notes") are bearer or registered notes at fixed interest rates issued under a US$1,000,000,000 medium term note programme entered into by the HEFL ("the issuer"), on 18 December 2002 (revised on 23 November 2004) with various financial institutions. The programme was expanded to US$2,000,000,000 on 25 July 2006 and further expanded to US$3,000,000,000 on 9 December 2011 in accordance with the terms of the programme. The Notes are unconditionally and irrevocably guaranteed by HEC.

Interest payments on the Notes will be made without deduction for or on account of taxes of the British Virgin Islands or the Hong Kong Special Administrative Region of the People's Republic of China.

The Notes are subject to redemption in whole, at their principal amount, together with accrued interest, at the option of the issuer at any time in the event of certain changes affecting taxes of the British Virgin Islands or the Hong Kong Special Administrative Region of the People's Republic of China.

Details and nominal value of the Notes issued are set out below:

		The Operating Group			
		At 31 December			At 30 September
		2010	2011	2012	2013
		HK$'000	HK$'000	HK$'000	HK$'000
(i)	HK$500 million 4.13% p.a. medium term notes	500,000	500,000	500,000	500,000
	Issued on 24 November 2004 at a fixed interest rate of 4.13%. Interest on these notes is payable quarterly in arrears on 24 February, 24 May, 24 August and 24 November in each year. These notes will mature on 24 November 2014.				
(ii)	HK$500 million 4.15% p.a. medium term notes	500,000	500,000	500,000	500,000
	Issued on 13 May 2005 at a fixed interest rate of 4.15%. Interest on these notes is payable quarterly in arrears on 13 February, 13 May, 13 August and 13 November in each year. These notes will mature on 13 May 2015.				
(iii)	HK$500 million 4.55% p.a. medium term notes	500,000	500,000	500,000	500,000
	Issued on 6 November 2006 at a fixed interest rate of 4.55%. Interest on these notes is payable quarterly in arrears on 6 February, 6 May, 6 August and 6 November in each year. These notes will mature on 7 November 2016.				

		The Operating Group			
		At 31 December			At 30 September
		2010	2011	2012	2013
		HK$'000	HK$'000	HK$'000	HK$'000
(iv)	HK$400 million 4.32% p.a. medium term notes	400,000	400,000	400,000	400,000
	Issued on 7 December 2006 at a fixed interest rate of 4.32%. Interest on these notes is payable quarterly in arrears on 7 March, 7 June, 7 September and 7 December in each year. These notes will mature on 7 December 2016.				
(v)	HK$500 million 4.32% p.a. medium term notes	500,000	500,000	—	—
	Issued on 24 January 2007 at a fixed interest rate of 4.32%. Interest on these notes is payable quarterly in arrears on 24 January, 24 April, 24 July and 24 October in each year. These notes matured on 24 January 2012.				
(vi)	HK$330 million 3.28% p.a. medium term notes	330,000	330,000	330,000	330,000
	Issued on 23 April 2009 at a fixed interest rate of 3.28%. Interest on these notes is payable annually in arrears on 23 April in each year. These notes will mature on 23 April 2019.				

	The Operating Group			
	At 31 December			At 30 September
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
(vii) HK$300 million 3.70% p.a. medium term notes	300,000	300,000	300,000	300,000
Issued on 29 September 2009 at a fixed interest rate of 3.70%. Interest on these notes is payable quarterly in arrears on 29 March, 29 June, 29 September and 29 December in each year. These notes will mature on 30 September 2024.				
(viii) HK$470 million 3.95% p.a. medium term notes	470,000	470,000	470,000	470,000
Issued on 10 May 2010 at a fixed interest rate of 3.95%. Interest on these notes is payable quarterly in arrears on 10 February, 10 May, 10 August and 10 November in each year. These notes will mature on 10 May 2030.				
(ix) HK$300 million 3.38% p.a. medium term notes	300,000	300,000	300,000	300,000
Issued on 20 August 2010 at a fixed interest rate of 3.38%. Interest on these notes is payable quarterly in arrears on 20 February, 20 May, 20 August and 20 November in each year. These notes will mature on 20 August 2025.				

		The Operating Group			
		At 31 December			At 30 September
		2010	2011	2012	2013
		HK$'000	HK$'000	HK$'000	HK$'000
(x)	US$750 million (2010: US$500 million) 4.25% p.a. medium term notes	3,889,250	5,836,725	5,812,500	5,818,500
	Issued on 14 December 2010 at a fixed interest rate of 4.25%. Interest on these notes is payable semi-annually in arrears on 14 June, 14 December in each year. These notes will mature on 14 December 2020.				
(xi)	HK$110 million 4.00% p.a. medium term notes	—	110,000	110,000	110,000
	Issued on 15 April 2011 at a fixed interest rate of 4.00%. Interest on these notes is payable annually in arrears on 15 April in each year. These notes will mature on 15 April 2031.				
(xii)	HK$300 million 3.84% p.a. medium term notes	—	300,000	300,000	300,000
	Issued on 27 June 2011 at a fixed interest rate of 3.84%. Interest on these notes is payable quarterly in arrears on 27 March, 27 June, 27 September and 27 December in each year. These notes will mature on 27 June 2029.				

	The Operating Group			
	At 31 December			At 30 September
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
(xiii) HK$300 million 3.40% p.a. medium term notes	—	300,000	300,000	300,000
Issued on 19 December 2011 at a fixed interest rate of 3.40%. Interest on these notes is payable quarterly in arrears on 19 March, 19 June, 19 September and 19 December in each year. These notes will mature on 19 December 2023.				
(xiv) HK$500 million 3.40% p.a. medium term notes	—	—	500,000	500,000
Issued on 16 July 2012 at a fixed interest rate of 3.40%. Interest on these notes is payable quarterly in arrears on 16 January, 16 April, 16 July and 16 October in each year. These notes will mature on 16 July 2027.				
(xv) HK$300 million 1.65% p.a. medium term notes	—	—	300,000	300,000
Issued on 20 September 2012 at a fixed interest rate of 1.65%. Interest on these notes is payable quarterly in arrears on 20 March, 20 June, 20 September and 20 December in each year. These notes will mature on 20 September 2017.				

	The Operating Group			
	At 31 December			At 30 September
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
(xvi) HK$500 million 3.10% p.a. medium term notes	—	—	—	500,000
Issued on 28 March 2013 at a fixed interest rate of 3.10%. Interest on these notes is payable quarterly in arrears on 28 March, 28 June, 28 September and 28 December in each year. These notes will mature on 28 March 2028.				
(xvii) HK$200 million 3.00% p.a. medium term notes	—	—	—	200,000
Issued on 16 May 2013 at a fixed interest rate of 3.00%. Interest on these notes is payable annually in arrears on 16 May in each year. These notes will mature on 16 May 2028.				
	7,689,250	10,346,725	10,622,500	11,328,500

20 Loans from ultimate holding company/a subsidiary and amounts due from/to fellow subsidiaries and a subsidiary

(a) ***Loan from ultimate holding company***

	The Operating Group and HEC			
	At 31 December			At 30 September
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Loan from ultimate holding company	13,190,218	11,533,462	10,723,660	13,265,879

The loan from ultimate holding company, Power Assets Holdings Limited ("PAH"), is unsecured, interest-free and has no fixed terms of repayment but is not expected to be repaid within twelve months of the balance sheet date. However, if the Listing proceeds as anticipated, the loan from ultimate holding company is expected to be repaid on or before the fifth business day following the date on which the share stapled units to be issued by the Trust and the Company (the "Share Stapled Units") are first listed and from which dealing in the Share Stapled Units is permitted to take place on the Main Board of the Stock Exchange (the "Listing Date").

(b) ***Loan from a subsidiary***

	HEC			
	At 31 December			At 30 September
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Current portion				
Loan from a subsidiary	—	501,847	—	—
Non-current portion				
Loan from a subsidiary	7,542,595	10,161,423	11,169,265	11,518,566
	7,542,595	10,663,270	11,169,265	11,518,566

The loan from a subsidiary is unsecured, interest-bearing at rates representing the cost of funds to the subsidiary and is repayable on the maturity of the subsidiary's external financing arrangements as disclosed in note 25.

(c) ***Amounts due from/to fellow subsidiaries and a subsidiary***

The amounts due from/to fellow subsidiaries and a subsidiary are unsecured, interest-free and repayable on demand.

21 Bank loans

	The Operating Group and HEC			
	At 31 December			At 30 September
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Unsecured bank loans	5,043,988	5,111,238	5,310,488	2,292,000
Current portion	(50,000)	(115,000)	(5,310,488)	(792,000)
Non-current portion	4,993,988	4,996,238	—	1,500,000

Some banking facilities of the Operating Group and HEC are subject to the fulfilment of covenants relating to certain of the Operating Group and HEC's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Operating Group and HEC were to breach the covenants, the drawn down facilities would become payable on demand. The Operating Group and HEC regularly monitors its compliance with these covenants. Further details of the Operating Group's and HEC's management of liquidity risk are set out in note 29(b). As at 31 December 2010, 2011 and 2012 and 30 September 2013, none of the covenants relating to drawn down facilities had been breached.

22 Trade and other payables

	The Operating Group			
	At 31 December			At 30 September
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Creditors measured at amortised cost	1,535,883	2,515,108	2,259,771	1,829,999
Accrued interest on medium term notes	33,010	40,901	40,495	100,935
Derivative financial instruments				
- held as cash flow/fair value hedging instruments (see note 24)	471	3,883	10,138	312
	1,569,364	2,559,892	2,310,404	1,931,246

	HEC			
	At 31 December			At 30 September
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Creditors measured at amortised cost	1,535,883	2,515,108	2,259,771	1,829,999
Derivative financial instruments				
- held as cash flow/fair value hedging instruments (see note 24)	471	3,883	10,138	312
	1,536,354	2,518,991	2,269,909	1,830,311

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

Included in trade and other payables are creditors with the following ageing analysis as at the balance sheet date:

	The Operating Group and HEC			
	At 31 December			At 30 September
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Due within 1 month or on demand	517,517	980,938	798,157	552,435
Due after 1 month but within 3 months	403,324	424,479	349,618	191,816
Due after 3 months but within 12 months	615,042	1,109,691	1,111,996	1,085,748
	1,535,883	2,515,108	2,259,771	1,829,999

23 Income tax in the balance sheets

(a) ***Current taxation in the balance sheets represents***

	The Operating Group and HEC			
	At 31 December			At 30 September
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Provision for Hong Kong Profits Tax for the year/period	797,000	625,111	817,318	744,927
Provisional Profits Tax paid	(640,335)	(515,948)	(487,313)	(162,437)
Provision for Hong Kong Profits Tax for the previous years	—	109,071	—	330,005
	156,665	218,234	330,005	912,495

(b) ***Deferred tax liabilities/(assets) recognised***

The Operating Group and HEC

The components of deferred tax liabilities/(assets) recognised in the balance sheets and the movements during the Relevant Periods are as follows:

	Depreciation allowances in excess of the related depreciation	Fuel Clause Recovery account	Defined benefit retirement schemes	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010	5,538,180	91,008	—	(7,505)	5,621,683
Charged to profit or loss	135,096	2,957	—	91	138,144
Charged to other comprehensive income	—	—	—	2,673	2,673
At 31 December 2010	5,673,276	93,965	—	(4,741)	5,762,500
At 1 January 2011	5,673,276	93,965	—	(4,741)	5,762,500
Charged/(credited) to profit or loss	173,283	76,844	13,844	(227)	263,744
Credited to other comprehensive income	—	—	(141,276)	(2,339)	(143,615)
At 31 December 2011	5,846,559	170,809	(127,432)	(7,307)	5,882,629
At 1 January 2012	5,846,559	170,809	(127,432)	(7,307)	5,882,629
Charged/(credited) to profit or loss	119,726	(35,545)	74,125	(263)	158,043
(Credited)/charged to other comprehensive income	—	—	(130,778)	1,389	(129,389)
At 31 December 2012	5,966,285	135,264	(184,085)	(6,181)	5,911,283
At 1 January 2013	5,966,285	135,264	(184,085)	(6,181)	5,911,283
Charged/(credited) to profit or loss	24,702	(113,102)	4,208	—	(84,192)
Charged to other comprehensive income	—	—	114,489	2,121	116,610
At 30 September 2013	5,990,987	22,162	(65,388)	(4,060)	5,943,701

The Operating Group and HEC had no material unprovided deferred tax assets or liabilities as at 31 December 2010, 2011 and 2012 and 30 September 2013.

24 Derivative financial instruments

	The Operating Group and HEC			
	At 31 December			At 30 September
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Derivative financial instruments used for hedging:				
- Cross currency swaps	(122,436)	422,518	645,367	299,620
- Interest rate swaps	11,304	1,381	—	—
- Forward foreign exchange contracts	45,298	10,598	(9,888)	1,421
Total	(65,834)	434,497	635,479	301,041
Current portion of derivative financial instruments (see notes 17 and 22)	(45,298)	(11,979)	9,888	(1,413)
	(111,132)	422,518	645,367	299,628
Represented by:				
Derivative financial instruments assets	20,646	432,537	645,669	299,628
Derivative financial instruments liabilities	(131,778)	(10,019)	(302)	—
	(111,132)	422,518	645,367	299,628

25 Debt profile

The Operating Group

	At 31 December 2010		
	Bank loans and bank overdrafts	Medium term notes	Total
	HK$'000	HK$'000	HK$'000
Repayable within 1 year	51,685	—	51,685
Repayable after 1 year but within 2 years	—	520,646	520,646
Repayable after 2 years but within 5 years	4,993,988	998,880	5,992,868
Repayable after 5 years	—	6,023,069	6,023,069
	5,045,673	7,542,595	12,588,268

	At 31 December 2011		
	Bank loans and bank overdrafts	Medium term notes	Total
	HK$'000	HK$'000	HK$'000
Repayable within 1 year	115,000	501,847	616,847
Repayable after 1 year but within 2 years	4,996,238	—	4,996,238
Repayable after 2 years but within 5 years	—	1,897,890	1,897,890
Repayable after 5 years	—	8,263,533	8,263,533
	5,111,238	10,663,270	15,774,508

	At 31 December 2012		
	Bank loans and bank overdrafts	Medium term notes	Total
	HK$'000	HK$'000	HK$'000
Repayable within 1 year	5,316,419	—	5,316,419
Repayable after 1 year but within 2 years	—	499,843	499,843
Repayable after 2 years but within 5 years	—	1,697,959	1,697,959
Repayable after 5 years	—	8,971,463	8,971,463
	5,316,419	11,169,265	16,485,684

	At 30 September 2013		
	Bank loans and bank overdrafts	Medium term notes	Total
	HK$'000	HK$'000	HK$'000
Repayable within 1 year	798,022	—	798,022
Repayable after 1 year but within 2 years	1,500,000	999,610	2,499,610
Repayable after 2 years but within 5 years	—	1,198,681	1,198,681
Repayable after 5 years	—	9,320,275	9,320,275
	2,298,022	11,518,566	13,816,588

HEC

	At 31 December 2010		
	Bank loans and bank overdrafts	Loan from a subsidiary	Total
	HK$'000	HK$'000	HK$'000
Repayable within 1 year	51,685	—	51,685
Repayable after 1 year but within 2 years	—	520,646	520,646
Repayable after 2 years but within 5 years	4,993,988	998,880	5,992,868
Repayable after 5 years	—	6,023,069	6,023,069
	5,045,673	7,542,595	12,588,268

	At 31 December 2011		
	Bank loans and bank overdrafts	Loan from a subsidiary	Total
	HK$'000	HK$'000	HK$'000
Repayable within 1 year	115,000	501,847	616,847
Repayable after 1 year but within 2 years	4,996,238	—	4,996,238
Repayable after 2 years but within 5 years	—	1,897,890	1,897,890
Repayable after 5 years	—	8,263,533	8,263,533
	5,111,238	10,663,270	15,774,508

	At 31 December 2012		
	Bank loans and bank overdrafts	Loan from a subsidiary	Total
	HK$'000	HK$'000	HK$'000
Repayable within 1 year	5,316,419	—	5,316,419
Repayable after 1 year but within 2 years	—	499,843	499,843
Repayable after 2 years but within 5 years	—	1,697,959	1,697,959
Repayable after 5 years	—	8,971,463	8,971,463
	5,316,419	11,169,265	16,485,684

	At 30 September 2013		
	Bank loans and bank overdrafts	Loan from a subsidiary	Total
	HK$'000	HK$'000	HK$'000
Repayable within 1 year	798,022	—	798,022
Repayable after 1 year but within 2 years	1,500,000	999,610	2,499,610
Repayable after 2 years but within 5 years	—	1,198,681	1,198,681
Repayable after 5 years	—	9,320,275	9,320,275
	2,298,022	11,518,566	13,816,588

The loan from PAH and the loan capital from PAH as disclosed in notes 20(a) and 28(c), respectively, have no fixed repayment terms and are expected to be repaid on or before the fifth business day following the Listing Date.

26 Employee retirement benefits

The Operating Group offers three retirement schemes which together cover all permanent staff.

One of the schemes ("the Pension Scheme") provides pension benefits based on the employee's final basic salary and length of service. This scheme is accounted for as a defined benefit retirement scheme.

Another scheme is defined contribution in nature and offers its members choices to invest in various investment funds. One of the investment funds provides a guaranteed return; the scheme is accounted for as a defined benefit retirement scheme in respect of this investment fund ("the Guaranteed Return Scheme"). In respect of other investment funds which do not offer a guaranteed return, the scheme is accounted for as a defined contribution retirement scheme.

Both these schemes are established under trust and are registered under the Hong Kong Occupational Retirement Schemes Ordinance. The assets of the schemes are held independently of the Operating Group's assets in separate trustee administered funds.

The Operating Group also participates in a master trust Mandatory Provident Fund Scheme ("MPF Scheme") operated by an independent service provider under the Hong Kong Mandatory Provident Fund Schemes Ordinance. The MPF Scheme is a defined contribution retirement scheme with the employer and its employees each contributing to the plan in accordance with the relevant scheme rules. The MPF Scheme rules provide for voluntary contributions to be made by the employer calculated as a percentage of the employees' basic salaries.

(a) ***Defined benefit retirement schemes ("the Schemes")***

Both defined benefit retirement schemes expose the Operating Group to investment risk, interest rate risk and salary risk while the Pension Scheme also exposes the Operating Group to the risks of longevity and inflation.

The funding policy in respect of the Pension Scheme is based on valuations prepared periodically by independent professionally qualified actuaries at Towers Watson Hong Kong Limited. The policy for employer's contributions is to fund the scheme in accordance with the actuary's recommendations on an on-going basis. The principal actuarial assumptions used include a long term yield gap, which is the long term expected rate of investment return net of salary increases of 0.3% per annum, pension increases of 2.5% per annum, together with appropriate provisions for mortality rates, turnover and adjustments to reflect the short-term market expectation of salary increases. The most recent actuarial valuation of the Pension Scheme was carried out by the appointed actuary, represented by Ms. Wing Lui, FSA, as at 1 January 2013. The valuation revealed that the assets of the Pension Scheme were sufficient to cover the aggregate vested liabilities as at the valuation date.

The retirement scheme expense/income recognised in profit or loss for the years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2012 and 2013 were determined in accordance with HKAS 19 (2011), *Employee benefits*.

(i) The amounts recognised in the balance sheets are as follows:

	The Operating Group and HEC			
	At 31 December			At 30 September
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Present value of defined benefit obligations	3,888,981	4,525,763	4,686,065	4,009,033
Fair value of plan assets of the Schemes	(4,098,171)	(3,970,187)	(4,080,701)	(4,066,159)
	(209,190)	555,576	605,364	(57,126)
Represented by:				
Employee retirement benefit scheme assets	(796,397)	(271,233)	(215,721)	(470,461)
Employee retirement benefit scheme liabilities	587,207	826,809	821,085	413,335
	(209,190)	555,576	605,364	(57,126)

A portion of the above asset/liability is expected to be realised/settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions.

(ii) Movements in the present value of the defined benefit obligations of the Schemes are as follows:

	The Operating Group and HEC			
	At 31 December			At 30 September
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January	4,419,433	3,888,981	4,525,763	4,686,065
Current service cost	84,521	73,613	99,251	77,717
Interest cost	109,740	115,253	66,710	27,763
Employee contributions paid to the Schemes	14,171	16,409	16,763	12,524
Actuarial (gains)/losses due to:				
- Liability experience	(43,005)	27,501	13,039	61,406
- Financial assumption changes	(332,724)	693,338	249,174	(707,855)
Inter-company transfers of employees	12,341	—	1,272	—
Benefits paid	(375,496)	(289,332)	(285,907)	(148,587)
At 31 December/30 September	3,888,981	4,525,763	4,686,065	4,009,033

(iii) Movements in the fair value of the plan assets of the Schemes are as follows:

	The Operating Group and HEC			
	At 31 December			At 30 September
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January	4,153,323	4,098,171	3,970,187	4,080,701
Interest income on the Schemes' assets	—	—	—	24,434
Return on Schemes' assets excluding interest income	—	—	—	47,425
Expected return on the Schemes' assets	219,353	214,160	173,769	—
Actuarial gains/(losses)	11,215	(135,380)	137,681	—
Inter-company transfers of employees	15,385	—	1,272	—
Employer contributions paid to the Schemes	60,220	66,159	66,936	49,662
Employee contributions paid to the Schemes	14,171	16,409	16,763	12,524
Benefits paid	(375,496)	(289,332)	(285,907)	(148,587)
At 31 December/30 September	4,098,171	3,970,187	4,080,701	4,066,159

(iv) The income/expense recognised in the consolidated statement of profit or loss, prior to any capitalisation of employment costs attributable to fixed assets additions, is as follows:

	Years ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Current service cost	84,521	73,613	99,251	74,438	77,717
Interest cost	109,740	115,253	66,710	50,033	—
Expected return on assets of the Schemes	(219,353)	(214,160)	(173,769)	(130,327)	—
Net interest on net defined benefit liability	—	—	—	—	3,329
	(25,092)	(25,294)	(7,808)	(5,856)	81,046

The income/expense is recognised in the following line items in the consolidated statement of profit or loss:

	Years ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Direct costs	(21,006)	(19,939)	(6,203)	(4,636)	56,086
Other operating costs	(4,086)	(5,355)	(1,605)	(1,220)	24,960
	(25,092)	(25,294)	(7,808)	(5,856)	81,046

(v) The cumulative amount of actuarial losses recognised in the consolidated statement of comprehensive income is as follows:

	The Operating Group and HEC			
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January	1,048,823	668,059	1,524,278	1,648,810
Remeasurement of net defined benefit obligations recognised in the consolidated statement of comprehensive income during the year/period	(380,764)	856,219	124,532	(693,874)
At 31 December/30 September	668,059	1,524,278	1,648,810	954,936

The Operating Group regularly monitors the investment strategy of the Schemes by reviewing the movement of capital markets and economic outlook.

(vi) The plan assets of the Schemes comprise:

	The Operating Group and HEC			
	At 31 December			At 30 September
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong equities	244,205	216,375	337,391	340,215
European equities	174,979	109,007	175,136	253,037
North American equities	296,502	306,740	386,322	523,577
Other Asia Pacific equities	135,065	117,380	180,376	183,819
Global bonds	3,160,915	2,805,371	2,753,963	2,675,576
Deposits, cash and others	86,505	415,314	247,513	89,935
At 31 December/30 September	4,098,171	3,970,187	4,080,701	4,066,159

(vii) The principal actuarial assumptions used at the balance sheet dates (expressed as a weighted average) are as follows:

	The Operating Group and HEC			
	At 31 December			At 30 September
	2010	2011	2012	2013
Discount rate	3.00%	1.50%	0.80%	2.30%
Long term salary increase rate	5.00%	5.00%	5.00%	5.00%
Future pension increase rate	2.50%	2.50%	2.50%	2.50%

(viii) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, while holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

(1) The Pension Scheme

The Operating Group and HEC

	At 31 December			At 30 September
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Actuarial assumptions	**Effect on defined benefit obligation**			
Discount rate				
- increase by 0.25%	(43,574)	(62,860)	(73,942)	(51,270)
- decrease by 0.25%	46,080	66,710	78,574	54,179
Pension increase rate				
- increase by 0.25%	39,102	56,680	67,289	49,244
- decrease by 0.25%	(37,343)	(53,982)	(64,010)	(46,999)
Mortality rate applied to a specific age				
- set forward one year	(42,958)	(66,449)	(81,594)	(57,144)
- set backward one year	43,330	67,806	83,742	57,993

(2) The Guaranteed Return Scheme

The Operating Group and HEC

	At 31 December			At 30 September
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Actuarial assumptions	**Effect on defined benefit obligation**			
Discount rate				
- increase by 0.25%	(60,359)	(65,875)	(62,764)	(49,039)
- decrease by 0.25%	62,496	68,241	64,967	50,625
Interest to be credited				
- increase by 0.25%	62,038	66,737	63,400	54,907
- decrease by 0.25%	(60,214)	(64,775)	(61,591)	(53,405)

(ix) The following table sets out the weighted average durations of the defined benefit obligations of the Schemes:

	The Operating Group and HEC			
	At 31 December			At 30 September
	2010	2011	2012	2013
The Pension Scheme	15.1 Years	16.3 Years	16.6 Years	14.7 Years
The Guaranteed Return Scheme	9.4 Years	9.3 Years	9.0 Years	7.9 Years

The Operating Group and HEC expect to contribute HK$71,592,000 to the defined benefit retirement schemes for the period from 1 October 2013 to 30 September 2014.

(b) ***Defined contribution retirement schemes***

	Years ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Expenses recognised in profit or loss	29,199	24,967	26,320	19,671	21,227

Forfeited contributions of HK$2,203,000, HK$4,111,000, HK$238,000, HK$238,000 (unaudited) and HK$548,000 have been received during the years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2012 and 2013, respectively.

27 Reconciliation of profit before taxation to cash generated from operations

	Years ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Profit before taxation	5,614,734	5,323,359	5,362,037	4,304,794	3,989,400
Adjustments for:					
Net financial instrument revaluation and exchange loss/(gain)	5,728	(963)	673	9	(186)
Finance costs	112,857	249,160	264,910	190,559	214,626
Interest transferred to fuel costs	16,817	19,577	20,400	15,237	15,028
Interest income	(268)	(85)	(274)	(265)	(18)
Depreciation	1,736,005	1,779,414	1,862,207	1,373,382	1,441,132
Amortisation of leasehold land	58,030	58,061	58,192	43,801	43,866
Net loss on disposal of fixed assets and fixed assets written off	42,854	38,222	46,662	14,371	11,930
Changes in working capital:					
Decrease/(increase) in inventories	206,035	(359,955)	(18,150)	234,901	134,241
Increase/decrease in net employee retirement benefit scheme assets/liabilities	(94,536)	(91,453)	(74,744)	(56,368)	31,384
(Increase)/decrease in trade and other receivables	(39,400)	10,849	(99,813)	(475,593)	(431,205)
Increase/(decrease) in trade and other payables	11,768	763,125	(24,173)	(49,010)	55,285
(Increase)/decrease in amounts due from fellow subsidiaries	(1,192)	(3,861)	123	(361)	(28)
Increase/(decrease) in amount due to a fellow subsidiary	9,915	—	(10,225)	—	—
Movement in Fuel Clause Recovery Account	(17,924)	(465,724)	215,428	207,984	821,674
Cash generated from operations	7,661,423	7,319,726	7,603,253	5,803,441	6,327,129

28 Capital and reserves

(a) *Movements in components of equity*

The reconciliation between the opening and closing balances of each component of the Operating Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in HEC's individual components of equity between the beginning and the end of the year/period are set out below:

HEC

	Attributable to the equity shareholders of HEC					
	Share capital	Hedging reserve	Revenue reserve	Proposed/ declared dividend	Loan capital	Total
	(note 28(b))	(note 28(d))		(note 13)	(note 28(c))	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2010	2,411,600	(5,379)	5,379	4,196,091	8,845,000	15,452,691
Changes in equity for 2010:						
Profit attributable to the equity shareholders	—	—	4,619,529	—	—	4,619,529
Other comprehensive income	—	13,525	380,764	—	—	394,289
Total comprehensive income for the year	—	13,525	5,000,293	—	—	5,013,818
Final dividend in respect of the previous year approved and paid (see note 13(b))	—	—	—	(4,196,091)	—	(4,196,091)
Interim dividend paid (see note 13(a))	—	—	(1,323,000)	—	—	(1,323,000)
Proposed final dividend (see note 13(a))	—	—	(3,682,672)	3,682,672	—	—
Balance at 31 December 2010	2,411,600	8,146	—	3,682,672	8,845,000	14,947,418
Balance at 1 January 2011	2,411,600	8,146	—	3,682,672	8,845,000	14,947,418
Changes in equity for 2011:						
Profit attributable to the equity shareholders	—	—	4,479,535	—	—	4,479,535
Other comprehensive income	—	(11,836)	(714,943)	—	—	(726,779)
Total comprehensive income for the year	—	(11,836)	3,764,592	—	—	3,752,756
Final dividend in respect of the previous year approved and paid (see note 13(b))	—	—	—	(3,682,672)	—	(3,682,672)
Interim dividend paid (see note 13(a))	—	—	(1,323,000)	—	—	(1,323,000)
Proposed final dividend (see note 13(a))	—	—	(2,437,902)	2,437,902	—	—
Balance at 31 December 2011	2,411,600	(3,690)	3,690	2,437,902	8,845,000	13,694,502

	Attributable to the equity shareholders of HEC					
	Share capital	Hedging reserve	Revenue reserve	Proposed/ declared dividend	Loan capital	Total
	(note 28(b))	(note 28(d))		(note 13)	(note 28(c))	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2012	2,411,600	(3,690)	3,690	2,437,902	8,845,000	13,694,502
Changes in equity for 2012:						
Profit attributable to the equity shareholders	—	—	4,541,678	—	—	4,541,678
Other comprehensive income	—	7,027	6,246	—	—	13,273
Total comprehensive income for the year	—	7,027	4,547,924	—	—	4,554,951
Final dividend in respect of the previous year approved and paid (see note 13(b))	—	—	—	(2,437,902)	—	(2,437,902)
Interim dividend paid (see note 13(a))	—	—	(1,323,000)	—	—	(1,323,000)
Proposed final dividend (see note 13(a))	—	—	(3,228,614)	3,228,614	—	—
Balance at 31 December 2012	2,411,600	3,337	—	3,228,614	8,845,000	14,488,551
Balance at 1 January 2013	2,411,600	3,337	—	3,228,614	8,845,000	14,488,551
Changes in equity for the nine months ended 30 September 2013:						
Profit attributable to the equity shareholders	—	—	3,563,312	—	—	3,563,312
Other comprehensive income	—	10,734	579,385	—	—	590,119
Total comprehensive income for the period	—	10,734	4,142,697	—	—	4,153,431
Final dividend in respect of the previous year approved and paid (see note 13(b))	—	—	—	(3,228,614)	—	(3,228,614)
Interim dividend paid (see note 13(a))	—	—	(1,387,000)	—	—	(1,387,000)
Balance at 30 September 2013	2,411,600	14,071	2,755,697	—	8,845,000	14,026,368

	Attributable to the equity shareholders of HEC					
	Share capital	Hedging reserve	Revenue reserve	Proposed/ declared dividend	Loan capital	Total
	(note 28(b)) HK$'000	(note 28(d)) HK$'000	HK$'000	(note 13) HK$'000	(note 28(c)) HK$'000	HK$'000
Unaudited						
Balance at 1 January 2012	2,411,600	(3,690)	3,690	2,437,902	8,845,000	13,694,502
Changes in equity for the nine months ended 30 September 2012:						
Profit attributable to the equity shareholders	—	—	3,436,141	—	—	3,436,141
Other comprehensive income	—	42,522	(192,210)	—	—	(149,688)
Total comprehensive income for the period	—	42,522	3,243,931	—	—	3,286,453
Final dividend in respect of the previous year approved and paid (see note 13(b))	—	—	—	(2,437,902)	—	(2,437,902)
Interim dividend paid (see note 13(a))	—	—	(1,323,000)	—	—	(1,323,000)
Balance at 30 September 2012	2,411,600	38,832	1,924,621	—	8,845,000	13,220,053

(b) ***Share capital***

	At 31 December			At 30 September
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Authorised, issued and fully paid:				
1,205,800,000 ordinary shares of HK$2 each	2,411,600	2,411,600	2,411,600	2,411,600

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of HEC. All shares rank equally with regard to HEC's residual assets.

(c) ***Loan capital***

	At 31 December			At 30 September
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Balance brought forward and carried forward	8,845,000	8,845,000	8,845,000	8,845,000

Loan capital represents an investment of funds received from the ultimate holding company, PAH, as a shareholder's investment. The loan capital is expected to be repaid on or before the fifth business day following the Listing Date.

(d) ***Nature and purpose of the hedging reserve***

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges (net of any deferred tax effect) pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges as set out in note 1(q).

(e) ***Distributability of reserves***

As at 31 December 2010, 2011 and 2012 and 30 September 2013, the aggregate amount of reserves available for distribution to the equity shareholders of HEC, as calculated under the provision of section 79B of the Hong Kong Companies Ordinance was HK$3,682,672,000, HK$2,441,592,000, HK$3,228,614,000 and HK$2,755,697,000, respectively. The distributable reserves excluding any actuarial gains in relation to remeasurement of net defined benefit obligations at the date of completion of the Acquisition are expected to be distributed to PAH.

(f) ***Capital management***

The Operating Group's primary objectives when managing capital are:

— to safeguard the Operating Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;

— to provide returns to shareholders by securing access to finance at a reasonable cost;

— to support the Operating Group's stability and future growth; and

— to provide capital for the purpose of strengthening the Operating Group's risk management capability.

The Operating Group actively and regularly reviews and manages its capital structure, taking into consideration the future capital requirements of the Operating Group and capital efficiency, forecast profitability, forecast operating cash flows and forecast capital expenditure and projected investment opportunities.

The Operating Group's strategy is to control its level of debt in order to secure access to finance at a reasonable cost. In order to maintain or adjust the level of debt, the Operating Group may adjust the amount of dividends paid to the holding company, issue new shares, return capital to the holding company, raise new debt financing or sell assets to reduce debt.

The gearing ratio of the Operating Group and HEC at 31 December 2010, 2011 and 2012 and 30 September 2013 was as follows:

	At 31 December			At 30 September
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Total interest-bearing borrowings	12,588,268	15,774,508	16,485,684	13,816,588
Total assets	51,238,173	52,809,553	53,337,298	52,385,070
Gearing ratio	24.6%	29.9%	30.9%	26.4%

Total interest-bearing borrowings of the Operating Group as at 31 December 2010, 2011 and 2012 and 30 September 2013 include bank loans, bank overdrafts and medium term notes as shown on the consolidated balance sheets.

Total interest-bearing borrowings of HEC as at 31 December 2010, 2011 and 2012 and 30 September 2013 include bank loans, bank overdrafts and loan from a subsidiary as shown on the balance sheets of HEC.

As at 31 December 2010, 2011 and 2012 and 30 September 2013, HEC acted as the guarantor in respect of certain loan facilities granted to its subsidiary of HK$7,689,250,000, HK$10,346,725,000, HK$10,622,500,000 and HK$11,328,500,000 and fully complied with the capital requirements under the loan facility agreements.

29 Financial risk management and fair values

The Operating Group is exposed to credit, liquidity, interest rate and currency risks in the normal course of its business. In accordance with the Operating Group's treasury policy, derivative financial instruments are only used to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. The Operating Group does not hold or issue derivative financial instruments for trading or speculative purposes.

(a) ***Credit risk***

The Operating Group's and HEC's credit risk is primarily attributable to trade and other receivables relating to electricity customers, bank deposits and over-the-counter derivative financial instruments entered into for hedging purposes. The Operating Group and HEC have a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables relating to electricity customers, the Operating Group and HEC obtain collateral in the form of security deposits or bank guarantees from customers in accordance with the Supply Rules of HEC. At 31 December 2010, 2011 and 2012 and 30 September 2013, the security deposits held by the Operating Group and HEC totalled HK$1,747,607,000, HK$1,801,353,000, HK$1,838,963,000 and HK$1,880,851,000, respectively.

The Operating Group and HEC have a defined minimum credit rating requirement and transaction limit for counterparties when dealing in financial derivatives or placing deposits to minimise credit exposure. The Operating Group and HEC do not expect any counterparty to fail to meet its obligations.

The Operating Group and HEC have no significant concentrations of credit risk in respect of trade and other receivables relating to electricity customers, as the five largest customers combined did not exceed 30% of the Operating Group's and HEC's total turnover.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheets.

Except for the financial guarantees given by HEC as set out in note 31, the Operating Group and HEC have not provided any other guarantee which would expose the Operating Group and HEC to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in note 31.

Further quantitative disclosures in respect of the Operating Group's and HEC's exposure to credit risk arising from trade and other receivables are set out in note 17.

(b) ***Liquidity risk***

The Operating Group and HEC operate a central cash management system for its fellow subsidiaries in order to achieve a better control of risk and minimise the costs of funds. The Operating Group's and HEC's policy is to regularly monitor current and expected liquidity requirements and their compliance with loan covenants to ensure that they maintain sufficient reserves of cash and adequate committed lines of funding to meet their liquidity requirements in the short and longer term. The Operating Group and HEC had undrawn committed bank facilities of HK$6,500,000,000, HK$6,500,000,000, HK$5,540,000,000 and HK$3,770,000,000 at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively.

The following tables show the remaining contractual maturities at the balance sheet date of the Operating Group's and HEC's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Operating Group and HEC can be required to pay.

The Operating Group

	At 31 December 2010					
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Medium term notes plus accrued interest	7,575,605	10,547,726	318,952	803,099	1,860,832	7,564,843
Bank loans plus accrued interest	5,047,580	5,123,400	76,047	26,244	5,021,109	—
Bank overdrafts	1,685	1,685	1,685	—	—	—
Creditors and accrued charges	1,526,791	1,526,791	1,526,791	—	—	—
Interest rate swaps (net settled) and related interest accruals	(12,908)	(13,033)	(10,437)	(2,596)	—	—
Cross currency swaps and related interest accruals	117,593					
- outflow		691,484	69,163	69,272	207,252	345,797
- inflow		(1,652,931)	(165,293)	(165,293)	(495,880)	(826,465)
	14,256,346	16,225,122	1,816,908	730,726	6,593,313	7,084,175
Derivatives settled gross:						
Forward foreign exchange contracts held as cash flow hedging instruments (note 29(d)(i)):	(27,050)					
- outflow		2,252,324	2,185,930	66,394	—	—
- inflow		(2,279,735)	(2,209,699)	(70,036)	—	—
Other forward foreign exchange contracts (note 29(d)(ii)):	(18,248)					
- outflow		365,994	362,455	3,539	—	—
- inflow		(383,747)	(380,033)	(3,714)	—	—

	At 31 December 2011					
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Medium term notes plus accrued interest	10,704,171	14,043,370	912,238	406,240	3,046,472	9,678,420
Bank loans plus accrued interest	5,115,108	5,171,022	145,429	5,025,593	—	—
Creditors and accrued charges	2,503,419	2,503,419	2,503,419	—	—	—
Interest rate swaps (net settled) and related interest accruals	(2,987)	(2,794)	(2,794)	—	—	—
Cross currency swaps and related interest accruals	(429,248)					
- outflow		1,051,209	116,637	116,742	350,544	467,286
- inflow		(2,232,547)	(248,061)	(248,061)	(744,181)	(992,244)
	17,890,463	20,533,679	3,426,868	5,300,514	2,652,835	9,153,462
Derivatives settled gross:						
Forward foreign exchange contracts held as cash flow hedging instruments (note 29(d)(i)):	(6,964)					
- outflow		3,105,687	3,039,856	65,831	—	—
- inflow		(3,112,065)	(3,047,844)	(64,221)	—	—
Other forward foreign exchange contracts (note 29(d)(ii)):	(3,634)					
- outflow		349,157	349,157	—	—	—
- inflow		(352,605)	(352,605)	—	—	—

	At 31 December 2012					
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Medium term notes plus accrued interest	11,209,760	14,173,036	427,161	927,036	2,826,748	9,992,091
Bank loans plus accrued interest	5,315,114	5,338,286	5,338,286	—	—	—
Bank overdrafts	5,931	5,931	5,931	—	—	—
Creditors and accrued charges	2,249,350	2,249,350	2,249,350	—	—	—
Cross currency swaps and related interest accruals	(651,923)					
- outflow		940,802	117,522	117,520	352,880	352,880
- inflow		(1,976,250)	(247,033)	(247,033)	(741,092)	(741,092)
	18,128,232	20,731,155	7,891,217	797,523	2,438,536	9,603,879
Derivatives settled gross:						
Forward foreign exchange contracts held as cash flow hedging instruments (note 29(d)(i)):	6,352					
- outflow		5,741,683	3,498,636	2,243,047	—	—
- inflow		(5,737,349)	(3,493,724)	(2,243,625)	—	—
Other forward foreign exchange contracts (note 29(d)(ii)):	3,536					
- outflow		174,456	174,456	—	—	—
- inflow		(170,921)	(170,921)	—	—	—

	At 30 September 2013					
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Medium term notes plus accrued interest	11,619,501	14,932,596	448,794	1,428,007	2,347,622	10,708,173
Bank loans plus accrued interest	2,293,149	2,330,726	813,399	1,517,327	—	—
Bank overdrafts	6,022	6,022	6,022	—	—	—
Creditors and accrued charges	1,824,043	1,824,043	1,824,043	—	—	—
Cross currency swaps and related interest accruals	(369,333)					
- outflow		848,063	116,985	116,985	351,277	262,816
- inflow		(1,853,735)	(247,164)	(247,164)	(741,495)	(617,912)
	15,373,382	18,087,715	2,962,079	2,815,155	1,957,404	10,353,077
Derivatives settled gross:						
Forward foreign exchange contracts held as cash flow hedging instruments (note 29(d)(i)):	(1,381)					
- outflow		4,214,756	3,157,533	1,057,223	—	—
- inflow		(4,216,756)	(3,159,165)	(1,057,591)	—	—
Other forward foreign exchange contracts (note 29(d)(ii)):	(40)					
- outflow		181,574	181,574	—	—	—
- inflow		(181,619)	(181,619)	—	—	—

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	At 31 December 2010					
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Loan from a subsidiary plus accrued interest	7,575,605	10,547,726	318,952	803,099	1,860,832	7,564,843
Bank loans plus accrued interest	5,047,580	5,123,400	76,047	26,244	5,021,109	—
Bank overdrafts	1,685	1,685	1,685	—	—	—
Creditors and accrued charges	1,526,791	1,526,791	1,526,791	—	—	—
Interest rate swaps (net settled) and related interest accruals	(12,908)	(13,033)	(10,437)	(2,596)	—	—
Cross currency swaps and related interest accruals	117,593					
- outflow		691,484	69,163	69,272	207,252	345,797
- inflow		(1,652,931)	(165,293)	(165,293)	(495,880)	(826,465)
	14,256,346	16,225,122	1,816,908	730,726	6,593,313	7,084,175
Derivatives settled gross:						
Forward foreign exchange contracts held as cash flow hedging instruments (note 29(d)(i)):	(27,050)					
- outflow		2,252,324	2,185,930	66,394	—	—
- inflow		(2,279,735)	(2,209,699)	(70,036)	—	—
Other forward foreign exchange contracts (note 29(d)(ii)):	(18,248)					
- outflow		365,994	362,455	3,539	—	—
- inflow		(383,747)	(380,033)	(3,714)	—	—

	At 31 December 2011					
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Loan from a subsidiary plus accrued interest	10,704,171	14,043,370	912,238	406,240	3,046,472	9,678,420
Bank loans plus accrued interest	5,115,108	5,171,022	145,429	5,025,593	—	—
Creditors and accrued charges	2,503,419	2,503,419	2,503,419	—	—	—
Interest rate swaps (net settled) and related interest accruals	(2,987)	(2,794)	(2,794)	—	—	—
Cross currency swaps and related interest accruals	(429,248)					
- outflow		1,051,209	116,637	116,742	350,544	467,286
- inflow		(2,232,547)	(248,061)	(248,061)	(744,181)	(992,244)
	17,890,463	20,533,679	3,426,868	5,300,514	2,652,835	9,153,462
Derivatives settled gross:						
Forward foreign exchange contracts held as cash flow hedging instruments (note 29(d)(i)):	(6,964)					
- outflow		3,105,687	3,039,856	65,831	—	—
- inflow		(3,112,065)	(3,047,844)	(64,221)	—	—
Other forward foreign exchange contracts (note 29(d)(ii)):	(3,634)					
- outflow		349,157	349,157	—	—	—
- inflow		(352,605)	(352,605)	—	—	—

	At 31 December 2012					
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Loan from a subsidiary plus accrued interest	11,209,760	14,173,036	427,161	927,036	2,826,748	9,992,091
Bank loans plus accrued interest	5,315,114	5,338,286	5,338,286	—	—	—
Bank overdrafts	5,931	5,931	5,931	—	—	—
Creditors and accrued charges	2,249,350	2,249,350	2,249,350	—	—	—
Cross currency swaps and related interest accruals	(651,923)					
- outflow		940,802	117,522	117,520	352,880	352,880
- inflow		(1,976,250)	(247,033)	(247,033)	(741,092)	(741,092)
	18,128,232	20,731,155	7,891,217	797,523	2,438,536	9,603,879
Derivatives settled gross:						
Forward foreign exchange contracts held as cash flow hedging instruments (note 29(d)(i)):	6,352					
- outflow		5,741,683	3,498,636	2,243,047	—	—
- inflow		(5,737,349)	(3,493,724)	(2,243,625)	—	—
Other forward foreign exchange contracts (note 29(d)(ii)):	3,536					
- outflow		174,456	174,456	—	—	—
- inflow		(170,921)	(170,921)	—	—	—

	At 30 September 2013					
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Loan from a subsidiary plus accrued interest	11,619,501	14,932,596	448,794	1,428,007	2,347,622	10,708,173
Bank loans plus accrued interest	2,293,149	2,330,726	813,399	1,517,327	—	—
Bank overdrafts	6,022	6,022	6,022	—	—	—
Creditors and accrued charges	1,824,043	1,824,043	1,824,043	—	—	—
Cross currency swaps and related interest accruals	(369,333)					
- outflow		848,063	116,985	116,985	351,277	262,816
- inflow		(1,853,735)	(247,164)	(247,164)	(741,495)	(617,912)
	15,373,382	18,087,715	2,962,079	2,815,155	1,957,404	10,353,077
Derivatives settled gross:						
Forward foreign exchange contracts held as cash flow hedging instruments (note 29(d)(i)):	(1,381)					
- outflow		4,214,756	3,157,533	1,057,223	—	—
- inflow		(4,216,756)	(3,159,165)	(1,057,591)	—	—
Other forward foreign exchange contracts (note 29(d)(ii)):	(40)					
- outflow		181,574	181,574	—	—	—
- inflow		(181,619)	(181,619)	—	—	—

(c) ***Interest rate risk***

The Operating Group and HEC are exposed to cash flow interest rate risk on its interest-bearing assets and liabilities. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

(i) *Hedging*

The Operating Group's and HEC's policy is to maintain a balanced combination of fixed and variable rate debt to reduce its interest rate exposure. The Operating Group and HEC also use cross currency swaps and interest rate swaps to manage the exposure in accordance with the treasury policy.

At 31 December 2010, 2011 and 2012 and 30 September 2013, the Operating Group and HEC had cross currency swaps with a total notional amount of HK$3,882,320,000, HK$5,826,020,000, HK$5,826,020,000 and HK$5,826,020,000, respectively and outstanding interest rate swaps of HK$750,000,000, HK$750,000,000, HK$Nil and HK$Nil, respectively.

The Operating Group classifies cross currency swaps and interest rate swaps as cash flow or fair value hedges and states them at fair value in accordance with the policy set out in note 1(q).

The net fair value of cross currency swaps entered into by the Operating Group and HEC at 31 December 2010, 2011 and 2012 and 30 September 2013 was HK$122,436,000 liability, HK$422,518,000 asset, HK$645,367,000 asset and HK$299,620,000 asset, respectively. The net fair value of interest rate swaps entered into by the Operating Group and HEC at 31 December 2010, 2011 and 2012 and 30 September 2013 was a net asset of HK$11,304,000, HK$1,381,000, HK$Nil and HK$Nil, respectively. These amounts are recognised as derivative financial instruments assets/liabilities.

(ii) *Interest rate profile*

The following table details the interest rate profile of the Operating Group's and HEC's net interest-bearing assets and liabilities at the balance sheet date, after taking into account the effect of cross currency swaps and interest rate swaps designated as cash flow or fair value hedging instruments (see (i) above).

The Operating Group

	At 31 December						At 30 September	
	2010		2011		2012		2013	
	Effective interest rate %	HK$'000	Effective interest rate %	HK$'000	Effective interest rate %	HK$'000	Effective interest rate %	HK$'000
Net fixed rate liabilities:								
Medium term notes	3.99	(4,056,212)	3.95	(5,516,328)	3.80	(6,308,828)	3.73	(7,005,121)
Bank loans	4.31	(249,699)	4.31	(249,812)	—	—	—	—
		(4,305,911)		(5,766,140)		(6,308,828)		(7,005,121)
Net variable rate assets/ (liabilities):								
Cash and bank balances	—*	8,728	—*	23,840	—*	7,649	—*	7,825
Medium term notes	1.18	(3,486,383)	1.16	(5,146,942)	1.31	(4,860,437)	1.30	(4,513,445)
Bank loans	0.51	(4,794,289)	0.54	(4,861,426)	0.63	(5,310,488)	1.04	(2,292,000)
Customers' deposits	—*	(1,747,607)	—*	(1,801,353)	—*	(1,838,963)	—*	(1,880,851)
Bank overdrafts	5.00	(1,685)	—	—	5.00	(5,931)	5.00	(6,022)
		(10,021,236)		(11,785,881)		(12,008,170)		(8,684,493)

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	At 31 December						At 30 September	
	2010		2011		2012		2013	
	Effective interest rate %	HK$'000	Effective interest rate %	HK$'000	Effective interest rate %	HK$'000	Effective interest rate %	HK$'000
Net fixed rate liabilities:								
Loan from a subsidiary	3.99	(4,056,212)	3.95	(5,516,328)	3.80	(6,308,828)	3.73	(7,005,121)
Bank loans	4.31	(249,699)	4.31	(249,812)	—	—	—	—
		(4,305,911)		(5,766,140)		(6,308,828)		(7,005,121)
Net variable rate assets/ (liabilities):								
Cash and bank balances	—*	8,728	—*	23,840	—*	7,649	—*	7,825
Loan from a subsidiary	1.18	(3,486,383)	1.16	(5,146,942)	1.31	(4,860,437)	1.30	(4,513,445)
Bank loans	0.51	(4,794,289)	0.54	(4,861,426)	0.63	(5,310,488)	1.04	(2,292,000)
Customers' deposits	—*	(1,747,607)	—*	(1,801,353)	—*	(1,838,963)	—*	(1,880,851)
Bank overdrafts	5.00	(1,685)	—	—	5.00	(5,931)	5.00	(6,022)
		(10,021,236)		(11,785,881)		(12,008,170)		(8,684,493)

* Less than 0.01%

(iii) *Sensitivity analysis*

At 31 December 2010, 2011 and 2012 and 30 September 2013, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Operating Group's profit after taxation and revenue reserve by approximately HK$67,245,000, HK$82,636,000, HK$80,217,000 and HK$60,690,000, respectively. Other components of equity would have increased/decreased by approximately HK$4,248,000, HK$1,700,000, HK$995,000 and HK$288,000, respectively in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date.

(d) ***Currency risk***

(i) *Committed and forecast transactions*

The Operating Group and HEC are exposed to currency risk primarily through purchases that are denominated in a currency other than the functional currency of HEC. The currencies giving rise to this risk are primarily United States Dollars, Japanese Yen, Pounds Sterling and Euros.

The Operating Group and HEC use forward foreign exchange contracts to manage its currency risk and classifies these as cash flow hedges. At 31 December 2010, 2011 and 2012 and 30 September 2013, the Operating Group and HEC had forward foreign exchange contracts hedging committed and forecast transactions with a net fair value of HK$27,050,000 asset, HK$6,964,000 asset, HK$6,352,000 liability and HK$1,381,000 asset, respectively recognised as derivative financial instruments.

(ii) *Recognised assets and liabilities*

The net fair value of forward foreign exchange contracts used by the Operating Group and HEC as economic hedges of monetary assets and liabilities in foreign currencies at 31 December 2010, 2011 and 2012 and 30 September 2013 was HK$18,248,000 asset, HK$3,634,000 asset, HK$3,536,000 liability and HK$40,000 asset, respectively, recognised as derivative financial instruments.

The Operating Group's and HEC's borrowings are either hedged into Hong Kong dollars by way of cross currency swaps or are denominated in Hong Kong dollars. Given this, the management does not expect that there would be any significant currency risk associated with the Operating Group's and HEC's borrowings.

(iii) *Exposure to currency risk*

The following table details the Operating Group's and HEC's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the Operating Group and HEC.

The Operating Group

	At 31 December 2010			
'000	**USD**	**JPY**	**GBP**	**EUR**
Cash and bank balances	(5)	(5,799)	—	—
Trade and other payables	27,398	3,234,239	113	159
Medium term notes	500,000	—	—	—
Gross exposure arising from recognised assets and liabilities	527,393	3,228,440	113	159
Notional amounts of forward foreign exchange contracts used as economic hedges	(18,658)	(2,571,300)	—	—
Notional amounts of cross currency swaps	(500,000)	—	—	—
Net exposure arising from recognised assets and liabilities	8,735	657,140	113	159

	At 31 December 2011			
'000	USD	JPY	GBP	EUR
Cash and bank balances	(40)	(5,728)	—	—
Trade and other payables	80,311	2,312,941	1,235	1,086
Medium term notes	750,000	—	—	—
Gross exposure arising from recognised assets and liabilities	830,271	2,307,213	1,235	1,086
Notional amounts of forward foreign exchange contracts used as economic hedges	(28,434)	(1,093,002)	(1,159)	(811)
Notional amounts of cross currency swaps	(750,000)	—	—	—
Net exposure arising from recognised assets and liabilities	51,837	1,214,211	76	275

	At 31 December 2012			
'000	USD	JPY	GBP	EUR
Cash and bank balances	(80)	(45)	(6)	(1)
Trade and other payables	67,689	826,742	870	1,245
Medium term notes	750,000	—	—	—
Gross exposure arising from recognised assets and liabilities	817,609	826,697	864	1,244
Notional amounts of forward foreign exchange contracts used as economic hedges	(13,331)	(622,019)	(555)	(313)
Notional amounts of cross currency swaps	(750,000)	—	—	—
Net exposure arising from recognised assets and liabilities	54,278	204,678	309	931

	At 30 September 2013			
'000	USD	JPY	GBP	EUR
Cash and bank balances	(83)	(1)	(20)	(6)
Trade and other payables	65,703	356,033	575	138
Medium term notes	750,000	—	—	—
Gross exposure arising from recognised assets and liabilities	815,620	356,032	555	132
Notional amounts of forward foreign exchange contracts used as economic hedges	(22,005)	(132,079)	(53)	—
Notional amounts of cross currency swaps	(750,000)	—	—	—
Net exposure arising from recognised assets and liabilities	43,615	223,953	502	132

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	At 31 December 2010			
'000	USD	JPY	GBP	EUR
Cash and bank balances	(5)	(5,799)	—	—
Trade and other payables	27,398	3,234,239	113	159
Loan from a subsidiary	500,000	—	—	—
Gross exposure arising from recognised assets and liabilities	527,393	3,228,440	113	159
Notional amounts of forward foreign exchange contracts used as economic hedges	(18,658)	(2,571,300)	—	—
Notional amounts of cross currency swaps	(500,000)	—	—	—
Net exposure arising from recognised assets and liabilities	8,735	657,140	113	159

	At 31 December 2011			
'000	USD	JPY	GBP	EUR
Cash and bank balances	(40)	(5,728)	—	—
Trade and other payables	80,311	2,312,941	1,235	1,086
Loan from a subsidiary	750,000	—	—	—
Gross exposure arising from recognised assets and liabilities	830,271	2,307,213	1,235	1,086
Notional amounts of forward foreign exchange contracts used as economic hedges	(28,434)	(1,093,002)	(1,159)	(811)
Notional amounts of cross currency swaps	(750,000)	—	—	—
Net exposure arising from recognised assets and liabilities	51,837	1,214,211	76	275

	At 31 December 2012			
'000	USD	JPY	GBP	EUR
Cash and bank balances	(80)	(45)	(6)	(1)
Trade and other payables	67,689	826,742	870	1,245
Loan from a subsidiary	750,000	—	—	—
Gross exposure arising from recognised assets and liabilities	817,609	826,697	864	1,244
Notional amounts of forward foreign exchange contracts used as economic hedges	(13,331)	(622,019)	(555)	(313)
Notional amounts of cross currency swaps	(750,000)	—	—	—
Net exposure arising from recognised assets and liabilities	54,278	204,678	309	931

	At 30 September 2013			
'000	USD	JPY	GBP	EUR
Cash and bank balances	(83)	(1)	(20)	(6)
Trade and other payables	65,703	356,033	575	138
Loan from a subsidiary	750,000	—	—	—
Gross exposure arising from recognised assets and liabilities	815,620	356,032	555	132
Notional amounts of forward foreign exchange contracts used as economic hedges	(22,005)	(132,079)	(53)	—
Notional amounts of cross currency swaps	(750,000)	—	—	—
Net exposure arising from recognised assets and liabilities	43,615	223,953	502	132

(iv) *Sensitivity analysis*

The following table indicates that a 10 percent strengthening of the following currencies against Hong Kong dollars at the balance sheet date would have increased/decreased the Operating Group's and HEC's profit for the year (and revenue reserve) and other components of equity.

	At 31 December						At 30 September	
	2010		2011		2012		2013	
	Effect on profit after taxation and revenue reserve	Effect on other components of equity	Effect on profit after taxation and revenue reserve	Effect on other components of equity	Effect on profit after taxation and revenue reserve	Effect on other components of equity	Effect on profit after taxation and revenue reserve	Effect on other components of equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	Increase/ (decrease)	Increase/ (decrease)	Increase/ (decrease)	Increase/ (decrease)	Increase/ (decrease)	Increase/ (decrease)	Increase/ (decrease)	Increase/ (decrease)
Japanese Yen	14	23,131	292	18,532	(853)	5,971	(708)	5,203
Euros	(3)	—	(13)	1,035	(113)	—	(167)	—
Pounds Sterling	(76)	1,634	(703)	989	(29)	255	(184)	—

A 10 percent weakening in the above currencies against Hong Kong dollars at the balance sheet date would have had an equal but opposite effect on the Operating Group's and HEC's profit after taxation (and revenue reserve) and other components of equity.

This sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Operating Group and HEC which expose the Operating Group and HEC to currency risk at the balance sheet date, and that all other variables, in particular interest rates, remain constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

(e) ***Fair values***

(i) *Financial assets and liabilities carried at fair value*

The following table presents the fair value of the Operating Group's and HEC's financial instruments measured at the balance sheet dates on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13: *Fair Value Measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical financial assets or liabilities at the measurement date

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data is not available

Level 3 valuations: Fair value measured using significant unobservable inputs

(1) Fair value hierarchy recognised fair value measurement

Recurring fair value measurement

	The Operating Group			
	At 31 December			At 30 September
	2010	2011	2012	2013
	HK$'000 Level 2	HK$'000 Level 2	HK$'000 Level 2	HK$'000 Level 2
Assets				
Derivative financial instruments:				
- Cross currency swaps	—	432,537	645,669	299,620
- Interest rate swaps	20,646	1,846	—	—
- Forward foreign exchange contracts	45,769	14,016	250	1,733
	66,415	448,399	645,919	301,353
Liabilities				
Derivative financial instruments:				
- Cross currency swaps	122,436	10,019	302	—
- Interest rate swaps	9,342	465	—	—
- Forward foreign exchange contracts	471	3,418	10,138	312
Medium term notes subject to fair value hedges	3,486,383	5,146,942	4,860,437	4,513,445
	3,618,632	5,160,844	4,870,877	4,513,757

Recurring fair value measurement

	HEC			
	At 31 December			At 30 September
	2010	2011	2012	2013
	HK$'000 Level 2	HK$'000 Level 2	HK$'000 Level 2	HK$'000 Level 2
Assets				
Derivative financial instruments:				
- Cross currency swaps	—	432,537	645,669	299,620
- Interest rate swaps	20,646	1,846	—	—
- Forward foreign exchange contracts	45,769	14,016	250	1,733
	66,415	448,399	645,919	301,353
Liabilities				
Derivative financial instruments:				
- Cross currency swaps	122,436	10,019	302	—
- Interest rate swaps	9,342	465	—	—
- Forward foreign exchange contracts	471	3,418	10,138	312
Loan from a subsidiary subject to fair value hedges	3,486,383	5,146,942	4,860,437	4,513,445
	3,618,632	5,160,844	4,870,877	4,513,757

(2) Valuation techniques and inputs in Level 2 fair value measurements

The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date. The fair values of cross currency swaps are determined by discounting the future cash flows of the contracts at the current market interest rates.

The fair value of medium term notes is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

The fair value of bank loans and other borrowings is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments. The carrying amounts of bank loans and other borrowings are estimated to approximate their fair values at the balance sheet date.

(ii) *Fair values of financial instruments carried at other than fair value*

The Operating Group's and HEC's loan from ultimate holding company is interest-free and has no fixed term of repayment. Given these terms, it is not meaningful to disclose the fair value. Other than this financial instrument, the carrying amounts of the Operating Group's and HEC's financial instruments are estimated to approximate their fair value.

30 Capital commitments

At 31 December 2010, 2011 and 2012 and 30 September 2013, the Operating Group and HEC had capital commitments for fixed assets not provided for in the Financial Information as follows:

	At 31 December			At 30 September
	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Capital expenditure for fixed assets authorised and contracted for	1,576,293	1,564,675	1,125,424	1,060,186
Capital expenditure for fixed assets authorised but not contracted for . .	9,373,380	9,348,307	8,763,773	7,884,165

31 Contingent liabilities

At 31 December 2010, 2011 and 2012 and 30 September 2013, HEC acted as the guarantor in respect of the loan facilities granted to its subsidiary of HK$7,689,250,000, HK$10,346,725,000, HK$10,622,500,000 and HK$11,328,500,000, respectively under the respective loan facility agreements.

32 Immediate parent and ultimate controlling party

At 30 September 2013, the directors consider the immediate parent and ultimate controlling party of HEC to be Power Assets Holdings Limited which is incorporated in Hong Kong and produces financial statements available for public use.

33 Material related party transactions

The Operating Group and HEC had the following material transactions with related parties during the year/ period:

(a) ***Key management personnel compensation***

Remuneration for key management personnel, including amounts paid to HEC's directors as disclosed in note 6 is as follows:

	Years ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Short-term employee benefits.	21,296	20,815	22,039	15,765	12,284
Post-employment benefits. . .	3,259	2,496	2,089	1,590	1,502
	24,555	23,311	24,128	17,355	13,786

There was no outstanding amount due from key management personnel at 31 December 2010, 2011 and 2012 and 30 September 2013.

(b) ***Ultimate holding company***

(i) *Operating costs recharged by PAH*

Other operating costs include costs recharged by PAH to the Operating Group for management and administrative support which amounted to HK$126,043,000, HK$104,916,000, HK$112,439,000, HK$90,146,000 (unaudited) and HK$95,068,000 for the years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2012 and 2013, respectively.

(ii) *On-sale of gas from PAH to the Operating Group*

During the years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2012 and 2013, the aggregate amounts of fees paid by the Operating Group to Guangdong Dapeng LNG Company Limited ("Guangdong Dapeng") and CNOOC Gas & Power Group Ltd. ("CNOOC Gas") in discharge of obligations owing by PAH for the purchase of natural gas from Guangdong Dapeng and CNOOC Gas pursuant to gas sales contracts entered into by PAH with Guangdong Dapeng and CNOOC Gas (the "Gas Supply Contracts") and on-sold to the Operating Group at cost were approximately HK$2,211,171,000, HK$2,624,477,000, HK$2,929,586,000, HK$2,129,088,000 (unaudited) and HK$2,045,346,000, respectively. The amounts paid were based on gas prices which were determined based on the gas price formula under the Gas Supply Contracts.

(c) ***Subsidiary***

Interest expenses paid/payable in respect of the loans from a subsidiary amounted to HK$148,945,000, HK$415,301,000, HK$416,491,000, HK$309,801,000 (unaudited) and HK$330,852,000 for the years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2012 and 2013, respectively. Details of the loan balance due to a subsidiary at 31 December 2010, 2011 and 2012 and 30 September 2013 are disclosed in note 20.

34 Critical accounting estimates and judgements

The methods, estimates and judgements the directors used in applying the Operating Group's accounting policies have a significant impact on the Operating Group's financial position and operating results. Some of the accounting policies require the Operating Group to apply estimates and judgements on matters that are inherently uncertain. In addition to notes 26 and 29 which contain information about the assumptions and their risk factors relating to valuation of defined benefit retirement scheme assets and liabilities and financial instruments, certain critical accounting judgements in applying the Operating Group's accounting policies are described below.

(a) ***Depreciation and amortisation***

Fixed assets are depreciated on a straight-line basis over their estimated useful lives after taking into account the estimated residual value. The Operating Group reviews annually the useful life of an asset and its residual value, if any.

Interests in leasehold land held for own use under finance leases are amortised on a straight-line basis over the unexpired lease term. Both the period and methods of amortisation are reviewed annually.

The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(b) ***Impairment***

In considering the impairment losses that may be required for the Operating Group's fixed assets, the recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate the fair value less costs to sell because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant judgement. The Operating Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount.

Any increase or decrease in impairment losses, recognised as set out above, would affect the net profit in future years.

35 Possible impact of amendments, new standards and interpretations issued but not yet effective

Up to the date of issue of the Financial Information, the HKICPA has issued a number of amendments and new standards which are not yet effective for the Relevant Periods and which have not been adopted in the Financial Information.

These include the following which may be relevant to the Operating Group.

	Effective for accounting periods beginning on or after
HKAS 32, *Financial instruments: Presentation*	
- *Offsetting financial assets and financial liabilities*	1 January 2014
HKFRS 9, *Financial instruments*	1 January 2015

The Operating Group 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 above developments are relevant to the Operating Group's financial statements but the adoption of them is unlikely to have a significant impact on the Operating Group's results of operations and financial position.

C SUBSEQUENT EVENTS

The following significant events took place subsequent to 30 September 2013:

(a) Reorganisation

Pursuant to the Reorganisation (as defined in note 1(a) to Section B above) which will be completed immediately before the Listing, the Operating Group will be acquired by the Company via its indirect wholly owned subsidiary in the manner described below:

(i) On 1 January 2014, HK Electric Investments Manager Limited (in its capacity as trustee-manager of the Trust) (the "Trustee-Manager") 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 consideration for HK$0.0005 which was satisfied by the Trust 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 (the "Share Stapled Units").

(ii) A conditional sale and purchase agreement has been entered into, among PAH (as the vendor), Treasure Business Limited ("Treasure Business") (as purchaser), an indirect wholly-owned subsidiary of the Company, the Trustee Manager and the Company pursuant to which PAH conditionally agreed to sell, and Treasure Business conditionally agreed to acquire, the entire issued share capital of HEC (the "Acquisition").

Completion of the Acquisition under the conditional sale and purchase agreement will take place immediately prior to 8:00 a.m. on the Listing Date subject to the satisfaction of the conditions set out in the section headed "History and Reorganisation — The Reorganisation" in the Prospectus. Details of the consideration and settlement for the Acquisition are also set out in the section headed "History and Reorganisation — The Reorganisation" in the Prospectus.

HEC will become an indirect wholly owned subsidiary of the Company upon completion of the Acquisition.

The Acquisition will be accounted for using the purchase method of accounting in the consolidated financial statements of the Trust and the Company and its subsidiaries. As a result, the Financial Information of the Operating Group during the Relevant Periods is not necessarily indicative of the results of operations or state of affairs of the Trust and the Company and its subsidiaries following the completion of the Reorganisation and the Listing.

(b) Repayment of loan from PAH and loan capital from PAH

It is expected that on or before the fifth business day following the Listing Date, the Operating Group will obtain interest-bearing loans totalling HK$28,300 million, part of which is to be used for the repayment of the loan owing to PAH and loan capital from PAH outstanding as of the date of completion of the Acquisition.

(c) Transfer of properties to PAH

Certain properties with a total net book value of approximately 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.

(d) Distribution of reserves

(i) Interim dividends of HK$4,865 million were declared by HEC to PAH in respect of the unaudited profit attributable to the equity shareholders of HEC from 1 January 2013 to 30 November 2013. To the extent that they are not paid, dividends so declared shall form part of the loan owing to PAH which is expected to be settled by HEC on or before the fifth business day following the Listing Date as stated in note (b) above.

(ii) It is expected that further dividends will be declared by HEC to Treasure Business in respect of any remaining profit attributable to the equity shareholders of HEC for the year ended 31 December 2013 and the period from 1 January 2014 to the date of completion of the Acquisition. Such profits will be paid by Treasure Business to PAH not later than 30 April 2014.

D CONSOLIDATED BALANCE SHEET OF THE COMPANY AND ITS SUBSIDIARIES

	At 30 September 2013
	HK$'000
Current assets	
Other receivables - deferred expenses	34,331
	34,331
Current liabilities	
Other payables - accrued expenses	(34,331)
	(34,331)
NET ASSETS	—
CAPITAL AND RESERVES	
Share capital	—
Reserves	—
TOTAL EQUITY	—

(a) HK Electric Investments Limited (the "Company") was incorporated in the Cayman Islands on 23 September 2013 as an exempted company with limited liability under the Companies Law 2011 (as consolidated and revised) of the Cayman Islands.

As at 30 September 2013, the Company had the following subsidiaries, all of which are companies incorporated with limited liability:

Name of company	Place of incorporation	Date of incorporation	Issued share capital	Percentage of equity directly or indirectly held by the Company	Principal activity
Century Rank Limited	The British Virgin Islands (the "BVI")	30 August 2013	US$1	100 (direct)	Investment holding
Treasure Business Limited ("Treasure Business")	The BVI	10 July 2013	US$1	100 (indirect)	Investment holding

The Operating Group will be acquired by the Company through its indirect wholly owned subsidiary, Treasure Business, upon completion of the Reorganisation (as defined in note 1(a) to Section B above), details of which have been described in note 1(a) to Section B and note (a) to Section C above.

(b) Neither the Company nor its subsidiaries has carried on any business since the their respective dates of incorporation and they are not expected to carry on any business up to the date of completion of the Acquisition which is the same date as the date of the Listing. The Company and its subsidiaries do not have any material assets or liabilities and will have incurred certain insignificant expenses in connection with the Acquisition and the Listing up to the date of the Listing. Such expenses totalling HK$34 million have been incurred as at 30 September 2013 and which will be charged to equity or profit or loss in accordance with prevailing accounting standards upon the completion of the Listing.

(c) The significant accounting policies adopted by the Company and its subsidiaries are consistent in all material respects with the significant accounting policies adopted by the Operating Group as set out in note 1 of Section B.

E SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, its subsidiaries, the Operating Group or any of the companies which comprise the Operating Group in respect of any period subsequent to 30 September 2013.

Yours faithfully

KPMG
Certified Public Accountants
Hong Kong

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$'million (Note 1)	HK$'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

	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	
	HK$'million (Note 1)	HK$'million (Note 4)	HK$'million		HK$'million
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		
	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	—	—	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)	HK$'million		HK$'million
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:

1. 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.

2. 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).

3. 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:

   (i) 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	21,922	21,922
Goodwill arising on Acquisition	41,412	34,015

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

The following is the text of letters received from KPMG, Certified Public Accountants, Hong Kong, and from the Joint Sponsors in connection with the 2013 Profit Estimate and 2014 Profit Forecast for the purpose of incorporation in this prospectus.

(A) LETTER FROM THE REPORTING ACCOUNTANTS ON THE 2013 PROFIT ESTIMATE



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

The Directors
HK Electric Investments Manager Limited
(in its capacity as trustee-manager of HK Electric Investments)
HK Electric Investments Limited
44 Kennedy Road
Hong Kong

Goldman Sachs (Asia) L.L.C.
68th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

HSBC Corporate Finance (Hong Kong) Limited
1 Queen's Road Central
Hong Kong

16 January 2014

Dear Sirs,

We have reviewed, in accordance with the Auditing Guideline 3.341 "Accountants' report on profit forecasts" issued by the Hong Kong Institute of Certified Public Accountants, the accounting policies adopted and calculations made in arriving at the estimate of the consolidated profit attributable to the equity shareholders of The Hongkong Electric Company, Limited ("**HEC**") for the year ended 31 December 2013 (the "**2013 Profit Estimate**"), for which the directors of HK Electric Investments Manager Limited (in their capacity as the directors of the trustee-manager of HK Electric Investments) (the "**Trustee-Manager**"), the directors of HK Electric Investments Limited (the "**Company**") and the directors of HEC (collectively, the "**Directors**") are solely responsible, as set forth in the sub-section "2013 Profit Estimate" under the section headed "2013 Profit Estimate and 2014 Profit Forecast" in the prospectus of HK Electric Investments and the Company dated 16 January 2014 (the "**Prospectus**").

The 2013 Profit Estimate has been prepared by the Directors based on the audited consolidated results of HEC and its subsidiary under the control of Power Assets Holdings Limited (collectively referred to as the "**Operating Group**") for the nine months ended 30 September 2013, the unaudited consolidated results of the Operating Group based on the management accounts for the two months ended 30 November 2013 and an estimate of the consolidated results of the Operating Group for the remaining one month ended 31 December 2013.

In our opinion, so far as the accounting policies and calculations are concerned, the 2013 Profit Estimate has been properly compiled in accordance with the bases made by the Directors as set out in the section headed "2013 Profit Estimate and 2014 Profit Forecast" relating to the 2013 Profit Estimate of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by HEC as set out in Section B of the Accountants' Report dated 16 January 2014, the text of which is set out in Appendix I to the Prospectus.

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong

(B) LETTER FROM THE REPORTING ACCOUNTANTS ON THE 2014 PROFIT FORECAST



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

The Directors
HK Electric Investments Manager Limited
(in its capacity as trustee-manager of HK Electric Investments)
HK Electric Investments Limited
44 Kennedy Road
Hong Kong

Goldman Sachs (Asia) L.L.C.
68th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

HSBC Corporate Finance (Hong Kong) Limited
1 Queen's Road Central
Hong Kong

16 January 2014

Dear Sirs,

We have reviewed, in accordance with the Auditing Guideline 3.341 "Accountants' report on profit forecasts" issued by the Hong Kong Institute of Certified Public Accountants, the accounting policies adopted and calculations made in arriving at the forecast of the consolidated profit attributable to holders of share stapled units jointly issued by HK Electric Investments and HK Electric Investments Limited (the "**Company**") for the period from 29 January 2014 (the "**Listing Date**") to 31 December 2014 (the "**2014 Profit Forecast**"), for which the directors of HK Electric Investments Manager Limited (in their capacity as the directors of the trustee-manager of HK Electric Investments) and the directors of the Company (collectively, the "**Directors**") are solely responsible, as set forth in the sub-section "2014 Profit Forecast" under the section headed "2013 Profit Estimate and 2014 Profit Forecast" in the prospectus of HK Electric Investments and the Company dated 16 January 2014 (the "**Prospectus**").

The 2014 Profit Forecast has been prepared by the Directors based on a forecast of the consolidated results of HK Electric Investments and the Company together with the subsidiaries of the Company upon the completion of the reorganisation of the group (including the acquisition of The Hongkong Electric Company, Limited ("**HEC**") in preparation for the listing using purchase method of accounting) (collectively, the "**Trust Group**") for the period from the Listing Date to 31 December 2014.

In our opinion, so far as the accounting policies and calculations are concerned, the 2014 Profit Forecast has been properly compiled in accordance with the assumptions made by the Directors as set out in the section headed "2013 Profit Estimate and 2014 Profit Forecast" relating to the 2014 Profit Forecast of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies expected to be adopted by the Trust Group.

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong

(C) LETTER FROM THE JOINT SPONSORS

Goldman Sachs

68th Floor, Cheung Kong Center
2 Queen's Road Central, Hong Kong

HSBC

1 Queen's Road Central
Hong Kong

The Board of Directors
HK Electric Investments Manager Limited
(as the trustee-manager of HK Electric Investments)

and

The Board of Directors
HK Electric Investments Limited

16 January 2014

Dear Sirs,

We refer to (a) the estimate of the consolidated profit attributable to the equity shareholders of The Hongkong Electric Company, Limited ("**HEC**") for the financial year ended 31 December 2013 (the "**2013 Profit Estimate**") and (b) the forecast of the consolidated profit attributable to the holders of share stapled units jointly issued by HK Electric Investments and HK Electric Investments Limited (the "**Company**") for the period from 29 January 2014 (the "**Listing Date**") to 31 December 2014 (the "**2014 Profit Forecast**"), as set out in the section headed "2013 Profit Estimate and 2014 Profit Forecast" in the prospectus issued by HK Electric Investments and the Company dated 16 January 2014 (the "**Prospectus**").

We understand that the 2013 Profit Estimate and the 2014 Profit Forecast, for which the directors of HK Electric Investments Manager Limited, in their capacity as the directors of the trustee-manager of HK Electric Investments, and the directors of the Company (collectively, the "**Directors**") are solely responsible, have been prepared by them based on, respectively (i) the audited consolidated results of HEC and its subsidiary (the "**Operating Group**") for the nine months ended 30 September 2013, the unaudited consolidated results of the Operating Group based on the management accounts for the two months ended 30 November 2013 and an estimate of the consolidated results of the Operating Group for the remaining one month ended 31 December 2013 and (ii) the forecast of the consolidated results of HK Electric Investments and the Company and its subsidiaries for the period from the Listing Date to 31 December 2014.

We have discussed with you the bases and assumptions made by the Directors as set out in the section headed "2013 Profit Estimate and 2014 Profit Forecast" in the Prospectus. We have also considered the letters dated 16 January 2014 addressed to you and us from KPMG regarding the accounting policies and calculations upon which the 2013 Profit Estimate and the 2014 Profit Forecast have been based.

On the basis of the information comprising the 2013 Profit Estimate and the 2014 Profit Forecast and on the bases and assumptions of the accounting policies and calculations adopted by you and reviewed by KPMG, we are of the opinion that the 2013 Profit Estimate and the 2014 Profit Forecast, for which the Directors are solely responsible, have been made after due and careful enquiry.

Yours faithfully
For and on behalf of
Goldman Sachs (Asia) L.L.C.
Raghav Maliah
Managing Director

Yours faithfully
For and on behalf of
HSBC Corporate Finance (Hong Kong) Limited
Anne Kao
Managing Director

*The Trust Deed is a complex document and the following is a summary only. Recipients of this prospectus and all prospective investors should refer to the Trust Deed itself to confirm specific information or for a detailed understanding of HK Electric Investments and the Share Stapled Units. The Trust Deed is available for inspection without charge at the registered office of the Trustee-Manager at 44 Kennedy Road, Hong Kong and can also be accessed and downloaded from the websites of the Company and the Stock Exchange at **www.hkei.hk** and **www.hkexnews.hk**, respectively.*

INTRODUCTION

HK Electric Investments was constituted as a trust on 1 January 2014 by a Hong Kong law governed Trust Deed entered into between HK Electric Investments Manager Limited, as the trustee-manager of HK Electric Investments, and the Company. The Trustee-Manager is a wholly-owned subsidiary of PAH.

FIXED SINGLE INVESTMENT TRUST AND LIMITED SCOPE OF ACTIVITIES

HK Electric Investments is constituted, upon and subject to the terms and conditions of the Trust Deed, as a fixed single investment trust to engage solely in the Authorised Business. A fixed single investment trust in this context connotes that the trust may only invest in securities and other interests in a single entity, being the Company, and that the trust confers on the registered holders of its Units a beneficial interest in specifically identifiable property held by the trust (in this case, the Ordinary Shares held by HK Electric Investments).

HK Electric Investments may not carry on any activities other than engaging in the Authorised Business in accordance with the Trust Deed. The Trust Deed provides that "**Authorised Business**" of HK Electric Investments means:

(a) investing in the Company (including, without limitation, investment in securities and other interests in the Company);

(b) the exercise of the Trustee-Manager's powers, authorities and rights, and the performance of its duties and obligations, under the Trust Deed; and

(c) any thing or activity which is necessary or desirable for or in connection with the activities referred to in paragraphs (a) and/or (b) above.

Therefore, in summary, the scope of activity of HK Electric Investments is limited to investing in the Company.

TRUST PROPERTY

The Trust Property will initially comprise:

(a) all rights arising out of agreements in relation to the Authorised Business entered into by the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments) after the date of the constitution of HK Electric Investments;

(b) the Ordinary Shares to be acquired by the Trustee-Manager pursuant to the agreements referred to in paragraph (a) above; and

(c) the proceeds to be received by the Trustee-Manager from the issue of Share Stapled Units.

Under the Trust Deed, the Trustee-Manager is required to hold the Trust Property for the time being on trust for the benefit of the Registered Holders of Units pursuant to the Trust Deed, *pari passu* according to the number of Units held by each Registered Holder of Units.

TRUST DEED BINDING ON UNITHOLDERS

The terms and conditions of the Trust Deed and all deeds supplemental to it shall be binding on each Unitholder and all persons claiming through such Unitholder as if such Unitholder had been a party to the Trust Deed and all supplemental deeds (if any) and as if the Trust Deed and such supplemental deeds contained covenants on the part of each Unitholder to observe and be bound by all the provisions of the Trust Deed and such supplemental deeds, and an authorisation by each Unitholder to do all such acts and things as the Trust Deed and such supplemental deeds may require the Trustee-Manager and/or the Company to do.

The Trust Deed sets out certain rights, duties and obligations of the Trustee-Manager and Holders of Share Stapled Units.

THE SHARE STAPLED UNITS AND HOLDERS OF SHARE STAPLED UNITS

The rights and interests of Holders of Share Stapled Units are contained in the Trust Deed. Under the Trust Deed, those rights and interests are safeguarded by the Trustee-Manager.

The beneficial interest in HK Electric Investments is divided into Units. Each Unit represents an undivided interest in HK Electric Investments, which confers the rights set out in the Trust Deed.

Each Unit must be:

(a) matched by and Linked to a specifically identified Ordinary Share issued or to be issued by the Company to the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments); and

(b) Stapled to a specifically identified Preference Share issued or to be issued by the Company to the relevant Registered Holder of Share Stapled Units.

Each Unit confers on the Registered Holder of a Unit a beneficial interest, on and subject to the terms and conditions of the Trust Deed, in a specifically identified Ordinary Share registered in the Principal Register of Members in the name of the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments).

Subject to the provisions of the Trust Deed (including the exercise of the Exchange Right and the termination of HK Electric Investments), a Unitholder is not entitled to have any part of the Trust Property to be transferred to it. The right of a Unitholder is limited to the right to require the due administration of HK Electric Investments in accordance with the provisions of the Trust Deed, including, without limitation, by suit against the Trustee-Manager and the other rights expressly provided under the Trust Deed.

Unless otherwise expressly provided in the Trust Deed, a Unitholder may not interfere or seek to interfere with the administration of HK Electric Investments by the Trustee-Manager.

RELATIONSHIP BETWEEN THE UNITS, THE ORDINARY SHARES AND THE PREFERENCE SHARES

Subject to the exercise of the Exchange Right, at all times:

(a) the number of Units in issue must be equal to the number of Ordinary Shares in issue (and *vice versa*);

(b) the number of Units in issue must also be equal to the number of Preference Shares in issue (and *vice versa*); and

(c) the number of Ordinary Shares in issue must be equal to the number of Preference Shares in issue (and *vice versa*).

Linking Arrangements

Subject to the exercise of the Exchange Right, at all times:

(a) all of the issued Ordinary Shares must be registered in the Principal Register of Members in the name of the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments);

(b) each Unit issued or to be issued by the Trustee-Manager must be matched by and Linked to a specifically identified Ordinary Share issued or to be issued by the Company to the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments);

(c) the Trustee-Manager must not issue or sell any Units to any person unless an identical number of specifically identified Ordinary Shares are or have been issued by the Company to the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments) before, or at substantially the same time as, the issue or sale of the relevant Units; and

(d) the Company must not issue or sell any Ordinary Shares unless the Ordinary Shares are specifically identified and issued to the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments) and an identical number of Units in respect of the relevant specifically identified Ordinary Shares are or will be issued by the Trustee-Manager.

Each Unit confers on the Registered Holder of a Unit a beneficial interest, on and subject to the terms and conditions of the Trust Deed, in a specifically identified Ordinary Share registered in the Principal Register of Members in the name of the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments).

The Trustee-Manager shall distribute the proceeds of any and all dividends, distributions and other payments to be made in respect of the specifically identified Ordinary Shares registered in the Principal Register of Members in the name of the Trustee-Manager to the Registered Holders of the relevant Units which are matched with and Linked to those specifically identified Ordinary Shares, upon and subject to the terms and conditions of the Trust Deed (including, without limitation, those terms and conditions permitting certain payments and other deductions to be made out of the Trust Property).

Each Share Stapled Unit may be exchanged for the specifically identified Ordinary Share which is matched with and Linked to the Unit which is a component of the relevant Share Stapled Unit, in accordance with the Trust Deed.

Stapling Arrangements

In addition to the requirements described above, for each Unit to be matched by and Linked to a specifically identified Ordinary Share held by the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments), at all times, subject to the exercise of the Exchange Right:

(a) each Unit issued or to be issued by the Trustee-Manager must be Stapled to a specifically identified Preference Share issued or to be issued by the Company;

(b) the Trustee-Manager must not issue or sell any Units to any person unless an identical number of specifically identified Preference Shares is or has been issued by the Company and those Preference Shares are issued or transferred to the same persons to whom the Units are issued or sold (and registered in the Principal Register of Members or the Hong Kong Register of Members in the names of the same persons in which the Units are registered in the Units Register), in the ratio of one specifically identified Preference Share for each Unit and on the basis that each specifically identified Preference Share is Stapled to a Unit so that one may not be dealt with without the other; and

(c) the Company must not issue or sell any Preference Shares unless the Preference Shares are to be Stapled to Units as described above.

Under the Trust Deed, the Trustee-Manager and the Company are required to use all their respective reasonable endeavours to maintain a listing on the Stock Exchange for:

(a) all the issued Share Stapled Units for the time being; and

(b) each individual security which is a component of the Share Stapled Units; being all the issued Units, Ordinary Shares and Preference Shares for the time being,

provided that, for as long as the Share Stapled Units remain listed on the Stock Exchange, there shall be a single price quotation for a Share Stapled Unit incorporating the three components described in the definition of "Share Stapled Unit" and there will not be separate published price quotations for the listed Units, listed Ordinary Shares or listed Preference Shares comprising the Share Stapled Units.

UNITS AND ORDINARY SHARES TO REMAIN LINKED AND UNITS AND PREFERENCE SHARES TO REMAIN STAPLED

Under the Trust Deed, the Trustee-Manager and the Company must ensure that, subject to the exercise of the Exchange Right, each Unit remains Linked to a specifically identified Ordinary Share registered in the Principal Register of Members in the name of the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments) and that each Unit remains Stapled to a specifically identified Preference Share.

The Trust Deed contains provisions prohibiting the Trustee-Manager and the Company from taking any action which would result in the Units and the Ordinary Shares ceasing to be Linked or in the Units and the Preference Shares ceasing to be Stapled; or from refraining from doing any act required to maintain those relationships.

The Trust Deed also contains detailed provisions requiring that Units and Shares may only be offered for subscription and issued by HK Electric Investments and the Company, and may only be transferred by their holders, in the form of Share Stapled Units and not in the forms of the individual components of Units, Ordinary Shares and Preference Shares.

The Trust Deed also provides that, subject to the exercise of the Exchange Right and the redemption of the Preference Shares upon the termination of HK Electric Investments, the Trustee-Manager must not consolidate, sub-divide, cancel, buy-back or redeem any Units and the Company must not consolidate, sub-divide, cancel, buy-back or redeem any Shares unless there is a corresponding consolidation, sub-division, cancellation, buy-back or redemption of the Units and of both the issued specifically identified Ordinary Shares which are Linked to the relevant Units and the issued specifically identified Preference Shares which are Stapled to the relevant Units.

REGISTERS

The Trust Deed requires:

(a) the Trustee-Manager and the Company to maintain, or ensure the maintenance of, the Share Stapled Units Register, showing details of those holding Share Stapled Units;

(b) the Trustee-Manager to maintain, or ensure the maintenance of, the Units Register, showing details of those holding Units;

(c) the Company to maintain, or ensure the maintenance of, the Register of Members (including the Principal Register of Members and the Hong Kong Register of Members); and

(d) the Trustee-Manager and the Company to maintain, or ensure the maintenance of, the Register of Beneficial Interests, showing details of the beneficial interests of the Registered Holders of Units in the Ordinary Shares Linked to the Units.

Prior to an exercise of the Exchange Right, all the issued Ordinary Shares will be registered in the Principal Register of Members in the name of the Trustee-Manager. The Preference Shares will be registered in the Hong Kong Register of Members in the respective names of the Registered Holders of Share Stapled Units. A single registrar will be appointed as the common registrar to maintain all the registers, except that the Principal Register of Members which is maintained in the Cayman Islands and which will show the Trustee-Manager as the registered holder of all the issued Ordinary Shares may have a different registrar located in Cayman Islands.

The Trust Deed requires that the Trustee-Manager and the Company must ensure that the Share Stapled Units Register, the Units Register, the Hong Kong Register of Members (in so far as it relates to the Preference Shares) and the Register of Beneficial Interests are entirely consistent with one another.

RIGHT TO ISSUE NEW SHARE STAPLED UNITS VESTED IN THE TRUSTEE-MANAGER AND THE COMPANY JOINTLY

Subject to complying with the provisions of the Trust Deed, the Trustee-Manager and the Company, acting jointly by mutual agreement between them, have the right to effect the creation and issue of Share Stapled Units and/or Convertible Instruments in accordance with the Trust Deed.

Units may only be issued in combination with a specifically identified Ordinary Share and Preference Share, as a component of a Share Stapled Unit. The Trustee-Manager and the Company must both agree to the issue of and agree the terms of issue, including the price, of any Share Stapled Units and each of the individual components (Units, Ordinary Shares and Preference Shares), or any Convertible Instruments to be issued, in each case, before any offer to issue or sell the relevant securities is made.

If the Trustee-Manager and the Company jointly agree to issue Share Stapled Units:

(a) the Trustee-Manager must cause the issue of an agreed number of Units; and

(b) the Company must cause the issue of an identical number of specifically identified Ordinary Shares to the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments) and an identical number of specifically identified Preference Shares in accordance with the Trust Deed, so that the specifically identified Preference Shares are issued, or sold or transferred, to (and registered in the respective names of) the same persons to whom the Units are issued.

The above provisions will apply equally to any issue of Units pursuant to any Convertible Instruments.

The Company shall pay the expenses of the issue and delivery of, and all expenses of obtaining listing for, the Shares issued as components of Share Stapled Units. The Trustee-Manager shall pay the expenses of the issue and delivery of, and all expenses of obtaining listing for, the Units issued as components of Share Stapled Units out of the Trust Property. The obligations of the Company and the Trustee-Manager to issue Shares and Units are subject to the requirements of the relevant laws and regulations, the Trust Deed and any consent or other approval from any necessary authority.

Subject to the exercise of the Exchange Right, the Trustee-Manager and the Company must ensure that each Unit remains Linked to a specifically identified Ordinary Share registered in the Principal Register of Members in the name of the Trustee-Manager (in its capacity as trustee-manager of the HK Electric Investments) and each Unit remains Stapled to a specifically identified Preference Share.

NEW ISSUE ON *PRO RATA* BASIS

After the Listing Date, new Share Stapled Units and/or Convertible Instruments may be offered by the Trustee-Manager and the Company acting jointly by mutual agreement between them, on a *pro rata* basis as a Rights Issue (as defined below) without the prior approval of Registered Holders of Units or Registered Holders of Share Stapled Units other than where any such issue together with such Convertible Instruments (assuming their exercise in full), would increase the total number of issued Share Stapled Units by more than 50% (or such other percentage as may, from time to time, be prescribed by the Listing Rules) (on its own or when aggregated with any other *pro rata* issue of Share Stapled Units under the Trust Deed or open offers announced, (a) within the 12 month period

immediately preceding the announcement of the proposed Rights Issue; or (b) prior to such 12 month period where dealing in respect of Share Stapled Units issued pursuant thereto commenced within such 12 month period, together with any Convertible Instruments (assuming their exercise in full) granted or to be granted to Holders of Share Stapled Units as part of such *pro rata* issues or open offers), in which case such issue shall require the prior approval of an Ordinary Resolution of Registered Holders of Units in respect of which any Holder of Share Stapled Units holding not less than 30% of the issued Share Stapled Units, and the associates of any such Holder, or where there is no person holding 30% or more of the issued Share Stapled Units, Directors of the Company and the Trustee-Manager (in each case, excluding independent non-executive Directors), the chief executive of the Company and the associates of those Directors and the chief executive, shall abstain from voting in favour. For such purposes, the effect on the total number of issued Share Stapled Units of any relevant issue under the Trust Deed (and the relevance and effect of any other issue within the relevant preceding 12 month period) shall be estimated and determined by the Trustee-Manager and the Company jointly, in good faith and using their respective best endeavours, having regard to the terms and conditions of the relevant offer(s) or issue(s) under the Trust Deed.

A "**Rights Issue**" means an offer of Share Stapled Units and/or Convertible Instruments to all existing Registered Holders of Share Stapled Units on a *pro rata* basis and an offer of Share Stapled Units and/or Convertible Instruments shall be considered and deemed to be made on a *pro rata* basis notwithstanding that (a) the Trustee-Manager and the Company acting jointly may, after making due enquiry regarding the applicable jurisdiction, determine that Share Stapled Units and/or Convertible Instruments are not to be offered to some or all of the persons whose addresses are outside Hong Kong, and/or that the Share Stapled Units and/or Convertible Instruments shall be offered on a basis, or containing such other terms, providing for any such other exclusions or adjustments determined by the Trustee-Manager and the Company acting jointly, if the Trustee-Manager and the Company by mutual agreement between them consider such exclusions or adjustments to be necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws, or under the requirements of any recognised regulatory body or stock exchange, of any territory or jurisdiction outside Hong Kong and/or (b) where and to the extent that Registered Holders of Share Stapled Units do not accept any offer of Share Stapled Units and/or Convertible Instruments within the applicable period for acceptance (as determined by the Trustee-Manager and the Company acting jointly by mutual agreement between them), such Share Stapled Units and/or Convertible Instruments may be offered or made available to, and taken up by, other persons as determined by the Trustee-Manager and the Company acting jointly by mutual agreement between them, subject to compliance with the relevant laws and regulations (including the applicable Listing Rules).

NEW ISSUE OTHER THAN ON A *PRO RATA* BASIS UNDER GENERAL MANDATE

The Trust Deed provides that, subject to the lock-up provisions applicable under the Listing Rules, any applicable lock-ups agreed with underwriters, any other applicable provisions of the Listing Rules, the provisions of the Trust Deed requiring that Units be Linked to Ordinary Shares and Stapled to Preference Shares, the provisions below and the provisions described in *"New Issue to a Connected Person"* below, Share Stapled Units may be issued or agreed (conditionally or unconditionally) to be issued, after the Listing Date and on or prior to the date of the first annual general meeting of Registered Holders of Units held after the Listing Date (whether directly or pursuant to any Convertible Instrument), without the approval of an Ordinary Resolution of Registered Holders of Units if the total number of new Share Stapled Units issued, or agreed (conditionally or unconditionally) to be issued, under this provision

of the Trust Deed, otherwise than pursuant to (a) a Rights Issue or (b) any distribution reinvestment arrangement providing for the issue of Share Stapled Units in lieu of all or part of a distribution on Share Stapled Units in accordance with the Trust Deed and the Company's Articles, does not increase the number of Share Stapled Units outstanding immediately following the Listing Date by more than 20%.

Any issue of, or any agreement (whether conditional or unconditional) to issue, new Share Stapled Units exceeding the percentage threshold specified above shall require specific prior approval by an Ordinary Resolution of Registered Holders of Units, except that agreements to issue new Share Stapled Units exceeding such percentage threshold which are conditional upon specific prior approval by an Ordinary Resolution of Registered Holders of Units may be entered into without first obtaining such prior approval.

The authority granted under the general mandate described above shall only remain in effect until the conclusion of the first annual general meeting of Registered Holders of Units following the Listing Date, or the expiration of the period within which such annual general meeting is required to be held, or until revoked, renewed or varied by an Ordinary Resolution of Registered Holders of Units, whichever occurs first.

At each subsequent annual general meeting, the Registered Holders of Units may by an Ordinary Resolution of Registered Holders of Units grant a general mandate to the Directors of the Company and the Trustee-Manager to issue Share Stapled Units not exceeding 20% (or such other percentage as may, from time to time, be prescribed by the Listing Rules) of the Share Stapled Units in issue as at the date of passing of such Ordinary Resolution in accordance with the provisions of the Trust Deed, the terms of such Ordinary Resolution and the relevant laws and regulations.

ISSUES OTHER THAN ON A *PRO RATA* BASIS

Any other issue of, or any agreement (whether conditional or unconditional) to issue, new Share Stapled Units and/or Convertible Instruments shall require specific prior approval by an Ordinary Resolution of Registered Holders of Units, except that agreements to issue new Share Stapled Units which are conditional upon specific prior approval of an Ordinary Resolution of Registered Holders of Units may be entered into without first obtaining such prior approval.

NEW ISSUE UNDER A DULY ADOPTED OPTION SCHEME

The Trust Deed enables the Unitholders to adopt a scheme (equivalent to a share option scheme commonly adopted by listed companies) under which options to subscribe for Share Stapled Units may be granted to the management, executives or employees of the Group and other eligible participants falling within defined categories of persons specified in the relevant scheme. The Trust Deed provides that the Trustee-Manager is not permitted to be a participant under any such option scheme.

The Trust Deed provides that such an option scheme may be adopted by an Ordinary Resolution of Registered Holders of Units and subject to compliance with the Listing Rules. In relation to any such scheme so adopted, notwithstanding any other provisions in the Trust Deed, no further approval of Registered Holders of Units will be required for any issue of options to subscribe for new Share Stapled Units (including, if not so prohibited under such option scheme, to any connected person) pursuant to such option scheme (including, if not so prohibited under such option scheme, without any consideration) or any issue of Share Stapled Units pursuant to the exercise of such options (including, if not so prohibited under such option scheme, to any connected person and/or without any consideration).

NEW ISSUE TO A CONNECTED PERSON

An issue or offer of new Share Stapled Units and/or Convertible Instruments to a connected person (other than (i) pursuant to a Rights Issue or as part of any offer made to all Registered Holders of Share Stapled Units on a *pro rata* basis or (ii) where the connected person receives a *pro rata* entitlement to Share Stapled Units and/or Convertible Instruments in its capacity as a Registered Holder of Share Stapled Units) shall require specific prior approval by an Ordinary Resolution of Registered Holders of Units in respect of which the connected person does not vote in favour of the Ordinary Resolution of Registered Holders of Units, except where such issue or offer is made under any of the following circumstances:

(a) a capitalisation issue (in so far as such issue is offered to the Registered Holders of Share Stapled Units on a *pro rata* basis);

(b) an issue of Share Stapled Units in respect of reinvestment of distributions to Registered Holders of Share Stapled Units;

(c) an issue of Share Stapled Units upon the exercise of options granted to a connected person made in accordance with a duly adopted option scheme; or

(d) an issue of Share Stapled Units and/or Convertible Instruments to a connected person made in accordance with the provisions of the Trust Deed relating to *"Top-Up Placing"* and *"Connected Underwriting"*, as described below.

For the purpose of this provision under the Trust Deed, an offer of Share Stapled Units and/or Convertible Instruments shall be considered and deemed to be made on a *pro rata* basis notwithstanding that (a) the Trustee-Manager and the Company, acting jointly, may, after making due enquiry regarding the applicable jurisdiction, determine that Share Stapled Units and/or Convertible Instruments are not to be offered to some or all of the persons whose addresses are outside Hong Kong, and/or that the Share Stapled Units and/or Convertible Instruments should be offered on a basis, or containing such other terms, providing for any such other exclusions or adjustments determined by the Trustee-Manager and the Company acting jointly, if the Trustee-Manager and the Company by mutual agreement between them consider such exclusions or adjustments to be necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws, or under the requirements of any recognised regulatory body or stock exchange, of any territory or jurisdiction outside Hong Kong; and/or (b) where and to the extent that Registered Holders of Share Stapled Units do not accept any offer of Share Stapled Units and/or Convertible Instruments within the applicable period for acceptance (as determined by the Trustee-Manager and the Company acting jointly by mutual agreement between them), such Share Stapled Units and/or Convertible Instruments may be offered or made available to, and taken up by, other persons as determined by the Trustee-Manager and the Company acting jointly by mutual agreement between them, subject to compliance with the relevant laws and regulations (including the applicable Listing Rules).

TOP-UP PLACING

An issue of new Share Stapled Units and/or Convertible Instruments to a connected person may be made without specific prior approval by an Ordinary Resolution of Registered Holders of Units where the following requirements are complied with:

(a) new Share Stapled Units and/or that class of Convertible Instruments are issued to a connected person within 14 days after such connected person has executed an agreement to reduce its holding of Share Stapled Units and/or that class of Convertible Instruments by placing such Share Stapled Units and/or class of Convertible Instruments to a third person or third persons who is/are not its associate(s);

(b) such new Share Stapled Units and/or class of Convertible Instruments must be issued at a price not less than the placing price (which issue price may however be adjusted for the expenses of the placing); and

(c) the number of new Share Stapled Units and/or that class of Convertible Instruments issued to the connected person must not exceed the number of Share Stapled Units and/or that class of Convertible Instruments placed by it.

CONNECTED UNDERWRITING

An issue of new Share Stapled Units and/or Convertible Instruments to a connected person may be made without specific prior approval by an Ordinary Resolution of Registered Holders of Units where the connected person is acting as underwriter or sub-underwriter of an issue of new Share Stapled Units and/or Convertible Instruments and the following requirements are complied with:

(a) full disclosure of the terms and conditions of the underwriting or sub-underwriting shall be made in the listing document pursuant to which such new Share Stapled Units and/or Convertible Instruments may be issued;

(b) if no arrangements or arrangements other than those described in *"Arrangements in Connection with Rights Issue and Open Offer"* below are made for the disposal of Share Stapled Units and/or Convertible Instruments (in the case of a Rights Issue) not subscribed by the allottees under provisional letters of allotment or their renounces or (in the case of an open offer) not validly applied for, then the absence of such arrangements or the making of such other arrangements must be specifically approved by an Ordinary Resolution of Registered Holders of Units and those persons who have a material interest in such other arrangements must abstain from voting on the matter at the meeting and the circular to Registered Holders of Share Stapled Units must contain full details of the terms and conditions of that underwriting and/or sub-underwriting; and

(c) any applicable provisions of the Listing Rules where a connected person is acting as an underwriter or sub-underwriter of any offer of shares or other securities by a listed company (with necessary changes being made, as if those provisions were applicable to the Share Stapled Units) are complied with.

ARRANGEMENTS IN CONNECTION WITH RIGHTS ISSUE AND OPEN OFFER

In every Rights Issue, the Trustee-Manager and the Company may, by mutual agreement between them, make arrangements to:

(a) dispose of Share Stapled Units and/or Convertible Instruments not subscribed by allottees under provisional letters of allotment or their renouncees by means of excess application forms, in which case such Share Stapled Units and/or Convertible Instruments must be available for subscription by all Registered Holders of Share Stapled Units (provided that the Trustee-Manager and the Company acting jointly may, after making enquiry regarding the applicable law in any applicable jurisdiction other than Hong Kong, in their absolute discretion, elect to exclude those Registered Holders of Share Stapled Units whose addresses are outside Hong Kong if the Trustee-Manager and the Company jointly consider such exclusion to be necessary or expedient on account either of the legal restrictions or requirements of the regulatory bodies or stock exchanges in such jurisdiction(s)) and allocated on a fair basis; or

(b) dispose of Share Stapled Units and/or Convertible Instruments not subscribed by allottees under provisional letters of allotment in the market, if possible, for the benefit of the persons to whom they were offered by way of rights,

and the offer of such securities must be fully disclosed in the rights issue announcement, listing document and any relevant circular.

In every open offer, the Trustee-Manager and the Company may jointly, by mutual agreement between them, make arrangements to dispose of Share Stapled Units and/or Convertible Instruments not validly applied for by Registered Holders of Share Stapled Units in excess of their assured allotments, in which case such Share Stapled Units and/or Convertible Instruments must be available for subscription by all Registered Holders of Share Stapled Units (provided that the Trustee-Manager and the Company may, after making enquiry regarding the applicable law in any applicable jurisdiction other than Hong Kong, in their absolute discretion, elect to exclude those Registered Holders of Share Stapled Units whose addresses are outside Hong Kong if the Trustee-Manager and the Company jointly consider such exclusion to be necessary or expedient on account either of the legal restrictions or requirements of the regulatory bodies or stock exchanges in such jurisdictions(s)) and allocated on a fair basis, and the offer of such securities must be fully disclosed in the open offer announcement, listing document and any relevant circular.

FRACTIONS, BOARD LOTS AND TIMING OF ISSUE

No fraction or part of a Share Stapled Unit (or any component part thereof) shall be issued whether on an initial issue of Share Stapled Units or any subsequent issue.

If any fraction of a Share Stapled Unit (or any component part thereof) arises, the Trustee-Manager and the Company acting jointly shall, in respect of each Registered Holder of Share Stapled Units' entitlement to Share Stapled Units, round down (and not round up) to the nearest whole Share Stapled Unit and any balance of subscription monies arising from such rounding down of the Share Stapled Unit (or any component part thereof) shall be retained as part of the Trust Property.

The Trustee-Manager and the Company shall not be bound to accept an application for an issue of Share Stapled Units pursuant to an initial public offering of Share Stapled Units giving rise to a holding of fewer than 500 Share Stapled Units (or such other number of Share Stapled Units as may be determined by the Trustee-Manager and the Company jointly by mutual agreement).

Issues of Share Stapled Units shall only be made on a business day unless and to the extent that the Trustee-Manager and the Company otherwise jointly prescribe.

THE SHARE STAPLED UNITS MAY NOT BE REPURCHASED OR REDEEMED

Holders of Share Stapled Units have no right to demand for the repurchase or redemption of their Share Stapled Units.

Except for the repurchase or redemption of Preference Share in accordance with the provisions of the Trust Deed and the Company's Articles, the Trust Deed does not permit the Trustee-Manager to repurchase or redeem any Share Stapled Units on behalf of HK Electric Investments unless and until expressly permitted to do so by the relevant codes and guidelines issued by the SFC from time to time. Thereafter, the Trustee-Manager may repurchase or redeem Share Stapled Units but only to the extent permitted by, and in accordance with the provisions of, the relevant laws and regulations and applicable codes and guidelines as may be issued by the SFC from time to time; and only with the agreement of the Company and in circumstances where the Company repurchases or redeems the Ordinary Shares and the Preference Shares included in any Share Stapled Units to be repurchased or redeemed.

TRANSFERS

If and for so long as the Share Stapled Units are listed on the Stock Exchange, transfers of Share Stapled Units between CCASS Participants shall be effected electronically through CCASS making an appropriate entry in its records in respect of the Share Stapled Units that have been transferred, in accordance with the CCASS Requirements.

In respect of Share Stapled Units which are not deposited with CCASS, every Registered Holder of Share Stapled Units shall be entitled to transfer any of the Share Stapled Units held by him or, in the case of Joint Registered Holders of Share Stapled Units, by them, as follows:

(a) a transfer of Share Stapled Units shall be effected (i) by an instrument of transfer in writing in such form as the Trustee-Manager and the Company may from time to time approve or in a form prescribed by the Stock Exchange, accompanied by the certificate(s) issued in respect of the relevant Share Stapled Units or (ii) in any other manner as the Trustee-Manager and the Company may from time to time approve; and

(b) every instrument of transfer relating to Share Stapled Units must be signed by the transferor and the transferee and the transferor shall be deemed to remain the holder of the Share Stapled Units transferred until the name of the transferee is entered in the Share Stapled Units Register in respect thereof. The instrument of transfer need not be a deed. The Trustee-Manager and the Company may also agree, upon request by the transferor or the transferee, to accept mechanically executed transfers. Instruments of transfer executed by machine imprinted signatures of a clearing house shall be acceptable.

Every instrument of transfer must be duly stamped (if required by law) and left with the Registrar (or where there is no Registrar, with the Trustee-Manager) for registration accompanied by the certificate(s) issued in respect of the relevant Share Stapled Units and any necessary declarations or other documents that may be required in consequence of any relevant laws and regulations and by such evidence as the Registrar or the Trustee-Manager or the Company may require to prove the title of the transferor or his right to transfer the Share Stapled Units. The Registrar (or where there is no Registrar, the Trustee-Manager) may dispense with the production of any certificate which shall have become lost, stolen or destroyed upon compliance by the transferor with the like requirements to those arising in the case of an application by him for the replacement thereof.

In respect of Share Stapled Units which are not deposited with CCASS, the Trustee-Manager and the Company shall alter or cause to be altered the Share Stapled Units Register (and the other registers) to record the date of each transfer of Share Stapled Units and the name and address of the transferee.

No Registered Holder of a Share Stapled Unit may require the transfer of a Share Stapled Unit to be registered during any period for which the Share Stapled Units Register is closed. Subject to the relevant laws and regulations, the Share Stapled Units Register may be closed at such times and for such periods as the Trustee-Manager may from time to time determine, provided that the Share Stapled Units Register shall not be closed for more than 30 days in any one year.

Share Stapled Units shall only be transferable:

(a) in the form of Share Stapled Units and not as the individual components (Unit, beneficial interest in an Ordinary Share and a Preference Share) comprising a Share Stapled Unit; and

(b) in multiples of one Share Stapled Unit.

No transfer shall be registered if the registration thereof would result in the transferor or the transferee being a registered holder of less than one Share Stapled Unit.

Title to the Share Stapled Units passes only by transfer of Share Stapled Units, or by transmission of Share Stapled Units, and registration of the transferee(s) in the Share Stapled Units Register in accordance with the Trust Deed.

The entries in the Share Stapled Units Register shall (save in the case of manifest error) be conclusive evidence of the number of Share Stapled Units held by each Registered Holder of Share Stapled Units and the title of that Registered Holder of Share Stapled Units to those Share Stapled Units.

EXCHANGE RIGHT

The Registered Holders of Share Stapled Units have the right to exchange all the Share Stapled Units for Ordinary Shares at any time by passing an Extraordinary Resolution of Registered Holders of Units providing for the exchange of Share Stapled Units for Ordinary Shares. Please refer to *"Quorum and Voting at Meetings of Registered Holders of Units"* below on the manner in which a Registered Holder of Share Stapled Units can call for an extraordinary general meeting and move a resolution to exercise the Exchange Right. The right of the Registered Holders of Share Stapled Units to exchange their Share Stapled Units for Ordinary Shares is called the "**Exchange Right**". Any such Extraordinary Resolution of Registered Holders of Units, if duly passed, shall have the effect of exercising the Exchange Right in respect of all the issued and outstanding Share Stapled Units at the relevant time and shall be binding on all the Registered Holders of Share Stapled Units.

Upon the exercise of the Exchange Right by passing an Extraordinary Resolution of Registered Holders of Units in accordance with the Trust Deed, the Units and the Preference Shares comprising the issued and outstanding Share Stapled Units shall be exchanged with the Trustee-Manager and cancelled, and in consideration and in exchange therefor, the Trustee-Manager shall transfer the specifically identified Ordinary Shares held by the Trustee-Manager which are Linked to the Units comprising the Share Stapled Units so cancelled, to the persons registered in the Share Stapled Units Register as the Registered Holders of Share Stapled Units.

The number of Ordinary Shares to be transferred on exchange of Share Stapled Units is one Ordinary Share for each Unit which is a component of the Share Stapled Units. Therefore, because each Share Stapled Unit includes one Unit, the number of Ordinary Shares to be transferred on exchange of Share Stapled Units is one Ordinary Share for each Share Stapled Unit.

The Exchange Right may not be exercised following an Ordinary Resolution of Registered Holders of Units or Extraordinary Resolution of Registered Holders of Units directing the termination of HK Electric Investments having been passed in accordance with the Trust Deed.

SUB-DIVISION AND CONSOLIDATION OF UNITS

Subject to the provisions of the Trust Deed and to the relevant laws and regulations, the Trustee-Manager and the Company may jointly, by mutual agreement between them, with the prior approval of an Ordinary Resolution of Registered Holders of Units, determine that each Unit shall be sub-divided into two or more Units or consolidated with one or more other Units and the Unitholders shall be bound accordingly. The Trustee-Manager and the Company shall procure that the specifically identified Ordinary Shares held by the Trustee-Manager and Linked to the Units and the specifically identified Preference Shares Stapled to the Units shall each be sub-divided or consolidated (as the case may be) on the same terms, *mutatis mutandis*, as the Units which are being sub-divided or consolidated (as the case may be).

The Units Register shall be altered accordingly to reflect the new number of Units held by each Registered Holder of Units as a result of such sub-division or consolidation. Corresponding alterations shall also be made to the Share Stapled Units Register, the Register of Members and the Register of Beneficial Interests to reflect the sub-division or consolidation of the Units, the specifically identified Ordinary Shares and the specifically identified Preference Shares (as applicable).

RIGHTS OF REGISTERED HOLDERS OF UNITS

Registered Holders of Units shall be entitled to enforce the rights of the Registered Holders of Units and the obligations of the Trustee-Manager and the Company to the Registered Holders of Units under this Deed.

For so long as the Share Stapled Units are listed on the Stock Exchange, the Trustee-Manager and the Company shall use their respective reasonable endeavours to ensure that:

(a) the Share Stapled Units are eligible for admission to CCASS;

(b) the Trustee-Manager shall record HKSCC Nominees as the registered holder of all Share Stapled Units in issue which are deposited with CCASS and shall record a holder (other than HKSCC Nominees) as the Registered Holder of Share Stapled Units which are held by such holder and not deposited with CCASS;

(c) a Share Stapled Unit represented by an entry in the Share Stapled Units Register in the name of the Registered Holder of a Share Stapled Unit (other than HKSCC Nominees) can be deposited in CCASS and registered in the Share Stapled Units Register in the name of HKSCC Nominees in accordance with the CCASS requirements and otherwise on terms and conditions as may be prescribed by HKSCC or the Trustee-Manager and the Company acting jointly; and

(d) a Share Stapled Unit deposited in CCASS can be withdrawn from CCASS and be represented by an entry in the Share Stapled Units Register in the name of a Registered Holder of a Share Stapled Unit (other than HKSCC Nominees) in accordance with the CCASS requirements and otherwise on terms and conditions as may be prescribed by HKSCC or by the Trustee-Manager and the Company acting jointly.

The information specified in the Trust Deed in respect of the Share Stapled Units and transfers of those Share Stapled Units must be entered in the Share Stapled Units Register. The information specified in the Trust Deed in respect of the Units and the Stapled Preference Shares which are components of the Share Stapled Units, and transfers of those Units and Stapled Preference Shares, must also be entered in the Units Register and the Hong Kong Register of Members, respectively; and the beneficial interests in the Linked Ordinary Shares component of the Share Stapled Units and transfers of those beneficial interests must be entered in the Register of Beneficial Interests.

The registered holder(s) of a Share Stapled Unit shown in the Share Stapled Units Register, the registered holder(s) of the Unit which is a component of the relevant Share Stapled Unit, the holder of the beneficial interest in the specifically identified Ordinary Share which is Linked to that Unit and the registered holder(s) of the specifically identified Preference Share which is a component of the relevant Share Stapled Unit must, at all times, be the same person(s).

Certificates in respect of Share Stapled Units will be printed in accordance with all applicable requirements of the Stock Exchange and/or any alternative stock exchange on which the Share Stapled Units are listed from time to time, will be in a form approved by the Trustee-Manager and the Company and shall be *prima facie* evidence of the title of the person named in the certificate to the Share Stapled Units.

DISTRIBUTIONS

The Trust Deed requires the Trustee-Manager to distribute 100% of the dividends, distributions and other amounts received by the Trustee-Manager in respect of the Ordinary Shares from the Company, after deduction of all amounts permitted to be deducted or paid under the Trust Deed (such as operating expenses of HK Electric Investments) (the "**Trust Distributable Income**").

The distributions received by the Trustee-Manager from the Company will be derived from the Group Distributable Income, which is derived from the Group's annual financial results.

The Trust Deed and the Company's Articles state the current intention of the Company Directors to declare and distribute 100% of the Group Distributable Income for (a) the period from the Listing Date to 31 December 2014 and (b) each financial year thereafter. In addition, subject to compliance with all applicable laws of the Cayman Islands and the Company's Articles, the Company Directors may declare and distribute such additional amounts as the Company Directors in their discretion determine.

If the Group sells any fixed assets or properties, the Company Directors may, at their discretion, retain all or any part of the proceeds (including any realised gains) from such sale (less associated taxes and expenses and associated debt repayments), including any amounts retained for the purpose of servicing future debt repayments and/or for the purpose of complying with covenants in any credit facility agreement (such amounts retained for debt repayment and covenant compliance being "**Excluded Amounts**"), for up to five years following such sale and may utilise the retained proceeds (other than the Excluded Amounts) for the acquisition of other fixed assets or properties and/or capital expenditure. To the extent that all or any part of the retained proceeds (other than the Excluded Amounts) are not utilised for the purposes described above within five years following such sale, the Company will distribute such retained proceeds (other than the Excluded Amounts) to the Trustee-Manager.

The distributions received by the Trustee-Manager from the Company (after deducting the operating expenses of HK Electric Investments) will be used to fund distributions in respect of the Share Stapled Units to be made by the Trustee-Manager (on behalf of HK Electric Investments).

It is the current intention of the Company Directors that the Company will declare and make distributions to the Trustee-Manager on a semi-annual basis, with the interim and final distributions in respect of a financial year being equal, in aggregate, to 100% of the Group Distributable Income in respect of that financial year. The respective proportions of the aggregate annual distribution to be paid as an interim distribution and a final distribution shall be determined by the Company Board in its discretion and the amount of the interim distribution need not be proportionate to the Group Distributable Income in respect of the first six months of the relevant financial year (or other period in respect of which the distribution is made) or proportionate to the Group Distributable Income in respect of the relevant financial year.

The statement in the Trust Deed and the Company's Articles of the Company Directors' current intention regarding the declaration and distribution of the Group Distributable Income is a distribution policy only and is a statement of the Company Directors' current intention only. It is not a legally binding obligation of the Company Directors, the Company, the Trustee-Manager or HK Electric Investments and is subject to change.

Under the Trust Deed, subject to the relevant laws and regulations and the requirement that the Trustee-Manager distribute 100% of the Trust Distributable Income to the Holders of Share Stapled Units, the Trustee-Manager may declare a distribution in cash to the Holders of Share Stapled Units out of the Trust Property in respect of such period, of such amounts and on such dates as it may think fit.

In addition, under the Trust Deed, the Trustee-Manager may also distribute an amount which represents part of the capital of HK Electric Investments and which the Trustee-Manager reasonably determines to be in excess of the financial needs of HK Electric Investments and/or part or all of the unrealised gains.

The form, frequency and amount of future distributions (if any) will depend on the earnings, financial position and results of operations of the Group, as well as contractual restrictions (including limitations on borrowings under the Trust Deed and compliance with financial undertakings imposed under the Group's loan facilities agreements), provisions of applicable laws and regulations and other factors including, but not limited to, funding requirements with reference to the prevailing business environment and operations, and expansion plans, other capital management considerations, the overall stability of distributions and prevailing industry practice. If the distribution policy were to be changed in the future, the Trustee-Manager and the Company will issue an announcement describing the relevant change.

After HK Electric Investments has been admitted to the Main Board of the Stock Exchange, the Trustee-Manager will make distributions to Holders of Share Stapled Units on a semi-annual basis from the interim and final distributions to be made by the Company to the Trustee-Manager as described above. The Trustee-Manager will pay the interim distribution within four months after 30 June and the final distribution within six months after 31 December of each year.

The Trustee-Manager will inform the Stock Exchange immediately of:

(a) any decision to declare, recommend or pay any distribution and the rate and amount thereof;

(b) any decision not to declare, recommend or pay any distribution which would otherwise have been expected to be declared, recommended or paid in due course; and

(c) any preliminary announcement of profits or losses for any year, half year or other period.

The Trustee-Manager will inform the Registered Holders of Share Stapled Units of any decision referred to above by way of an announcement. The announcement must be made as soon as possible after the decision.

An announcement made in respect of a decision to declare, recommend or pay any distribution must include:

(a) the amount of the distribution and the distribution entitlement per Unit of the Registered Holders of Units;

(b) the record date and approximate payment date for the distribution;

(c) confirmation that the auditor has reviewed and verified the Trustee-Manager's calculation of the distribution entitlement per Unit, in accordance with the Trust Deed; and

(d) confirmation by the Trustee-Manager Board that, having made all reasonable enquiries, immediately after making the relevant distribution to the Registered Holders of Units, the Trustee-Manager will be able to fulfil, from the Trust Property, the liabilities of HK Electric Investments as they fall due.

All distributions are paid *pro rata* among Registered Holders of Units in proportion to the number of fully paid up Units held by the relevant Registered Holders of Units.

Upon declaration of any distribution per Unit made by the Trustee-Manager (on behalf of HK Electric Investments), HK Electric Investments shall be obliged to pay such distribution per Unit regardless of the number of Units in issue as at the record date for the relevant distribution, save where there is any consolidation or sub-division of Units, in which case appropriate adjustments shall be made accordingly.

If new Units (in the form of Share Stapled Units) are issued after the declaration of a distribution but on or before the record date for such distribution, the total amount to be distributed by HK Electric Investments shall be proportionately increased such that Registered Holders of Units at the record date for the distribution will all receive the distribution per Unit as declared. Notwithstanding the foregoing, where HK Electric Investments does not have sufficient cash flow to meet payments of distributions to Registered Holders of Units as a result of new Units having been issued after the declaration of a

distribution, or if a payment of a distribution to Registered Holders of Units, if made, will breach any applicable covenants to which HK Electric Investments or the Group is subject, such unpaid distribution shall be accrued and shall be paid to the persons entitled thereto as soon as practicable after HK Electric Investments has sufficient cash flow to meet the payment obligations or is able to meet the payment obligations without breaching any applicable covenant (as the case may be), provided that no interest shall be paid on Registered Holders of Units' distributions entitlement accrued but not paid and that Registered Holders of Units shall be notified of the suspension of payments.

The Trustee-Manager may deduct from each Registered Holder of Units' distribution entitlement all amounts which:

(a) are necessary to avoid distributing a fraction of a cent by rounding down the relevant amount to the nearest cent;

(b) the Trustee-Manager determines not to be practical to distribute on a distribute date;

(c) equal any amount of tax which has been paid or which the Trustee-Manager determines is or may be payable by it in respect of the portion of the income of HK Electric Investments attributable to such Registered Holder of Units or the amount of the distribution otherwise distributable to such Registered Holder of Units;

(d) are required to be deducted by the relevant laws and regulations or the Trust Deed; or

(e) are payable by the Registered Holder of Units to the Trustee-Manager or the Company.

The Trustee-Manager may, at its absolute discretion and if practicable, cause such sums which represent monies remaining unclaimed for six years after the date on which such unclaimed monies are due to be paid, to be forfeited. For the avoidance of doubt, the monies so forfeited shall revert to HK Electric Investments and form part of the Trust Property and the relevant Registered Holders of Units shall not have any right or claim in respect of such monies against HK Electric Investments or the Trustee-Manager if a period of six years has elapsed from the date such monies are first payable.

NO DEBT

The Trustee-Manager is not permitted under the Trust Deed to, either for itself or for HK Electric Investments, borrow or raise monies or to charge, mortgage or create security over all or any of the assets or rights of HK Electric Investments or issue debentures or other debt securities. HK Electric Investments shall not lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person.

QUORUM AND VOTING AT MEETINGS OF REGISTERED HOLDERS OF UNITS

The Trustee-Manager shall at least once in every calendar year convene a general meeting of the Registered Holders of Units as the annual general meeting thereof in addition to any other meetings in that year and shall specify the meeting as such in the notice calling it. The annual general meeting shall be held at such time and place as the Trustee-Manager shall appoint and not less than 21 days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) in writing thereof shall be given to the Registered Holders of Units.

The Trustee-Manager may (and the Trustee-Manager shall at the request in writing of the Registered Holders of Units holding not less than 5% of the Units for the time being in issue and outstanding) at any time convene a meeting of Registered Holders of Units at such time or place in Hong Kong (subject as hereinafter provided) as the party convening the meeting may think fit and propose resolutions for consideration at such meeting.

At any meeting of Registered Holders of Units, the Trustee-Manager or a person nominated by the Trustee-Manager shall be the chairman of the meeting. A declaration by the chairman that a resolution has been carried or carried unanimously or by a particular majority or lost shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

At least 14 days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of every meeting shall be given to the Registered Holders of Units in the manner provided in the Trust Deed, except that at least 21 days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of the meeting shall be given to the Registered Holders of Units where an Extraordinary Resolution of Registered Holders of Units is proposed for consideration at such meeting. The notice shall specify the place, day and time of meeting and the terms of any resolution to be proposed thereat. The accidental omission to give notice to or the non-receipt of notice by any of the Registered Holders of Units shall not invalidate any resolution passed or any proceedings at any meeting.

Notwithstanding that a meeting of Registered Holders of Units is called by shorter notice than that referred to above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all the Registered Holders of Units entitled to attend and vote thereat or their proxies; and

(b) in the case of any other meeting, by a majority in number of the Registered Holders of Units having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the Units giving that right.

At any meeting of Registered Holders of Units, two or more Registered Holders of Units present in person, by corporate representative or by proxy, shall form a quorum for the transaction of business. No business shall be transacted at any meeting unless the requisite quorum is present at the commencement of business. Split proxies (whereby a Registered Holders of Units may vote some of the Units registered in his name in favour of a resolution and some of them against) shall, for the avoidance of doubt, be permitted, provided that the provisions of the Trust Deed must be complied with in relation to a meeting of Registered Holders of Units and a meeting of Shareholders (or a combined meeting characterised as a meeting of Registered Holders of Share Stapled Units (a "**Meeting of Registered Holders of Share Stapled Units**") convened to consider the same, or substantially the same, matter.

A Registered Holder of Units is entitled to attend, speak and vote at any general meeting of the Registered Holders of Units in person or by proxy. A Registered Holder of Units may appoint more than one proxy (who need not be a Unitholder) to attend and vote at the same general meeting and such proxy shall have the same right as the Registered Holder of Units to speak at the general meeting. The instrument appointing a proxy and (if required by the Trustee-Manager) the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority shall be

deposited at the place specified in the notice convening the meeting or in any notice of any adjournment or, in each case, in any document sent therewith (or, if no such place is specified, at the registered office of the Registrar) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date stated in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a Registered Holder of Units from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked. A person appointed to act as a proxy need not be a Registered Holder of Units.

Subject to the circumstances described below, at any meeting a resolution put to the vote of the meeting shall be decided on a poll and the result of the poll shall be deemed to be the resolution of the meeting. A poll shall be taken in such manner (including the use of ballot or voting papers or tickets) as the chairman may direct and the result of the poll shall be deemed to be the resolution of the general meeting at which the poll was demanded. The chairman may (and if so directed by the meeting shall) appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll. A poll shall be taken at such time and place as the chairman directs. A poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.

The chairman of a meeting may in good faith allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every Registered Holder of Units present in person, by corporate representative or by proxy shall have one vote, provided that where more than one proxy is appointed by a Registered Holder of Units which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. For the purposes of this paragraph, procedural and administrative matters are those prescribed under the Listing Rules to be voted on by a show of hands.

Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded:

(a) by the chairman; or

(b) by at least three Registered Holders of Units present in person or by proxy for the time being entitled to vote at the meeting; or

(c) by any Registered Holder(s) of Units present in person or by proxy and representing not less than one-tenth of the total voting rights of all the Registered Holders of Units having the right to vote at the meeting; or

(d) by any Registered Holder(s) of Units present in person or by proxy and holding Units conferring a right to vote at the meeting being Units on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Units conferring that right.

Unless a poll be so demanded and the demand is not withdrawn, a declaration by the chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the meeting, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution. The demand for a poll may be withdrawn.

On a vote permitted by way of show of hands, every Registered Holder of Units present in person (or in the case of a Registered Holder of Units being a corporation, by its duly authorised representative) shall have one vote and on a poll, every Registered Holder of Units who is present in person, by corporate representative or by proxy shall have one vote for every Unit of which he or she holds or represents provided such Units are fully paid up. Votes cast by a Registered Holder of Units in contravention of the applicable provisions of the Listing Rules shall not be counted.

An instrument of proxy may be in a usual common form or in any other form which the Trustee-Manager shall approve. The use of two-way proxy forms is not precluded.

Where a Registered Holder of Units is a recognised clearing house (within the meaning of the SFO) or its nominee(s), it may authorise such person or persons as it thinks fit to act as its representative(s) or proxy(ies) at any meeting of Registered Holders of Units or any class of Registered Holders of Units, provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number of Units in respect of which each such person is so authorised. Each person so authorised will be entitled to exercise the same power on behalf of the recognised clearing house as that clearing house or its nominee(s) could exercise if it were an individual Registered Holder of Units.

HKSCC Nominees (or any successor thereto) may appoint more than one proxy or corporate representative to attend and vote at any meetings of Registered Holders of Units as if they were individual Registered Holders of Units and such representatives shall not be required to produce any documents of title or notarised authorisation in respect of such appointment.

CO-ORDINATION OF MEETINGS OF REGISTERED HOLDERS OF UNITS AND SHAREHOLDERS

The Trust Deed provides that matters requiring approval by a resolution of Registered Holders of Units under the Trust Deed must also be approved by an equivalent resolution of Shareholders. If a meeting of Registered Holders of Units is convened, a meeting of Shareholders must also be convened and *vice versa*.

To the extent permitted under relevant laws and regulations, meetings of Registered Holders of Units and meetings of Shareholders shall be held on a combined basis as a single Meeting of Registered Holders of Share Stapled Units. If that is not possible under the relevant laws and regulations, the meetings shall be held separately but consecutively, with the meeting of Registered Holders of Units being held immediately prior to the meeting of Shareholders.

A holder of a Share Stapled Unit will be entitled to exercise the following voting rights conferred by the Share Stapled Unit:

(a) a vote of the Unit which is a component of the Share Stapled Unit, at meetings of Registered Holders of Units convened and held in accordance with the provisions of the Trust Deed; and

(b) two votes at meetings of Shareholders convened and held in accordance with the provisions of the Company's Articles and the Trust Deed. Those votes are:

(i) a vote in respect of the Preference Share which is Stapled to the Unit and registered in the name of the Registered Holder of the Share Stapled Unit in respect of any required resolution of Shareholders; and

(ii) a vote in respect of the Ordinary Share which is Linked to the Unit and registered in the name of the Trustee-Manager. The vote conferred by the Ordinary Share which is Linked to the Unit is exercised by the Registered Holder of the Share Stapled Unit giving a direction to the Trustee-Manager to vote that Ordinary Share at meetings of Shareholders, as described in *"Requirements for the Exercise By the Trustee-Manager of the Voting Rights Conferred by the Ordinary Shares"* below.

In relation to a Meeting of Registered Holders of Share Stapled Units, to the extent practicable a single resolution shall be proposed to approve the matter to be considered by the Registered Holders of Units and the Shareholders, which resolution shall be characterised as a resolution of the Registered Holders of Share Stapled Units and shall serve as both a resolution of Registered Holders of Units and a resolution of Shareholders.

In relation to meetings of Registered Holders of Units and Shareholders to be held separately but consecutively in accordance with the Trust Deed, to the extent practicable, the same or a substantially similar resolution (with any modifications which are necessary or desirable to reflect the manner in which the matter being considered affects HK Electric Investments or the Company differently) shall be proposed for consideration at each meeting.

In relation to both Meetings of Registered Holders of Share Stapled Units and meetings of Registered Holders of Units and Shareholders to be held separately but consecutively:

(a) in respect of each individual Share Stapled Unit, the voting rights conferred by a Unit and the specifically identified Preference Share which is Stapled to it, which are components of the relevant Share Stapled Unit, can only be exercised in the same way (either for or against) in respect of (as the case may be):

(i) a single resolution proposed at a meeting characterised as a meeting of Registered Holders of Share Stapled Units; or

(ii) a resolution of Registered Holders of Units and a resolution of Shareholders dealing with the same, or substantially the same, matter proposed at separate but consecutive meetings of Registered Holders of Units and Shareholders; and

(b) a Registered Holder of a Share Stapled Unit shall cast a single vote in respect of that Share Stapled Unit, which shall serve as a vote in respect of both the Unit and the Preference Share constituting that Share Stapled Unit, either for or against in respect of (as the case may be):

(i) a resolution proposed at a meeting characterised as a meeting of Registered Holders of Share Stapled Units; or

(ii) a resolution of Registered Holders of Units and a resolution of Shareholders, which deal with the same, or substantially the same, matter proposed at separate but consecutive meetings of Registered Holders of Units and Shareholders.

A Registered Holder of Share Stapled Units holding more than one Share Stapled Unit may vote some of the Share Stapled Units registered in his name in favour of a resolution proposed at a Meeting of Registered Holders of Share Stapled Units and some of them against the relevant resolution, provided that the provisions of the Trust Deed described in the foregoing paragraph are complied with in respect of each individual Share Stapled Unit registered in his name. Similarly, a Registered Holder of Share Stapled Units holding more than one Share Stapled Unit may vote some of the Share Stapled Units registered in his name in favour of both resolutions dealing with the same, or substantially the same, matter proposed at separate meetings of Registered Holders of Units and Shareholders held consecutively, and some of them against both those resolutions, provided that the provisions of the Trust Deed described in the foregoing paragraph are complied with in respect of each individual Share Stapled Unit registered in his name.

To the extent permitted by the relevant laws and regulations and the Company's Articles, a Meeting of Registered Holders of Share Stapled Units shall constitute:

(a) a meeting of the Registered Holders of Units; and

(b) a meeting of Shareholders.

REQUIREMENTS FOR THE EXERCISE BY THE TRUSTEE-MANAGER OF THE VOTING RIGHTS CONFERRED BY THE ORDINARY SHARES

The Trustee-Manager shall exercise the voting rights conferred by the Ordinary Shares held by it in respect of a resolution proposed at a Meeting of Registered Holders of Share Stapled Units in the same way (either for or against the relevant resolution) as the votes conferred by the Units to which those Ordinary Shares are Linked are or have been exercised in respect of the same resolution.

In relation to any resolution to be proposed at a meeting of Shareholders to be held separately but consecutively with a meeting of Registered Holders of Units in accordance with the provisions of the Trust Deed, a corresponding resolution shall first be proposed at a meeting of Registered Holders of Units. This is to enable Registered Holders of Units, by exercising the voting rights conferred by the Units held by them, to give directions to the Trustee-Manager as to how to vote the specifically identified Ordinary Shares held by the Trustee-Manager which are Linked to those Units, in respect of the resolution(s) to be proposed at the meeting of Shareholders.

Subject to the arrangements described above which apply in respect of a Meeting of Registered Holders of Share Stapled Units, the Trustee-Manager shall only exercise the voting rights conferred by the Ordinary Shares held by it in respect of a resolution proposed at a meeting of Shareholders:

(a) if a meeting of Registered Holders of Units is or has been convened and held to consider the same, or substantially the same, matter (with any modifications which are necessary or desirable to reflect the manner in which the matter being considered affects HK Electric Investments or the Company differently) or to determine how the Trustee-Manager should exercise the voting rights conferred by the Ordinary Shares at a meeting of Shareholders; and

(b) in the same way (either for or against the relevant resolution) as the votes conferred by the Units to which those Ordinary Shares are Linked are or have been exercised in respect of the resolution of Registered Holders of Units.

In respect of a resolution of Shareholders to be proposed at a Meeting of Registered Holders of Share Stapled Units, the Trustee-Manager shall not exercise the voting rights conferred by the Ordinary Shares held by it which are Linked to Units in respect of which no voting rights are or have been exercised at the relevant Meeting of Registered Holders of Share Stapled Units.

Similarly, in respect of a resolution of Shareholders to be proposed at a separate but consecutive meeting of Shareholders held in accordance with the Trust Deed, the Trustee-Manager shall not exercise the voting rights conferred by the Ordinary Shares held by it which are Linked to Units in respect of which no voting rights have been exercised at a meeting of Registered Holders of Units convened under the Trust Deed to consider the same or substantially the same matter or to determine how the Trustee-Manager should exercise the voting rights conferred by the Ordinary Shares.

FORMS OF PROXY AND VOTING PAPERS

To the extent permitted by the relevant laws and regulations, in the case of a Meeting of Registered Holders of Share Stapled Units, the form of proxy to be provided to Registered Holders of Share Stapled Units, and the form of voting paper, will, in each case, be a single, composite, form. Unless otherwise expressly stated in the form of proxy or the form of voting paper provided for use in respect of the Meeting of Registered Holders of Share Stapled Units, the effect of completing a form of proxy or voting paper (as the case may be) indicating a vote either for or against a resolution characterised in the form of proxy or voting paper as a resolution of Registered Holders of Share Stapled Units to be proposed at a Meeting of Registered Holders of Share Stapled Units shall be that the vote given in respect of the Share Stapled Units in question shall constitute:

(a) a vote of the Units included in the Share Stapled Units, in respect of any required resolution of Registered Holders of Units;

(b) a vote of the Preference Shares Stapled to those Units in respect of any required resolution of Shareholders; and

(c) an instruction to the Trustee-Manager to vote the number of Ordinary Shares Linked to the relevant Units in the same way (either for or against) in respect of any required resolution of Shareholders.

To the extent permitted by the relevant laws and regulations, in the case of meetings of Registered Holders of Units and Shareholders held separately but consecutively to consider the same, or substantially the same, resolution (with any modifications which are necessary or desirable to reflect the manner in which the matter being considered affects HK Electric Investments or the Company differently), the form of proxy and the form of voting paper provided for use in respect of the meeting of Registered Holders of Units shall, unless expressly stated otherwise in the relevant form, have the effect that the vote given in respect of Units either for or against a resolution shall also constitute an instruction to the Trustee-Manager to vote the same number of Ordinary Shares which are "Linked" to the Units in the same way (either for or against) in respect of the resolution dealing with the same, or substantially the same, matter at the separate but consecutive meeting of Shareholders.

The forms of proxy and voting paper provided for use in respect of the meetings referred to above shall contain prominent statements detailing the effect of completing the relevant form indicating a vote either for or against the relevant resolution(s).

MATTERS REQUIRING THE APPROVAL OF REGISTERED HOLDERS OF UNITS

The Trust Deed requires that the following matters may only be effected with prior approval by an Ordinary Resolution of Registered Holders of Units:

(a) the listing of the Share Stapled Units on an alternative stock exchange;

(b) offers of new Share Stapled Units and/or Convertible Instruments on a *pro rata* basis as a Rights Issue where any such issue together with such Convertible Instruments (assuming full conversion), would increase the total number of issued Share Stapled Units by more than 50% (or such other percentage as may, from time to time, be prescribed by the Listing Rules);

(c) the grant of a general mandate to the Directors of the Company and the Trustee-Manager to issue new Share Stapled Units (whether directly or pursuant to any Convertible Instrument) other than on a *pro rata* basis not exceeding 20% (or such other percentage as may, from time to time, be prescribed by the Listing Rules) of the Share Stapled Units in issue as at the date of the passing of such Ordinary Resolution;

(d) any issue of or any agreement to issue new Share Stapled Units or Convertible Instruments other than on a *pro rata* basis (a limited general mandate to issue Share Stapled Units was conditionally approved prior to the Listing Date);

(e) adoption of a Share Stapled Units option scheme, pursuant to which Share Stapled Units and/or Convertible Instruments are to be issued;

(f) any issue of Share Stapled Units or Convertible Instruments to a connected person (other than (i) pursuant to a Rights Issue on a *pro rata* basis or (ii) where the connected person receives a *pro rata* entitlement to Share Stapled Units and/or Convertible Instruments in its capacity as a Registered Holder of Share Stapled Units) which does not fall within the exempted issues under the Trust Deed;

(g) issue of new Share Stapled Units at an issue price that is at a discount of more than 20% (or such other percentage as may, from time to time, be prescribed by the Listing Rules) to the market price of the Share Stapled Units;

(h) sub-division or consolidation of Units and Preference Shares;

(i) declaration by the Trustee-Manager of a distribution to the Registered Holders of Units other than in cash (for the avoidance of doubt, distributions are only declared in respect of the Units and no distributions may be declared in respect of the Preference Shares except in the case of the winding up of the Company);

(j) the appointment and removal of an auditor;

(k) the fixing of the auditor's remuneration;

(l) the removal and appointment of the Trustee-Manager;

(m) the termination of HK Electric Investments in the event that any law is passed which renders HK Electric Investments illegal or, in the reasonable opinion of the Trustee-Manager, impracticable or inadvisable to continue HK Electric Investments;

(n) a transaction which is a connected transaction for HK Electric Investments or the Company under the Listing Rules and which is not exempt from independent shareholders' approval requirements under the Listing Rules; and

(o) a transaction which is a major transaction, very substantial disposal or very substantial acquisition under the Listing Rules,

provided that in the case of paragraphs (n) and (o) above, if the Listing Rules permit approval for the transaction to be given by written shareholders' approval from a shareholder or closely allied group of shareholders who together hold more than 50% in nominal value of the securities giving the right to attend and vote at a general meeting to approve the transaction (in lieu of holding a general meeting of shareholders), the transaction can be effected with the written approval from a Registered Holder of Units or a closely allied group of Registered Holders of Units together holding more than 50% of the total number of Units in issue at the relevant time, provided further that any other applicable requirements imposed under the Listing Rules in order for the transaction to be approved in that manner are also satisfied.

The Trust Deed requires that the following matters may only be effected with prior approval by an Extraordinary Resolution of Registered Holders of Units:

(a) change of name of HK Electric Investments;

(b) exchange of Share Stapled Units for Ordinary Shares pursuant to the Exchange Right;

(c) termination of HK Electric Investments by the Trustee-Manager; and

(d) modification of the Trust Deed as described below.

MODIFICATION OF CLASS RIGHTS

If at any time the Units are divided into different classes of Units, rights attached to any class of Units may only be modified with prior approval by an Extraordinary Resolution of the Registered Holders of Units of the relevant class passed at a separate meeting of the Registered Holders of Units of that class. The rights conferred upon the Registered Holders of Units of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such Units, be deemed to be varied by the creation or issue of further Units ranking *pari passu* therewith.

Notwithstanding anything to the contrary in the Trust Deed, the quorum for a separate meeting of Registered Holders of Units is the holders of at least one-third of the issued Units of that class.

POWER TO COMPULSORILY ACQUIRE SHARE STAPLED UNITS OF REGISTERED HOLDERS OF SHARE STAPLED UNITS

(a) In Respect of a General Offer

Where a scheme or contract involving the transfer of Share Stapled Units to another person (the "**Transferee**") has, within four months after the making of the offer in that behalf by the Transferee, been approved by the holders of not less than 90% in value of Share Stapled Units affected, the Transferee may, at any time within two months after the expiration of the said four months, give notice to any Registered Holder of Share Stapled Units who has not assented to the scheme or contract and any Registered Holder of Share Stapled Units who has failed or refused to transfer his Share Stapled Units to the Transferee in accordance with the scheme or contract (each, a "**Dissenting Holder**") that the Transferee desires to acquire the Dissenting Holder's Share Stapled Units, and where such notice is given, the Transferee shall, unless on application made to the courts in Hong Kong (in respect of the Units) and/or the courts in the Cayman Islands (in respect of the Preference Shares) by the Dissenting Holder within one month from the date on which the notice was given, the relevant court thinks fit to order otherwise, be entitled and bound to acquire those Share Stapled Units on the terms on which under the scheme or contract the Share Stapled Units of the approving Registered Holders of Share Stapled Units are to be transferred to the Transferee.

Where a notice has been given by the Transferee in accordance with the Trust Deed and the relevant court(s) has or have not, on an application made by Dissenting Holders, ordered to the contrary, the Transferee shall, on the expiration of one month from the date on which the notice was given or, if an application to the court(s) by the Dissenting Holder is then pending, after that application has been disposed of, transmit a copy of the notice to the Company and the Trustee-Manager and pay or transfer to the Trustee-Manager the amount or other consideration representing the price payable by the Transferee for the Share Stapled Units which by virtue of this provision the Transferee is entitled to acquire, and the Company and the Trustee-Manager shall thereupon register the Transferee as the Registered Holder of those Share Stapled Units.

Any sums received by the Trustee-Manager under this provision shall be paid into a separate bank account, and any such sums and other consideration so received shall be held by the Trustee-Manager on trust for the several persons entitled to the Share Stapled Units in respect of which the said sum or other consideration was respectively received.

(b) In Respect of a Scheme of Arrangement

Where a scheme of arrangement proposed between the Company and the Shareholders (a) has been approved by a majority in number representing 75% in value (or such other approval as may be required by the Cayman Companies Law from time to time) of the Shareholders and sanctioned by the Grand Court of the Cayman Islands in accordance with the Cayman Companies Law and (b) has been approved by an Extraordinary Resolution of Registered Holders of Units, subject to compliance with the provisions of the relevant laws and regulations and the Takeovers Code, such scheme of arrangement shall, upon delivery to the Registrar of Companies in the Cayman Islands of a copy of the order sanctioning the same, be binding on all Shareholders and Unitholders (including the Registered Holders of Share Stapled Units) and also on the Company and the relevant Ordinary Shares, Preference Shares and Units (as components of the Share Stapled Units) shall be transferred to the Transferee, cancelled or otherwise dealt with (as the case may be) in accordance with the terms of such scheme of arrangement.

LIMITATION OF LIABILITY OF THE HOLDERS OF SHARE STAPLED UNITS

The Trust Deed contains provisions that are designed to limit the liability of a Holder of a Share Stapled Unit to the amount paid or payable for any Share Stapled Unit. The provisions seek to ensure that if the issue price of the Share Stapled Unit held by a Holder of Share Stapled Units has been fully paid, no such Holder of Share Stapled Units, by reason alone of being a Holder of Share Stapled Units or a Unitholder, will be personally liable to indemnify the Trustee-Manager in the event that the Trust Property is insufficient for the purposes of indemnifying the Trustee-Manager as provided in the Trust Deed.

POWERS OF THE TRUSTEE-MANAGER TO ADMINISTER HK ELECTRIC INVESTMENTS

The Trustee-Manager has the necessary powers under the Trust Deed to perform its function of administering HK Electric Investments.

POWERS OF THE TRUSTEE-MANAGER IN RELATION TO THE LISTING

Under the Trust Deed, the Trustee-Manager has been granted the powers necessary for the Listing and the issue and sale of the Share Stapled Units pursuant to the Global Offering.

DUTIES OF THE TRUSTEE-MANAGER UNDER THE TRUST DEED

The Trustee-Manager shall at all times act honestly and exercise the degree of care and diligence required of the Trustee-Manager under Hong Kong law and the Trust Deed in relation to the administration of HK Electric Investments.

The Trustee-Manager shall:

(a) act honestly and in good faith in the best interest of all the Registered Holders of Units as a whole;

(b) give priority to the interests of all the Registered Holders of Units as a whole over its own interests in the event of a conflict between the interests of all the Registered Holders of Units as a whole and its own interests;

(c) treat all Registered Holders of Units fairly and equally;

(d) ensure that the Trust Property is properly accounted for and be answerable to the Registered Holders of Units for the application or misapplication of any Trust Property;

(e) act for proper purpose;

(f) avoid actual and potential conflicts of interest and duty; and

(g) disclose fully to the Registered Holders of Units its interests in contracts with HK Electric Investments and/or the Group.

The Trustee-Manager shall not make improper use of any information acquired by virtue of its position as trustee or manager of HK Electric Investments to gain, directly or indirectly, an advantage for itself or for any other person to the detriment of the Registered Holders of Units.

The Trustee-Manager shall have the fiduciary duty to hold the Trust Property on trust for the benefit of the Registered Holders of Units and to comply with the Trust Deed and the relevant laws and regulations.

SEGREGATED ACCOUNTS

The Trustee-Manager shall be responsible for the safe custody of the Trust Property and shall comply with the following provisions:

(a) ***Distributions Account:*** all or any amount of cash received by the Trustee-Manager from the Group for the purpose of making distributions to the Unitholders shall be deposited in a segregated distributions account pending the relevant distribution to Unitholders. Amounts standing to the credit of the distributions account shall be held on trust for the Registered Holders of Units upon and subject to the terms and conditions of the Trust Deed. The distribution account shall be opened and maintained with a licensed bank in Hong Kong in the joint names of the Trustee-Manager and the Company and shall be operated by joint authorised signatories, at least one of whom shall be designated by the Trustee-Manager and at least one of whom shall be designated by the Company;

(b) ***Custody Account:*** all of the Ordinary Shares held by the Trustee-Manager under the Trust Deed shall be held in a segregated securities custody account opened and maintained with a licensed bank in Hong Kong in the joint names of the Trustee-Manager and the Company. The custody account shall be operated by joint authorised signatories, at least one of whom shall be designated by the Trustee-Manager and at least one of whom shall be designated by the Company. Securities held in the custody account shall be held on trust for the Registered Holders of Units upon and subject to the terms and conditions of the Trust Deed; and

(c) ***Subscriptions Account:*** all or any amount of cash received by the Trustee-Manager as the proceeds of subscriptions for the issue and/or sale of Share Stapled Units shall be deposited in a segregated subscriptions account pending the issue of the Share Stapled Units subscribed for by investors and completion of the relevant investment in the Company as part of the Authorised Business. The subscriptions account shall be opened and maintained with a licensed bank in Hong Kong in the joint names of the Trustee-Manager and the Company and operated by joint authorised signatories, at least one of whom shall be designated by the Trustee-Manager and at least one of whom shall be designated by the Company. Amounts standing to the credit of the subscriptions account shall be held on trust for the Registered Holders of Units pending the acceptance of their subscription applications for Share Stapled Units and the issue of their Share Stapled Units and thereafter shall be held on trust for the Company, in each case, upon and subject to the terms and conditions of the Trust Deed.

LIABILITY IN RELATION TO THE DISTRIBUTIONS ACCOUNT, THE CUSTODY ACCOUNT AND THE SUBSCRIPTIONS ACCOUNT

Save where the Trustee-Manager is fraudulent, in wilful default or negligent, the Trustee-Manager shall not incur any liability to the Unitholders in respect of or be responsible for losses incurred through the insolvency of, or any act or omission of, any of the licensed banks in Hong Kong with which the distributions account, the custody account and/or the subscriptions account is opened.

OTHER DUTIES OF THE TRUSTEE-MANAGER

The duties of the Trustee-Manager specified in the Trust Deed include, among other things, duties to:

(a) ensure that the Trust Property is properly segregated and held for the benefit of the Unitholders in accordance with the provisions of the Trust Deed;

(b) give priority to the interests of the Unitholders as a whole over its own interests in the event of a conflict of interest of Unitholders as a whole and its own interest;

(c) manage HK Electric Investments and engage in any Authorised Business in a proper and efficient manner in accordance with the relevant laws and regulations and the Trust Deed;

(d) send to Registered Holders of Share Stapled Units such reports, within the time limits and disclosing the matters, as required by the Trust Deed and the relevant laws and regulations;

(e) keep or cause to be kept such books as will sufficiently explain the transactions and financial position of HK Electric Investments and of the Trustee-Manager and enable true and fair accounts to be prepared from time to time and in such manner as will enable such books to be conveniently and properly audited;

(f) ensure that the Trust Deed and the Company's Articles are made available for inspection by the public in Hong Kong, free of charge, at all times during business hours at the place of business of the Trustee-Manager and ensure that copies of such documents are available upon request by any person upon the payment of a reasonable fee; and

(g) keep or cause to be kept such books that accurately record and minute the proceedings of all general meetings of Registered Holders of Units and the resolutions passed at those general meetings of Registered Holder of Units.

FINANCIAL STATEMENTS AND REPORTS

The Trustee-Manager shall prepare and publish (at the expense of HK Electric Investments):

(a) annual reports and financial statements of HK Electric Investments to be published and distributed to Registered Holders of Share Stapled Units within the period prescribed by the Listing Rules for the publication of the annual reports and financial statements of HK Electric Investments;

(b) semi-annual reports and financial statements of HK Electric Investments to be published and distributed to Registered Holders of Share Stapled Units within the period prescribed by the Listing Rules for the publication of the semi-annual reports and financial statements of HK Electric Investments; and

(c) the financial statements, preliminary announcements of results and other reports, circulars and information required to be provided under the Listing Rules applicable to HK Electric Investments and other relevant laws and regulations, within any relevant prescribed time periods.

The Trustee-Manager and the Company shall prepare and publish (at the expense of the Company):

(a) annual reports and financial statements of the Company to be published and distributed to Registered Holders of Share Stapled Units within the period prescribed by the Listing Rules for the publication of the annual reports and financial statements of the Company;

(b) semi-annual reports and financial statements of the Company to be published and distributed to Registered Holders of Share Stapled Units within the period prescribed by the Listing Rules for the publication of the semi-annual reports and financial statements of the Company; and

(c) the financial statements, preliminary announcements of results and other reports, circulars and information required to be provided under the Listing Rules applicable to the Company and other relevant laws and regulations, within any relevant prescribed time periods.

The financial statements of HK Electric Investments and the Company referred to above shall be prepared on a consolidated basis and will be published in the form of a combined document which will be sent to Registered Holders of Share Stapled Units within the applicable period(s) referred to above.

The Trustee-Manager shall prepare and publish (at the expense of HK Electric Investments):

(a) annual financial statements of the Trustee-Manager to be published and distributed to Registered Holders of Share Stapled Units within the period prescribed by the Listing Rules for the publication of the annual reports and financial statements of HK Electric Investments;

(b) semi-annual financial statements of the Trustee-Manager to be published and distributed to Registered Holders of Share Stapled Units within the period prescribed by the Listing Rules for the publication of the semi-annual reports and financial statements of HK Electric Investments; and

(c) the financial statements, preliminary announcements of results and other reports, circulars and information required to be provided under the Listing Rules applicable to the Trustee-Manager and other relevant laws and regulations, within any relevant prescribed time periods.

The financial statements of the Trustee-Manager referred to above shall be prepared on an unconsolidated basis, unless the Trustee-Manager has any subsidiaries, in which case those financial statements shall be prepared on a consolidated basis. The combined document referred to above will also include the financial statements of the Trustee-Manager in respect of the relevant period.

The financial statements of HK Electric Investments, the Company and the Trustee-Manager referred to above shall include:

(a) a statement of financial position, statement of profit or loss and cash flow statement;

(b) a distributions statement;

(c) comparative figures for each of the foregoing for the corresponding previous year/period;

(d) accounting principles and explanatory notes;

(e) in respect of the annual financial statements for a full financial year, an auditor's report; and

(f) such other information as may be prescribed by the Listing Rules, including, but not limited to, any and all corporate governance reports required by the Listing Rules.

The Trustee-Manager's corporate governance report referred to in paragraph (f) above shall include a description of the policies and measures taken by the Trustee-Manager to manage conflicts and potential conflicts of interest between (1) HK Electric Investments and (2) any Unitholder holding 30% or more of the Units in issue, or any director or shareholder of the Trustee-Manager holding 30% or more of the issued shares in the Trustee-Manager.

The Trustee-Manager Board will confirm in the annual report that:

(a) the charges paid or payable out of the Trust Property of HK Electric Investments to the Trustee-Manager are in accordance with the Trust Deed;

(b) the connected transactions are entered into (i) in the ordinary and usual course of business of the Group and (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or obtained from the independent third parties, with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Holders of Share Stapled Units as a whole; and

(c) the Trustee-Manager Board is not aware of any violation of duties of the Trustee-Manager which would have a material adverse effect on the business of HK Electric Investments or on the interests of all the Holders of Share Stapled Units as a whole.

Subject to relevant laws and regulations and unless otherwise agreed by the Trustee-Manager and the Company, the Trustee-Manager and the Company shall procure that the financial statements of HK Electric Investments, the Company and the Trustee-Manager are prepared under the same accounting standards and using substantially the same accounting policies. The financial statements of HK Electric Investments, the Company and the Trustee-Manager referred to above shall each be prepared in accordance with the relevant laws and regulations and either generally accepted accounting principles in Hong Kong or International Financial Reporting Standards as promulgated from time to time by the International Accounting Standards Board.

The annual financial statements of HK Electric Investments, the Company and the Trustee-Manager, covering a full financial year, shall:

(a) each be audited by the same auditor and shall be accompanied by a report of the auditor; and

(b) be laid before the Registered Holders of Units in each annual general meeting of Registered Holders of Units and accompanied by a copy of the report of the auditor thereon and a report made by the directors of the Trustee-Manager.

ANNOUNCEMENTS, CIRCULARS AND OTHER DOCUMENTS

The Trustee-Manager and the Company shall ensure that Registered Holders of Share Stapled Units are sent:

(a) all circulars and other documents required to be issued (including, but not limited to, those required to be issued under the Listing Rules) to Shareholders or which are otherwise issued to Shareholders for any reason; and

(b) all circulars and other documents required to be issued (including, but not limited to, those required to be issued under the Listing Rules) to Registered Holders of Units, or which are otherwise issued to Registered Holders of Units for any reason.

The Trustee-Manager and the Company shall inform Registered Holders of Share Stapled Units by way of announcement as soon as reasonably practicable of any inside information (as defined in the SFO) in relation to HK Electric Investments and/or the Company as required by the SFO and any other information required to be disclosed pursuant to the Listing Rules or other relevant laws and regulations.

TRUSTEE-MANAGER BOARD AND COMPANY BOARD TO BE THE SAME

The board of directors of the Trustee-Manager shall at all times comprise the same individuals who serve as Company Directors. No person shall serve as a Trustee-Manager Director unless he also serves as a Company Director at the same time. No person shall serve as a Company Director unless he also serves as a Trustee-Manager Director at the same time. The office of a Trustee-Manager Director shall be vacated if he ceases to be a Company Director. The office of a Company Director shall be vacated if he ceases to be a Trustee-Manager Director.

No person shall be appointed or serve as an alternate in respect of a Trustee-Manager Director unless he is also appointed and serves as an alternate of the same person in his capacity as a Company Director. No person shall be appointed or serve as an alternate in respect of a Company Director unless he is also appointed and serves as an alternate of the same person in his capacity as a Trustee-Manager Director.

The Trustee-Manager's Articles and the Company's Articles shall each contain provisions to the effect of the applicable provisions set out above.

DUTIES OF THE TRUSTEE-MANAGER DIRECTORS UNDER THE TRUST DEED

A Trustee-Manager Director shall:

(a) act honestly and in good faith and exercise such degree of skill, care and diligence as may reasonably be expected of a person of his knowledge and experience holding his office with the Trustee-Manager in the discharge of the duties of his office and, in particular, shall take all reasonable steps to ensure that the Trustee-Manager discharges its duties under the Trust Deed;

(b) give priority to the interest of all the Registered Holders of Units as a whole over the interest of the Trustee-Manager in the event of a conflict between the interest of all the Registered Holders of Units as a whole and the interest of the Trustee-Manager;

(c) act for proper purpose;

(d) be answerable to the Trustee-Manager and the Registered Holders of Units for the application or misapplication of any Trust Property;

(e) avoid actual and potential conflicts of interest and duty; and

(f) disclose fully and fairly his interest in contracts with the Trustee-Manager and/or the Group.

An officer or agent of the Trustee-Manager shall not make improper use of any information acquired by virtue of his position as an officer or agent of the Trustee-Manager to gain, directly or indirectly, an advantage for himself or for any other person to the detriment of the Registered Holders of Units.

The duty of a Trustee-Manager Director under the Trust Deed shall be paramount and override any conflicting duty of such director to the shareholders of the Trustee-Manager. The memorandum and articles of association of the Trustee-Manager shall contain provisions to that effect and a company shall not be eligible to be appointed, or to continue, as a trustee-manager of HK Electric Investments if either its memorandum or articles of association do not contain those provisions.

EXPENSES OF HK ELECTRIC INVESTMENTS

Subject to the relevant laws and regulations, the Trustee-Manager is entitled to apply, or to be reimbursed from, the Trust Property (at such times and over such periods as the Trustee-Manager may determine in any particular case) for all liabilities (save in the case of fraud, wilful default or negligence), fees, costs, charges and expenses that may be properly and reasonably suffered or incurred by the Trustee-Manager in the performance of its obligations or the exercise of its powers under the Trust Deed, or otherwise arising out of or in connection with the Trust Deed, including, but not limited to, the amounts specified in schedule 2 to the Trust Deed, which include applicable taxes and other costs payable in respect of the acquisition, holding and realisation of any Trust Property and expenses in connection with the management and trusteeship of HK Electric Investments authorised by the Trust Deed.

DISPOSAL OF ORDINARY SHARES HELD BY THE TRUSTEE-MANAGER PROHIBITED

Subject to the Exchange Right and the termination provisions in the Trust Deed, the Trustee-Manager shall not be permitted to accept any offer to sell the Ordinary Shares which are held by the Trustee-Manager upon and subject to the terms and conditions of the Trust Deed, or otherwise dispose of those Ordinary Shares.

Any offer made under the Takeovers Code in respect of the securities of HK Electric Investments and/or the Company must be made, and may only be accepted, in respect of the Share Stapled Units and (if applicable) any Convertible Instruments (and shall not be made, or accepted, only in respect of the Ordinary Shares).

CIRCUMSTANCES UNDER WHICH THE TRUSTEE-MANAGER MAY BE INDEMNIFIED OUT OF THE TRUST PROPERTY

In general, subject to any express provision under the Trust Deed and without prejudice to any right of indemnity at law given to the Trustee-Manager (or to any director, employee, servant, agent or delegate of the Trustee-Manager), the Trustee-Manager and any director, employee, servant, agent and delegate of the Trustee-Manager shall be indemnified out of, and shall be entitled for the purpose of indemnity to have recourse to, the Trust Property or any part thereof against any actions, costs, claims, damages, expenses, penalties or demands to which it or he/she may be put as trustee-manager of HK Electric Investments and as director, employee, servant, agent or delegate of the Trustee-Manager, save where such action, cost, claim, damage, expense, penalty or demand is occasioned by the fraud, wilful default or negligence by the Trustee-Manager or any director, employee, servant, agent or delegate of the Trustee-Manager.

CIRCUMSTANCES UNDER WHICH THE TRUSTEE-MANAGER MAY EXCLUDE LIABILITY IN RELATION TO CARRYING OUT OF ITS DUTIES WITH RESPECT TO HK ELECTRIC INVESTMENTS

In the absence of fraud, wilful default, negligence or breach of the Trust Deed by the Trustee-Manager (including its directors, employees, servants, agents and delegates), the Trustee-Manager (including its directors, employees, servants, agents and delegates), shall not be in any way responsible to HK Electric Investments, the Unitholders, the Holders of Share Stapled Units or any other person for any loss, costs, damage or inconvenience that may result from the exercise or non-exercise of its powers.

Save to the extent where the resulting loss or damage arises out of or is caused by or is attributable to the fraud, wilful default, negligence or breach of the Trust Deed, the Trustee-Manager (including its directors, employees, servants, agents and delegates) shall have no liability for any act or omission of the Registrar (including its directors, employees, servants, agents and delegates), provided that any such liability of the Trustee-Manager shall not exculpate the Registrar or any of its directors, employees, servants, agents or delegates from their own liabilities to HK Electric Investments for any act or omission.

In the absence of fraud, wilful default or negligence by the Trustee-Manager (including its directors, employees, servants, agents and delegates), any liability incurred and any indemnity to be given by the Trustee-Manager shall be limited to the Trust Property over which the Trustee-Manager has recourse.

In the absence of fraud, wilful default or negligence by the Trustee-Manager (including its directors, employees, servants, agents and delegates), the Trustee-Manager shall not incur any liability by reason of any error of judgment or any matter or thing done or suffered or omitted to be done by it in good faith under the Trust Deed.

Subject to the provisions of the Trust Deed, the Trustee-Manager shall not incur any liability in respect of or be responsible for losses incurred through the insolvency of or any act or omission of any depository or clearing system with which Trust Property may be deposited or of the Hong Kong licensed banks with which the distribution account, the custody account and the subscriptions account are opened pursuant to the Trust Deed, or any broker, financial institution or other person with whom Trust Property is deposited, except where such broker, financial institution or other person is an associated company of the Trustee-Manager.

APPOINTMENT, REMOVAL OR RESIGNATION OF THE TRUSTEE-MANAGER

(a) Procedures for Appointment and Removal of the Trustee-Manager

The Trust Deed provides that appointment and removal of the Trustee-Manager shall only be in accordance with the Trust Deed and applicable laws and regulations. Under the Listing Rules, the Stock Exchange would normally expect the Trustee-Manager to be a company which has not carried on any business other than the management and operation of HK Electric Investments as its trustee-manager.

The Registered Holders of Units may remove the Trustee-Manager only by an Ordinary Resolution of Registered Holders of Units. A replacement trustee-manager may be appointed by an Ordinary Resolution of Registered Holders of Units.

The Registered Holders of Units may requisition a meeting to vote on a resolution to remove the Trustee-Manager if the Registered Holders of Units requisitioning the meeting hold at the date of the requisition not less than 5% of the total voting rights of all Registered Holders of Units having on that date a right to vote. Within 7 days of receiving a requisition, the incumbent original trustee-manager shall give to the Registered Holders of Units notice of the requisition (the "**Requisition Notice**") and, in that notice, inform the Registered Holders of Units of their right to nominate a replacement trustee-manager in accordance with the Trust Deed.

Registered Holders of Units may nominate a company which has consented in writing to serve as the replacement trustee-manager for appointment by the Registered Holders of Units by an Ordinary Resolution of Registered Holders of Units to be proposed at a meeting of Registered Holders of Units to be convened pursuant to the Trust Deed, if those Registered Holders of Units hold, at the date of nomination, not less than 5% of the total voting rights of all Registered Holders of Units having on that date a right to vote, and the nomination by those Registered Holders of Units is served on the incumbent trustee-manager not more than 21 days after the date of the Requisition Notice.

Upon the expiry of 21 days of the date of the Requisition Notice, the incumbent trustee-manager shall call a general meeting of Registered Holders of Units within 28 days and give to Registered Holders of Units notice of the meeting and any resolution(s) to be proposed at that meeting not less than 14 days before the meeting. The resolutions to be proposed shall include resolution(s) for the appointment as the replacement trustee-manager of HK Electric Investments of one of the eligible candidates for appointment nominated for appointment by the Registered Holders of Units under the Trust Deed. All of the eligible candidates so nominated shall be included in the list of candidates to be specified in the resolution(s) to be proposed at the meeting of Registered Holders of Units.

If, within 21 days of receipt of a Requisition Notice, the incumbent trustee-manager has not received a nomination of a company to serve as trustee-manager, Registered Holders of Units representing not less than 5% of the total voting rights of all Registered Holders of Units may apply to the court to make an order under Section 42 of the Trustee Ordinance appointing a company to act as trustee-manager with effect from the date fixed for the meeting to be convened in accordance with the Trust Deed, provided that the resolution to remove the original trustee-manager is passed as an Ordinary Resolution of Registered Holders of Units at such meeting.

Any resolution to remove the incumbent trustee-manager shall not take effect until a replacement trustee-manager is appointed and a replacement trustee-manager shall only be appointed by an Ordinary Resolution of the Registered Holders of Units. The removal of the Trustee-Manager shall only be effective upon the incumbent Trustee-Manager which is being removed having taken all necessary steps to transfer legal title to all Trust Property to the replacement trustee-manager, including, but not limited to, the Ordinary Shares. The responsibilities and obligations of the Trustee-Manager which is being removed will only cease, and the responsibilities and obligations of the replacement trustee-manager will only commence, on all those necessary steps having been completed.

(b) Procedures for Resignation of Trustee-Manager

The Trustee-Manager (the "**Resigning Trustee-Manager**") may resign by giving notice (the "**Resignation Notice**") of its intention to all Registered Holders of Units and shall nominate another company, which has consented in writing to serve as the replacement trustee-manager. The resignation of the Trustee-Manager shall only be effective upon the appointment of another corporation as the trustee-manager of HK Electric Investments and subject to such corporation entering into a supplemental trust deed providing for such appointment. The resignation of the Resigning Trustee-Manager shall only be effective upon the Resigning Trustee-Manager having taken all necessary steps to transfer legal title to all Trust Property to the replacement Trustee-Manager, including, but not limited to, the Ordinary Shares. The responsibilities and obligations of the Resigning Trustee-Manager will only cease, and the responsibilities and obligations of the replacement trustee-manager will only commence, on all those necessary steps having been completed.

The Resigning Trustee-Manager shall also inform the Registered Holders of Units of their right to nominate a company as the replacement trustee-manager in accordance with the Trust Deed. The Registered Holders of Units may nominate a company which has consented in writing to serve as the replacement trustee-manager for approval to be appointed by the Registered Holders of Units, by an Ordinary Resolution of Registered Holders of Units to be proposed at a meeting of Registered Holders of Units to be convened as described below, if those Registered Holders of Units hold, at the date of nomination not less than 5% of the total voting rights of all Registered Holders of Units having on that date a right to vote, and the nomination by those Registered Holders of Units is served on the Resigning Trustee-Manager not more than 21 days after the date of the Resignation Notice.

Upon the expiry of 21 days of the date of the Resignation Notice, the Resigning Trustee-Manager shall call a general meeting within 28 days and give to Registered Holders of Units notice of the meeting and any resolutions to be proposed at that meeting not less than 14 days before the meeting. The resolutions to be proposed shall include resolutions for the appointment as the replacement trustee-manager of HK Electric Investments of one of the candidates nominated for appointment by the Registered Holders of Units as stated above. All of the eligible candidates so nominated shall be included in the list of candidates to be specified in the resolution(s) to be proposed at the meeting of Registered Holders of Units.

If, within 21 days of the date of the Resignation Notice, no nomination of a company to serve as the replacement Trustee-Manager has been made, Registered Holders of Units representing not less than 5% of the total voting rights of all Registered Holders of Units may apply to the court to make an order under Section 42 of the Trustee Ordinance appointing a company to act as Trustee-Manager with effect from the date fixed for the meeting to be convened in accordance with the Trust Deed. Except in the case of a trustee-manager appointed by the court, a replacement trustee-manager shall only be appointed with the approval of the Registered Holders of Units by an Ordinary Resolution of Registered Holders of Units.

The Resignation Notice shall (a) state the reasons for resignation, (b) nominate a company to replace the Resigning Trustee-Manager as trustee-manager of HK Electric Investments and (c) inform the Registered Holders of Units of their right to nominate a new Trustee-Manager of their choice.

Any costs and expenses incurred in connection with the appointment, removal or resignation of the Trustee-Manager under the Trust Deed may be paid out of the Trust Property. For the avoidance of doubt, such costs and expenses may include the costs and expenses of organising a general meeting of Registered Holders of Units or applying for a court order in connection with the appointment, removal or resignation of the Trustee-Manager, but shall not include (a) the costs and expenses incurred in connection with the winding up of the Trustee-Manager and (b) any remuneration or compensation payable upon the termination of the service contract of any officer of the Trustee-Manager.

OWNERSHIP OF THE TRUSTEE-MANAGER

The Trust Deed and the articles of association of the Trustee-Manager provide that for so long as the Trustee-Manager acts as the trustee-manager of HK Electric Investments, it must remain a wholly-owned subsidiary of PAH.

INSOLVENCY OF THE TRUSTEE-MANAGER

If the Trustee-Manager goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved by an Ordinary Resolution of Registered Holders of Units) or if a receiver is appointed over any of its assets or if a judicial manager is appointed in respect of the Trustee-Manager (or any such analogous process occurs or any analogous person is appointed in respect of the Trustee-Manager) or if the Trustee-Manager ceases to carry on business, the Trustee-Manager must immediately give a Resignation Notice and the above provisions shall apply.

If the Trustee-Manager fails to give a Resignation Notice within 5 business days of the relevant event referred to above having occurred, any Registered Holder of Units may make an application to the court to make an order pursuant to Section 42 of the Trustee Ordinance to appoint a temporary trustee-manager who will act as trustee-manager until a trustee-manager is appointed by an Ordinary Resolution of Registered Holders of Units.

EFFECTS OF CHANGE OF THE TRUSTEE-MANAGER

The removal or resignation of the Trustee-Manager shall only be effective upon the incumbent trustee-manager which is being removed or the Resigning Trustee-Manager (as the case may be) having taken all necessary steps to transfer legal title to all Trust Property to the incoming trustee-manager, including, but not limited to, the Ordinary Shares. The responsibilities and obligations of the Trustee-Manager which is being removed or is resigning will only cease, and the responsibilities and obligations of the incoming trustee-manager will only commence, on all those necessary steps having been completed.

On removal or resignation or retirement, the removed or resigning or retiring trustee-manager shall vest the Trust Property in the new trustee-manager, and give the new trustee-manager all books, documents, records and any other property held by or on behalf of the removed or resigning or retiring trustee-manager relating to HK Electric Investments. All costs and expenses reasonably incurred in vesting the Trust Property in any new Trustee-Manager shall be borne out of the Trust Property by HK Electric Investments.

On effective removal or retirement pursuant to the Trust Deed, the Resigning Trustee-Manager (or the Trustee-Manager being removed or retiring) shall be discharged and shall no longer be liable in any matter under the Trust Deed except as to acts or occasions occurring prior to such removal, resignation or retirement and except as provided below, and the new trustee-manager shall thereupon undertake and perform all duties and be entitled to all rights and compensations as the Trustee-Manager under the Trust Deed or any other supplemental trust deed. The successor trustee-manager shall not be under any liability hereunder for any default by the predecessor and shall be indemnified out of the Trust Property against all such liability.

The Resigning Trustee-Manager (or the Trustee-Manager being removed or retiring) shall assign or novate to the new trustee-manager on terms reasonably acceptable to the successor trustee-manager (and obtain the written consent of the counterparties thereto) all agreements of which it, as trustee and/or manager, is a party concerning HK Electric Investments.

Upon the removal, resignation or retirement of the Trustee-Manager:

(a) all obligations entered into and liabilities incurred by the Trustee-Manager in its capacity as trustee and/or manager or otherwise for the account of HK Electric Investments shall survive the removal, resignation or retirement of the Trustee-Manager as obligations and liabilities enforceable against the successor trustee-manager and/or the Trust Property, as the case may be;

(b) any claims (actual or contingent) which any person may have against the Trust Property howsoever arising shall not in any way be prejudiced or otherwise affected by the removal, resignation or retirement of the Trustee-Manager; and

(c) the successor trustee-manager shall be under the same obligations with respect to the performance and discharge of any obligations entered into or liabilities incurred by the Resigning Trustee-Manager (or the Trustee-Manager being removed or retiring) in its capacity as trustee and/or manager or otherwise for the account of HK Electric Investments as the Resigning Trustee-Manager (or the Trustee-Manager being removed or retiring) was or would have been but for its resignation, removal or retirement.

Any Trust Property and other rights and obligations entered into by the Trustee-Manager in its capacity as trustee and/or manager of HK Electric Investments not otherwise transferred to and assumed by a newly appointed Trustee-Manager shall vest in the new trustee-manager as if Section 41 of the Trustee Ordinance applied to such Trust Property and other rights and obligations.

The following rights and obligations shall remain with the Trustee-Manager which has been removed or is retiring, or the Resigning Trustee-Manager, as the case may be:

(a) any right to be indemnified for expenses it had incurred before it ceased to be the Trustee-Manager; and

(b) any liability in respect of which it would have no claim of indemnification out of the Trust Property if it had remained the Trustee-Manager.

The Trustee-Manager which is being removed or is retiring, or the Resigning Trustee-Manager, as the case may be, shall provide reasonable assistance to an incoming trustee-manager to enable it to assume its role as trustee-manager of HK Electric Investments. The provision on indemnity given to the Trustee-Manager shall continue to be in full force and effect as regards to the Trustee-Manager notwithstanding the retirement, resignation or removal of the Trustee-Manager.

TERMINATION OF HK ELECTRIC INVESTMENTS

HK Electric Investments may, without prejudice to the provisions of relevant laws and regulations, be terminated by the Trustee-Manager:

(a) in the event that any law is passed which renders it illegal or, in the reasonable opinion of the Trustee-Manager, impracticable or inadvisable to continue HK Electric Investments and approval for the winding up has been given by way of an Ordinary Resolution of Registered Holders of Units duly passed in accordance with the Trust Deed; or

(b) at any time if approval for the termination has been given by way of an Extraordinary Resolution of Registered Holders of Units duly passed in accordance with the Trust Deed.

HK Electric Investments shall terminate upon completion of the exercise of the Exchange Right by Registered Holders of Share Stapled Units in accordance with the Trust Deed.

In addition, in the event that the Trustee-Manager is removed under the Trust Deed and no new trustee-manager is willing to take the place of the existing Trustee-Manager within 60 days of the removal of the Trustee-Manager (or such longer period as the Trustee-Manager considers appropriate), any Registered Holder of Units may apply to the court to make an order under the Trustee Ordinance or under the court's inherent jurisdiction to either appoint a company to act as trustee-manager or terminate HK Electric Investments.

The Trustee-Manager shall have no liabilities for any consequence arising out of any termination of HK Electric Investments which has been approved by an Ordinary Resolution of Registered Holders of Units under paragraph (a) above or an Extraordinary Resolution of Registered Holders of Units under paragraph (b) above or which results from completion of the exercise of the Exchange Right, in each case in the absence of fraud, wilful default or negligence.

In the event that HK Electric Investments is to be terminated, the Trustee-Manager shall, subject to authorisations or directions (if any) given to it by an Ordinary Resolution of Registered Holders of Units referred to above or an Extraordinary Resolution of Registered Holders of Units referred to above (as the case may be), proceed as follows:

(a) the Trustee-Manager shall distribute the Ordinary Shares to the Registered Holders of Units *in specie* and distribute the remaining Trust Property (if any) to the Registered Holders of Units in proportion to the number of fully paid up Units held by each of them, provided that, the Trustee-Manager shall be entitled to retain out of any monies in its hands as part of the Trust Property full provision for all fees, costs, charges, expenses, claims and demands incurred, made or apprehended by the Trustee-Manager in connection with or arising out of the termination of HK Electric Investments and the distribution and/or realisation of the Trust Property and out of the monies so retained to be indemnified and saved harmless against any such costs, charges, expenses, claims and demands; and

(b) the Trustee-Manager shall effect the distribution referred to above in such manner and within such period after the termination of HK Electric Investments as the Trustee-Manager in its absolute discretion deems advisable and shall ensure the proper discharge of any obligations and liabilities of HK Electric Investments and adequate provisions for such obligations and liabilities, provided that such period may not exceed six months.

In the event that HK Electric Investments is to be terminated:

(a) the Company shall redeem all the issued Preference Shares in accordance with the Company's Articles (the redemption price payable by the Company on the redemption of the Preference Shares as a result of the termination of HK Electric Investments is an amount per Preference Share equal to the par value of the Preference Share); and

(b) following completion of the distribution to be made to the Registered Holders of Units referred to in paragraph (a) of the last paragraph of the preceding page, the Units shall be cancelled.

Upon the completion of the liquidation of HK Electric Investments, the following shall be prepared:

(a) the Trustee-Manager's review and comment on the performance of HK Electric Investments and an explanation as to how the Trust Property had been disposed of;

(b) financial statements of HK Electric Investments which shall be distributed to Registered Holders of Units within three months of completion of the liquidation of the assets of HK Electric Investments; and

(c) an auditor's report in relation to those financial statements.

Upon completion of the liquidation of HK Electric Investments, the Trust Deed shall terminate and HK Electric Investments will cease to exist.

The Trust Deed shall also terminate, and HK Electric Investments will cease to exist, upon completion of the exercise of the Exchange Right under the Trust Deed.

MODIFICATION OF THE TRUST DEED

The Trustee-Manager and the Company shall jointly, by mutual agreement between them and, subject to the relevant laws and regulations, be entitled by a supplemental deed to modify, amend, alter or add to the provisions of the Trust Deed if and to the extent that such modification, amendment, alteration or addition:

(a) either does not prejudice the interests of the Unitholders or any prejudice is immaterial; and does not operate to release to any material extent the Trustee-Manager from any responsibility to the Unitholders; and does not increase the costs or charges payable from the Trust Property (other than charges, fees and expenses incurred in connection with the supplemental deed); or

(b) is necessary in order to comply with applicable fiscal, statutory or official requirements (whether or not having the force of law), including without limitation, requirements under the relevant laws and regulations; or

(c) is made to correct a manifest error; or

(d) is made to reflect any changes made to the relevant laws and regulations after the Listing Date and the relevant modification, amendment, alteration or addition is consistent with the changes made to the relevant laws and regulations and is approved by an Extraordinary Resolution of Registered Holders of Units. This provision would permit the Trustee-Manager and the Company, acting jointly by mutual agreement between them and subject to prior approval by an Extraordinary Resolution of Registered Holders of Units, to modify, amend, alter or add to the provisions of the Trust Deed to change the arrangements set out in the Trust Deed to make them consistent with a structure which complies with any future relevant laws and regulations which are introduced in Hong Kong to specifically govern the listing, operation and management of listed trusts which hold an operating business (including holding such a business by holding shares in one or more companies conducting an operating business) as the sole or principal asset of the trust (the "**New Specific Regulations**"). If such New Specific Regulations are introduced in the future, the Trustee-Manager and the Company would have the authority, subject to prior approval by an Extraordinary Resolution of Registered Holders of Units, to change the arrangements set out in the Trust Deed to a structure which is authorised under, and fully compliant with, the New Specific Regulations and to dispense with those aspects of the arrangements set out in the Trust Deed which are not required under such New Specific Regulations, provided that the New Specific Regulations are fully complied with in respect of any changed structure and any modifications, amendments, alterations or additions to the provisions of the Trust Deed.

The Trustee-Manager shall certify in writing that, in its opinion, the relevant modification, amendment, alteration or addition falls within one or more of the descriptions above.

The Trust Deed provides that, subject to the foregoing, no modification, amendment, alteration or addition of or to any of the following provisions of the Trust Deed shall be made:

(a) **Clause 2** ***(Constitution of the Trust)***, which deals with, among other things, the declaration of trust in respect of the Trust Property; the establishment of HK Electric Investments as a fixed investment trust with activities limited to engaging in the Authorised Business; appointment of the Trustee-Manager; application of the Trustee Ordinance; and certain duties of the Trustee-Manager;

(b) **Clause 3** ***(Units Linked to Underlying Ordinary Shares and Stapled to Preference Shares)***, which deals with the matters described in *"The Share Stapled Units and Holders of Share Stapled Units"* above;

(c) **Clause 4** ***(Co-operation and Consultation)***, which deals with, among other things, the requirement for the Trustee-Manager and the Company to co-operate in order to give effect to the provisions of the Trust Deed, including the Linking and Stapling provisions, and the provisions relating to the coordination of meetings of Registered Holders of Units and Shareholders;

(d) **Clause 5.11** ***(Repurchase or Redemption of Share Stapled Units)***, which deals with the matters summarised in *"The Share Stapled Units May Not Be Repurchased or Redeemed"* above;

(e) **Clause 7** ***(Compliance with the Listing Rules and Other Relevant Laws and Regulations)***, which provides, among other things, that the Trustee-Manager and the Company must co-operate to ensure compliance by HK Electric Investments and the Company with the Listing Rules respectively applicable to them;

(f) **Clause 9** ***(Share Stapled Units Register and Transfers of Share Stapled Units)***, which deals with, among other things, the obligations of the Trustee-Manager and the Company to maintain the Share Stapled Units Register and provisions in respect of transfers of Share Stapled Units described in *"Transfers"* above;

(g) **Clause 10** ***(Units Register and Transfers of Units)***, which deals with, among other things, the obligation of the Trustee-Manager to maintain the Units Register and provisions in respect of transfers of Units;

(h) **Clause 11** ***(Register of Members, Transfers of Beneficial Interests in Ordinary Shares and Register of Beneficial Interests)***, which deals with, among other things, the maintenance of the Register of Members and the Register of Beneficial Interests and provisions in respect of transfers of beneficial interests in Ordinary Shares;

(i) **Clause 12** ***(Exchange)***, which deals with the Exchange Right summarised in *"Exchange Right"* above;

(j) **Clause 13** ***(Object and Purpose of the Trust)***, which deals with, among other things, the scheme of investment of HK Electric Investments and restrictions on the Trustee-Manager's scope of business;

(k) **Clause 14.1(b)** ***(Cash Distributions)***, which provides that the Trustee-Manager shall ensure that all amounts distributed or paid to the Trustee-Manager by the Company in respect of the Ordinary Shares are distributed to the Registered Holders of Units, subject to the deduction of any and all amounts permitted to be deducted or paid from the Trust Property under the Trust Deed but excluding (for the avoidance of doubt) all other provisions of Clause 14 of the Trust Deed;

(l) **Clauses 18.1 to 18.5** ***(Custody of Trust Property and Segregated Accounts)***, which deals with the safe custody of the Trust Property and the segregated accounts described in *"Segregated Accounts"* above, but excluding (for the avoidance of doubt) all the other provisions of Clause 18 of the Trust Deed;

(m) **Clause 20.1** ***(Announcements, Circulars and Other Documents)***, providing that Registered Holders of Share Stapled Units will receive all circulars and other documents in respect of both HK Electric Investments and the Company, but excluding (for the avoidance of doubt) all the other provisions of Clause 20 of the Trust Deed;

(n) **Clause 23** ***(Appointment, Removal or Resignation of Trustee-Manager)***, which deals with, among other things, the provisions summarised in *"Appointment, Removal or Resignation of the Trustee-Manager"*, *"Insolvency of the Trustee-Manager"* and *"Effects of Change of the Trustee-Manager"* above;

(o) **Clause 26 *(Modification of Trust Deed)***, which deals with the circumstances in which the Trust Deed can be modified and the requirements for making, and restrictions in respect of, such modifications, as described in *"Modification of the Trust Deed"* above;

(p) **Clause 29 *(Directors of the Trustee-Manager)***, which deals with, among other things, the requirement that the boards of directors of the Trustee-Manager and the Company be the same, the duties of the Trustee-Manager Directors and the prohibition of loans by the Trustee-Manager to its directors;

(q) **Clause 32 *(No Acceptance of an Offer for the Ordinary Shares or Other Disposal of Ordinary Shares)***, providing that the Trustee-Manager shall not be permitted to accept any offer to sell the Ordinary Shares held by the Trustee-Manager or to otherwise dispose of those Ordinary Shares; and

(r) **Clause 36 *(Governing Law)***, which provides that the Trust Deed shall be governed by, and construed in accordance with, the laws of Hong Kong.

In addition, the Trust Deed provides that there can be no modification, amendment or alteration to Clause 23.1(i) of the Trust Deed which provides that for as long as the Trustee-Manager acts as the trustee-manager of HK Electric Investments, it must remain a wholly-owned subsidiary of PAH. Subject to the above, any other modification, amendment, alteration or addition to the provisions of the Trust Deed may only be made with the sanction of an Extraordinary Resolution of Registered Holders of Units.

No modification, amendment, alteration or addition to the provisions of the Trust Deed shall impose upon:

(a) any Unitholder any obligation to make further payments in respect of the Units included in his holding of Share Stapled Units (where the issue price of such Units has already been fully paid) or to accept any liability in respect thereof; or

(b) any holder of Preference Shares or Ordinary Shares any obligation to make further payments in respect of the Shares included in his holding of Share Stapled Units (where the issue price of such Shares has already been fully paid).

The Trustee-Manager shall as soon as practicable after any modification, amendment, alteration or addition to the provisions of the Trust Deed give notice of the relevant modification, amendment, alteration or addition to the Registered Holders of Units, unless the relevant modification, amendment, alteration or addition is not, in the opinion of the Trustee-Manager, of material significance. All fees, costs and expenses incurred by the Trustee-Manager in connection with any such document supplemental to the Trust Deed (including expenses incurred in the holding of a meeting of Registered Holders of Units, if necessary) shall be charged against the Trust Property.

The Trust Deed also requires that the Linked and Stapled structure be disclosed in the listing documents and annual reports to be issued by HK Electric Investments and the Company and that any proposed changes to the structure be disclosed by way of announcement published in accordance with the Listing Rules.

A. SUMMARY OF THE CONSTITUTION OF THE COMPANY

Set out below is a summary of certain provisions of the Memorandum of Association of the Company and the Company's Articles and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 September 2013 under the Cayman Companies Law. The Memorandum of Association and the Company's Articles comprise its constitution.

1. Memorandum of Association

(a) The Memorandum of Association states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in Section 27(2) of the Cayman Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum of Association with respect to any objects, powers or other matters specified therein.

2. Articles of Association

The Company's Articles were adopted on 1 January 2014. The following is a summary of certain provisions of the Company's Articles:

2.1 Classes of Shares

The share capital of the Company consists of Ordinary Shares and Preference Shares. The authorised share capital of the Company as at the date of adoption of the Company's Memorandum of Association and the Company's Articles is HK$20,000,000 divided into 20,000,000,000 Ordinary Shares of HK$0.0005 each and 20,000,000,000 Preference Shares of HK$0.0005 each.

2.2 Directors

(a) Power to Allot and Issue Shares

The Company's Articles contain provisions that require that, subject to the Exchange Right, at all times while the Trust Deed remains in force, the number of Units, Ordinary Shares and Preference Shares in issue must at all times be equal to each other. Subject to the Exchange Right, at all times while the Trust Deed remains in force:

(a) all of the issued Ordinary Shares must be registered in the Principal Register of Members in the name of the Trustee-Manager in its capacity as trustee-manager of HK Electric Investments;

(b) each Ordinary Share issued or to be issued by the Company must be matched by and Linked to a Unit issued or to be issued by the Trustee-Manager, in its capacity as trustee-manager of HK Electric Investments, under the Trust Deed; and

(c) the Company must not issue or sell any Ordinary Shares unless the Ordinary Shares are specifically identified and issued to the Trustee-Manager in its capacity as trustee-manager of HK Electric Investments and an identical number of Units in respect of the relevant specifically identified Ordinary Shares are or will be issued by the Trustee-Manager and Linked to the specifically identified Ordinary Shares, in accordance with the provisions of the Trust Deed.

Each Unit in HK Electric Investments confers on the registered holder of the relevant Unit a beneficial interest, on and subject to the terms and conditions of the Trust Deed, in a specifically identified Ordinary Share registered in the Register of Members in the name of the Trustee-Manager in its capacity as trustee-manager of HK Electric Investments.

While the Trust Deed remains in force:

(a) subject to the Exchange Right, each Unit issued or to be issued by the Trustee-Manager must be Stapled to a specifically identified Preference Share issued or to be issued by the Company; and

(b) the Company must not issue or sell any Preference Shares to any person unless an identical number of Units in HK Electric Investments is or will be issued by the Trustee-Manager under the Trust Deed and the Preference Shares are issued or transferred to the same persons to whom the Units are issued or sold (and registered in the Principal Register of Members or the Hong Kong Register of Members in the names of the same persons in which the Units are registered in the Units Register), in the ratio of one specifically identified Preference Share for each Unit and on the basis that each specifically identified Preference Share is Stapled to a Unit in accordance with the provisions of the Trust Deed, so that one may not be dealt with without the other. The Preference Shares may be issued by the Company, at the request of the Trustee-Manager, directly to the subscribers for, or purchasers of, Share Stapled Units issued or to be issued under the Trust Deed. Alternatively, the Preference Shares may be issued by the Company to the Trustee-Manager upon terms that the Trustee-Manager must Staple each Preference Share to a Unit and transfer the Preference Shares to the subscribers for, or purchasers of, Share Stapled Units together with (and Stapled to) the Units (Preference Shares issued by the Company to the Trustee-Manager under this provision are only issued for the purpose of transferring to the subscribers or purchasers of the Share Stapled Units and for Stapling the Preference Shares to Units, and not for the Trustee-Manager to hold as part of the Trust Property).

While the Trust Deed remains in force, but subject to the Exchange Right, the Company must ensure that each Ordinary Share is specifically identified and remains Linked to a Unit, and that each Preference Share is specifically identified and remains Stapled to a Unit, in accordance with the provisions of the Trust Deed.

The Company's Articles contain detailed provisions:

(a) prohibiting the Company from taking any action which would result in the Ordinary Shares ceasing to be Linked to the Units or in the Preference Shares ceasing to be Stapled to the Units, or from refraining from doing any act required to maintain those relationships; and

(b) requiring that Shares may only be offered for subscription and issued by the Company, and may only be transferred by their holders, as part of Share Stapled Units, and not in the forms of the individual components of Ordinary Shares and Preference Shares.

Subject to the foregoing provisions of the Company's Articles, the provisions of the Cayman Companies Law and the Memorandum of Association of the Company, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Company Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration, and upon such terms, as the Company Board shall determine.

Subject to the foregoing provisions of the Company's Articles, the applicable provisions of the Trust Deed and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Company Board may determine. Subject to the Cayman Companies Law and to any special rights conferred on any Shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution (as defined in paragraph 2.6 below), be issued on terms that it is, or at the option of the Company or the holder thereof is, liable to be redeemed. No shares shall be issued to bearer.

(b) Power to Dispose of the Assets of the Company or Any Subsidiary

The management of the business of the Company shall be vested in the Company Board which, in addition to the powers and authorities by the Company's Articles expressly conferred upon it, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Company's Articles or the Cayman Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Cayman Companies Law and of the Company's Articles and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Company's Articles, provided that no regulation so made shall invalidate any prior act of the Company Board which would have been valid if such regulation had not been made.

(c) Compensation or Payment for Loss of Office

Payment to any Company Director or past Company Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Company Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Company's Articles prohibiting the making of loans to Company Directors and associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Disclosure of Interest in Contracts with the Company or Any of its Subsidiaries

No Company Director or proposed Company Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Company Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Company Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Company Director holding that office or the fiduciary relationship thereby established, provided that such Company Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the Company Board at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may subsequently be made by the Company.

A Company Director shall not be entitled to vote on (nor shall he be counted in the quorum in relation to) any resolution of the Company Board in respect of any contract or arrangement or any other proposal whatsoever in which the Company Director or any of his associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving of any security or indemnity to such Company Director or any of his associates in respect of money lent or obligations incurred by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Company Director or any of his associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Company Director or any of his associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Company Director or any of his associates may benefit; or the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Company Directors, their associates and employees of the Company or any of its

subsidiaries and does not provide in respect of any Company Director or any of his associates as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Company Director or any of his associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his interest in shares or debentures or other securities of the Company.

(f) Remuneration

The Company Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Company in general meeting or by the Company Board, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Company Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Company Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Company Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Company Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Company Directors including their expenses of travelling to and from Company Board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Company Directors.

The Company Board may grant special remuneration to any Company Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Company Director in addition to or in substitution for his ordinary remuneration as a Company Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

Notwithstanding the above provisions, the remuneration of a president, vice-president, managing director, joint managing director, deputy managing director or other executive Company Director or a Company Director appointed to any other office in the management of the Company shall from time to time be fixed by the Company Board and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Company Board may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Company Director.

(g) Retirement, Appointment and Removal

The number of Company Directors shall not be less than two. While the Trust Deed remains in force (a) the Company Board shall at all times comprise the same individuals who serve as Trustee-Manager Directors; and (b) no person shall serve as a Company Director unless he also serves as a Trustee-Manager Director at the same time.

Subject to the foregoing provisions, the Company Board shall have power from time to time and at any time to appoint any person as a Company Director, either to fill a casual vacancy or as an addition to the Company Board. Any Company Director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting, subject to compliance with the provisions described above. Any Company Director appointed as an addition to the Company Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting, subject to compliance with the provisions described above.

The Company may by ordinary resolution (as defined in paragraph 2.6 below) at any time remove any Company Director (including a managing Company Director or other executive Company Director) before the expiration of his period of office notwithstanding anything in the Company's Articles or in any agreement between the Company and such Company Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Company Director or of any other appointment or office as a result of the termination of his appointment as Company Director). Subject to compliance with the Company's Articles, the Company may by ordinary resolution elect another person in his place. Any Company Director so elected shall hold office during such time only as the Company Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Company Director, either to fill a casual vacancy or as an addition to the existing Company Board. Any Company Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. No person shall, unless recommended by the Company Board, be eligible for election to the office of Company Director at any general meeting unless during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Company Secretary notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

Where proposals are under consideration concerning the appointment (including fixing or varying the terms of or terminating the appointment) of two or more Company Directors to offices or employments with the Company or any company in which the Company is interested, such proposals shall be divided and considered in relation to each Company Director separately and in such case each of the Company Directors concerned, if not prohibited from voting under the Company's Articles, shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

There is no shareholding qualification for Company Directors nor is there any specified age limit for Company Directors.

The office of a Company Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Company Board resolves that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Company Board (unless an alternate Company Director appointed by him attends in his place) for a continuous period of 12 months, and the Company Board resolves that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Company Director by law or by virtue of any provision in the Company's Articles;

(vi) if he ceases to be a Trustee-Manager Director;

(vii) if he shall be removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Company Directors (including himself) then in office; or

(viii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Company's Articles.

At each annual general meeting of the Company, one-third of the Company Directors for the time being (including Company Directors appointed for a specific term, and Company Directors who may be required to retire at the same annual general meeting under other provisions of the Company's Articles), or if their number is not three or a multiple of three, then the number nearest to but no less than one-third, shall retire from office by rotation provided that every Company Director shall be subject to retirement by rotation at least once every three years. The Company Directors to retire by rotation shall include (so far as necessary to ascertain the number of Company Directors to retire by rotation) any Company Director who wishes to retire and not offer himself for re-election. Any further Company Directors so to retire shall be those of the other Company Directors who have been longest in office since their appointment or last election but as between persons who became Company Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. The number of Company Directors to retire on each occasion shall be determined by reference to the composition of the Company Board at the date of the notice convening the relevant annual general meeting and no Company Director shall be required to retire by rotation pursuant to the Company's Articles or be relieved from retiring by reason of a change in the number of Company Directors after the date of such notice but before the close of the relevant annual general meeting. A retiring Company Director shall be eligible for re-election and shall continue to act as a Company Director throughout the meeting at which the Company Director retires.

(h) Borrowing Powers

The Company Board may from time to time at its discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof. The rights of the Company Board to exercise these powers may only be varied by a special resolution.

(i) Proceedings of the Company Board

The Company Board may meet together for the despatch of business, adjourn and otherwise regulate its meetings and proceedings as it thinks fit in any part of the world and may determine the quorum necessary for the transaction of business. Unless otherwise determined, two Company Directors shall be a quorum. Questions arising at any meeting of the Company Board shall be decided by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

A resolution in writing signed by all the Company Directors except such as are temporarily unable to act through ill-health or disability, and all the alternate Company Directors, if appropriate, whose appointors are temporarily unable to act as aforesaid shall (provided that such number is sufficient to constitute a quorum and further provided that a copy of such resolution has been given or the contents thereof communicated to all the Company Directors for the time being entitled to receive notices of Company Board meetings in the same manner as notices of meetings are required to be given by the Company's Articles) be as valid and effectual as if a resolution had been passed at a meeting of the Company Board duly convened and held. Such resolution may be contained in one document or in several documents in like form each signed by one or more of the Company Directors or alternate Company Directors and for this purpose a facsimile signature of a Company Director or an alternate Company Director shall be treated as valid. Notwithstanding the foregoing, a resolution in writing shall not be passed in lieu of a meeting of the Company Board for the purposes of considering any matter or business in which a substantial shareholder of the Company or a Company Director has a conflict of interest and the Company Board has determined that such conflict of interest to be material.

2.3 Alteration to Constitutional Documents

No alteration or amendment to the Memorandum of Association or the Company's Articles may be made except by special resolution provided that while the Trust Deed remains in force the provisions of the Memorandum of Association and the Company's Articles must be consistent with the provisions of the Trust Deed.

2.4 Variation of Rights of Existing Shares or Classes of Shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Cayman Companies Law, be varied or abrogated with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Company's Articles relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be persons present in person (or by proxy or duly authorised representative) being registered holders of at least one-third of the issued shares of that class at the date of the relevant meeting.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of Capital

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

Subject to the applicable provisions of the Trust Deed, including but not limited to Clause 8.2 *(Sub-division and Consolidation of Units)* of the Trust Deed, the Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Company Board may, subject to complying with the provisions of the Trust Deed, settle any difficulty which may arise as it thinks expedient;

(b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Cayman Companies Law; and

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association of the Company, subject nevertheless to the provisions of the Cayman Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Cayman Companies Law and the applicable provisions of the Trust Deed.

2.6 Special Resolution and Ordinary Resolution — Respective Majorities Required

A "**special resolution**" is defined in the Company's Articles to mean a resolution proposed and passed as such by a majority consisting of 75% or more of the total number of votes of those members of the Company present and entitled to vote and voting in person or by proxy at a meeting of members held in accordance with the Company's Articles and includes a special resolution approved in writing (in one or more counterparts) signed by all members of the Company for the time being entitled to receive notice of and to attend and vote at general meetings of the Company. Any such resolution shall be deemed to have been passed at a meeting held on the date on which it was signed by the last member to sign.

In contrast, an "**ordinary resolution**" is defined in the Company's Articles to mean a resolution proposed and passed as such by a simple majority of the total number of votes of those members of the Company present and entitled to vote and voting in person or by proxy, at a general meeting of the members held in accordance with the Company's Articles and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

The "**members**", as defined in the Company's Articles, are the persons who are duly registered as the holders from time to time of shares in the Register of Members including persons who are jointly so registered.

2.7 Voting Rights

Voting Rights Conferred By the Ordinary Shares and the Preference Shares

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting, shares in the Company shall carry votes as follows:

(i) **Ordinary Shares:** one vote per Ordinary Share for every registered holder of Ordinary Shares present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy; and

(ii) **Preference Shares:** one vote per Preference Share for every registered holder of Preference Shares present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

For as long as the Trust Deed remains in force, in relation to a Meeting of Registered Holders of Share Stapled Units, to the extent practicable a single resolution shall be proposed to approve the matter to be considered by the Registered Holders of Units and the members, which resolution shall be characterised as a resolution of the Registered Holders of Share Stapled Units and shall serve as both a resolution of Registered Holders of Units and a resolution of members.

For as long as the Trust Deed remains in force, in relation to meetings of Registered Holders of Units and members to be held separately but consecutively in accordance with the Company's Articles, to the extent practicable, the same or a substantially similar resolution (with any modifications which are necessary or desirable to reflect the manner in which the matter being considered affects HK Electric Investments or the Company differently) shall be proposed for consideration at each meeting.

To the extent permitted under the relevant laws and regulations, meetings of members and meetings of Registered Holders of Units shall be held on a combined basis as a single meeting characterised as a Meeting of Registered Holders of Share Stapled Units. If that is not possible, the meetings shall be held separately and consecutively, with the meeting of Registered Holders of Units being held immediately prior to the meeting of members. This is to enable Registered Holders of Units, by exercising the voting rights conferred by the Units held by them, to give directions to the Trustee-Manager as to how to vote the specifically identified Ordinary Shares held by the Trustee-Manager which are Linked to those Units, in respect of the resolution(s) to be proposed at the meeting of members.

Combined Meetings of Registered Holders of Units and Members under the Trust Deed Characterised as Meetings of Registered Holders of Share Stapled Units

For as long as the Trust Deed remains in force, in relation to both Meetings of Registered Holders of Share Stapled Units and meetings of Registered Holders of Units and members to be held separately but consecutively in accordance with the Company's Articles:

(a) in respect of each individual Share Stapled Unit, the voting rights conferred by a Unit and the specifically identified Preference Share which is Stapled to it, which are components of the relevant Share Stapled Unit, can only be exercised in the same way (either for or against) in respect of (as the case may be) (i) a single resolution of Registered Holders of Units and members proposed at a Meeting of Registered Holders of Share Stapled Units or (ii) a resolution of Registered Holders of Units and a resolution of members dealing with the same, or substantially the same, matter proposed at separate but consecutive meetings of Registered Holders of Units and members referred to in the Company's Articles; and

(b) a Registered Holder of a Share Stapled Unit shall cast a single vote in respect of that Share Stapled Unit, either for or against the relevant resolution(s), which shall serve as a vote in respect of both the Unit and the Preference Share constituting that Share Stapled Unit, either for or against (as the case may be) in respect of (as the case may be) (1) a single resolution of Registered Holders of Share Stapled Units proposed at a Meeting of Registered Holders of Share Stapled Units, or (2) a resolution of Registered Holders of Units and a resolution of members which deal with the same, or substantially the same, matter proposed at meetings of Registered Holders of Units and members held separately but consecutively in accordance with Company's Articles.

Voting of Ordinary Shares Held by the Trustee-Manager

The Trust Deed requires that, subject to the immediately following paragraph, the Trustee-Manager shall only exercise the voting rights conferred by the Ordinary Shares held by it in respect of a resolution proposed at a meeting of members:

(a) if a meeting of Registered Holders of Units is or has been convened and held to consider the same, or substantially the same, matter (with any modifications which are necessary or desirable to reflect the manner in which the matter being considered affects HK Electric Investments or the Company differently) or to determine how the Trustee-Manager should exercise the voting rights conferred by the Ordinary Shares at the meeting of members; and

(b) in the same way (either for or against the relevant resolution) as the votes conferred by the Units to which those Ordinary Shares are Linked are or have been exercised in respect of the resolution of Registered Holders of Units referred to in the Company's Articles.

For as long as the Trust Deed remains in force, the Trustee-Manager is required by the Trust Deed to exercise the voting rights conferred by the Ordinary Shares held by it in respect of a resolution proposed at a Meeting of Registered Holders of Share Stapled Units in the same way (either for or against the relevant resolution) as the votes conferred by the Units to which those Ordinary Shares are Linked are or have been exercised in respect of the same resolution. In respect of a resolution of

members to be proposed at a Meeting of Registered Holders of Share Stapled Units, the Trustee-Manager shall not exercise the voting rights conferred by the Ordinary Shares held by it which are Linked to Units in respect of which no voting rights are or have been exercised at the relevant Meeting of Registered Holders of Share Stapled Units.

Exercise of Voting Rights

A Registered Holder of Share Stapled Units holding more than one Share Stapled Unit (and, therefore, holding more than one Preference Share and having the right to direct the Trustee-Manager how to vote in respect of more than one Ordinary Share) may vote some of the Share Stapled Units (and, therefore, vote the Preference Shares Stapled to those Share Stapled Units and direct the Trustee-Manager how to vote in respect of the Ordinary Shares Linked to those Share Stapled Units) registered in his name in favour of a resolution proposed at a Meeting of Registered Holders of Share Stapled Units and some of them against the relevant resolution provided that the provisions of the Company's Articles are complied with in respect of each individual Share Stapled Unit registered in his name. Similarly, a Registered Holder of Share Stapled Units holding more than one Share Stapled Unit may vote some of the Share Stapled Units registered in his name in favour of both resolutions dealing with the same, or substantially the same, matter proposed at separate meetings of Registered Holders of Units and members held consecutively under the Company's Articles and some of them against both resolutions, provided that the provisions of the Company's Articles are complied with in respect of each individual Share Stapled Unit registered in his name (and, therefore, the Preference Share Stapled to the relevant Share Stapled Unit and the Ordinary Share Linked to the relevant Share Stapled Unit).

Effect of Completing Composite Form of Proxy or Voting Paper

To the extent permitted by the relevant laws and regulations, in the case of a Meeting of Registered Holders of Share Stapled Units, the form of proxy to be provided to Registered Holders of Share Stapled Units, and the form of voting paper, will, in each case, be a single, composite, form. Unless otherwise expressly stated in the form of proxy or the form of voting paper provided for use in respect of the Meeting of Registered Holders of Share Stapled Units, the effect of completing a form of proxy or voting paper (as the case may be) indicating a vote either for or against a resolution characterised in the form of proxy or voting paper as a resolution of Registered Holders of Share Stapled Units to be proposed at a Meeting of Registered Holders of Share Stapled Units shall be that the vote given in respect of the Share Stapled Units in question shall constitute:

(a) a vote of the Units included in the Share Stapled Units, in respect of any required resolution of Registered Holders of Units;

(b) a vote of the Preference Shares Stapled to those Units in respect of any required resolution of members; and

(c) an instruction to the Trustee-Manager to vote the number of Ordinary Shares Linked to the relevant Units in the same way (either for or against) the relevant resolution in respect of any required resolution of members.

To the extent permitted by relevant laws and regulations, in the case of meetings of Registered Holders of Units and members held separately but consecutively under the Company's Articles to consider the same, or substantially the same, resolution (with any modifications which are necessary or desirable to reflect the manner in which the matter being considered affects HK Electric Investments or

the Company differently), the form of proxy and the form of voting paper provided for use in respect of the meeting of Registered Holders of Units shall, unless expressly stated otherwise in the relevant form, have the effect that the vote given in respect of Units either for or against a resolution shall also constitute an instruction to the Trustee-Manager to vote the same number of Ordinary Shares which are Linked to the Units in the same way (either for or against) in respect of the resolution dealing with the same, or substantially the same, matter at the separate but consecutive meeting of members.

General

Subject to the provisions described above, a member entitled to more than one vote is under no obligation to cast all his votes in the same way. For the avoidance of doubt, where more than one proxy is appointed by a recognised clearing house (or its nominee(s)), each such proxy is, subject to the applicable provisions of the Company's Articles, under no obligation to cast all his votes in the same way.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member (the "**Abstaining Member**") in contravention of such requirement or restriction shall not be counted. For the avoidance of doubt, where any Preference Share(s) held by an Abstaining Member is/are not entitled to vote under the Listing Rules, the Trustee-Manager shall abstain from exercising any voting right in respect of the relevant specifically identified Ordinary Share(s) held by the Trustee-Manager for and on behalf of such Abstaining Member.

Joint Registered Holders

Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the Register of Members in respect of the relevant joint holding. Several executors or administrators of a deceased member in whose name any share stands shall for the purposes of the Company's Articles be deemed joint holders thereof.

Votes of Members of Unsound Mind

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Qualification for Voting

Save as expressly provided in the Company's Articles or as otherwise determined by the Company Board, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting of members.

Voting By Poll

At any general meeting of members a resolution put to the vote of the meeting shall be decided on a poll and the result of the poll shall be deemed to be the resolution of the meeting, save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member of the Company present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member of the Company which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. For purposes of the Company's Articles, procedural and administrative matters are those that (i) are not on the agenda of the general meeting or in any supplementary circular that may be issued by the Company to its members; and (ii) relate to the chairman's duties to maintain the orderly conduct of the meeting and/or allow the business of the meeting to be properly and effectively dealt with, whilst allowing all members of the Company a reasonable opportunity to express their views.

Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded (i) by the chairman; (ii) by at least three members of the Company present in person or in the case of a member being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or (iii) by a member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or (iv) by a member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

Recognised Clearing House

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. The person so authorised will be deemed to have been duly authorised without the need of producing any documents of title, notarised authorisation and/or further evidence for substantiating the facts that it is duly authorised. A person so authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if such person were an individual member of the Company holding the number and class of shares specified in such authorisation including, where a show of hands is allowed, the right to vote individually on a show of hands, notwithstanding any contrary provision contained in the Company's Articles.

2.8 Annual General Meetings

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months shall elapse (or such longer period as the Stock Exchange may authorise) between the date of one annual general meeting of the Company and that of the next.

2.9 Accounts and Audit

The Company Board shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Cayman Companies Law. The Company Board shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Cayman Companies Law or any other relevant law or regulation or as authorised by the Company Board or by the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

The Company Board shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date at which the profit and loss account is made up and a Company Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Company's Articles to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The members of the Company may, at any general meeting convened and held in accordance with the Company's Articles, by ordinary resolution remove the auditor of the Company any time before the expiration of his term of office and shall by ordinary resolution at that meeting appoint another auditor in his stead for the remainder of his term. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Company Board.

For as long as the Trust Deed remains in force, the auditors of the Company and the auditors of HK Electric Investments and the Trustee-Manager shall, at all times, be the same person or firm.

2.10 Notice of Meetings and Business to be Conducted Thereat

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing. Subject to the requirements under the Listing Rules, the notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting,

particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than such as, under the provisions of the Company's Articles or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

To the extent permitted under the relevant laws and regulations, meetings of members and meetings of Registered Holders of Units shall be held on a combined basis as a single meeting characterised as a Meeting of Registered Holders of Share Stapled Units. If that is not possible under the relevant laws and regulations, the meetings convened under Article 12.10 (as described above) shall be held separately and consecutively, with the meeting of Registered Holders of Units being held immediately prior to the meeting of members. The meeting of Registered Holders of Units is required to be held immediately prior to the meeting of members in order to enable the Registered Holders of Units, by exercising the voting rights conferred by the Units held by them, to give directions to the Trustee-Manager as to how to vote the specifically identified Ordinary Shares held by the Trustee-Manager which are Linked to those Units, in respect of the resolution(s) to be proposed at the meeting of members.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business (a) the declaration and sanctioning of dividends; (b) the consideration and adoption of the accounts and balance sheets and the reports of the Company Directors and the auditors and other documents required to be annexed to the balance sheet; (c) the election of Company Directors in place of those retiring; (d) the appointment of auditors; and (e) the fixing of, or the determining of the method of fixing of, the remuneration of the Company Directors and of the auditors.

2.11 Transfer of Shares

While the Trust Deed remains in force, (a) Preference Shares may only be transferred as components of Share Stapled Units in accordance with the provisions of Clause 9 *(Share Stapled Units Register and Transfer of Share Stapled Units)* of the Trust Deed and the Company's Articles; and (b) Ordinary Shares can only be held by the Trustee-Manager upon and subject to the terms and conditions of the Trust Deed and, subject to the Exchange Right, cannot be transferred by the Trustee-Manager.

While the Trust Deed remains in force and if and for so long as the Share Stapled Units are listed on the Stock Exchange, transfers of Share Stapled Units between CCASS Participants shall be effected electronically through CCASS making an appropriate entry in its records in respect of the Share Stapled Units that have been transferred, in accordance with the CCASS Requirements and the applicable provisions of the Company's Articles shall not apply to such transfers.

While the Trust Deed remains in force, in respect of Share Stapled Units which are not deposited with CCASS, every Registered Holder of Share Stapled Units shall be entitled to transfer any of the Share Stapled Units held by him (including the Preference Shares which are components of those Share Stapled Units) or, in the case of Joint Registered Holders of Share Stapled Units, by them, as follows:

(a) a transfer of Share Stapled Units (including the Preference Shares which are components of those Share Stapled Units) shall be effected (i) by an instrument of transfer in writing in such form as the Company and the Trustee-Manager may from time to time approve accompanied by the certificate(s) issued in respect of the relevant Share Stapled Units or (ii) in any other manner as the Company and the Trustee-Manager may from time to time approve; and

(b) every instrument of transfer referred to in (a) above relating to Share Stapled Units (including the Preference Shares which are components of those Share Stapled Units) must be signed by the transferor and the transferee and the transferor shall be deemed to remain the holder of the Share Stapled Units transferred until the name of the transferee is entered in the Share Stapled Units Register in respect thereof. The instrument of transfer need not be a deed. The Company and the Trustee-Manager may also agree, upon request by the transferor or the transferee, to accept mechanically executed transfers. Instruments of transfer executed by machine imprinted signatures of a clearing house shall be acceptable.

While the Trust Deed remains in force, every instrument of transfer relating to Share Stapled Units must be duly stamped (if required by law) and left with the Registrar (or where there is no Registrar, with the Trustee-Manager) for registration accompanied by the certificate(s) issued in respect of the relevant Share Stapled Units and any necessary declarations or other documents that may be required in consequence of any relevant laws and regulations and by such evidence as the Registrar or the Company or the Trustee-Manager may require to prove the title of the transferor or his right to transfer those Share Stapled Units (including the Preference Shares which are components of those Share Stapled Units). The Registrar (or where there is no Registrar, the Trustee-Manager) may dispense with the production of any certificate which shall have become lost, stolen or destroyed upon compliance by the transferor with the like requirements to those arising in the case of an application by him for the replacement thereof.

While the Trust Deed remains in force, in respect of Share Stapled Units which are not deposited with CCASS, the Company and the Trustee-Manager shall alter or cause to be altered the Share Stapled Units Register (and the Register of Members and the Register of Beneficial Interests) to record the date of each transfer of Share Stapled Units (including the Preference Shares which are components of those Share Stapled Units) and the name and address of the transferee.

While the Trust Deed remains in force, no Registered Holder of a Share Stapled Unit (including the Preference Share which is a component of the Share Stapled Unit) may require the transfer of a Share Stapled Unit (including the Preference Share which is a component of the Share Stapled Unit) to be registered during any period for which the Register of Members, and/or the Register of Beneficial Interests is closed under the Company's Articles.

While the Trust Deed remains in force, Preference Shares shall only be transferable (a) in the form of Share Stapled Units and (b) in multiples of one Share Stapled Unit. No transfer shall be registered if the registration thereof would result in the transferor or the transferee being a registered holder of less than one share.

While the Trust Deed remains in force, no transfer or purported transfer of a share other than a transfer made in accordance with the Company's Articles and Clause 9.7 *(Transfer of Share Stapled Units)* of the Trust Deed shall entitle the transferee to be registered in respect thereof. No notice of such transfer or purported transfer (other than as aforesaid) shall be entered upon the Register of Members, the Share Stapled Units Register, the Units Register, the Register of Beneficial Interests or any other register.

2.12 Repurchase and Redemption

Except for the repurchase or redemption of the Preference Shares in accordance with the provisions of the Trust Deed and the Company's Articles, the Company shall not repurchase or redeem any shares otherwise than as components of Share Stapled Units and unless and until the Company is permitted to repurchase or redeem Share Stapled Units by relevant codes and guidelines issued by the SFC from time to time. Thereafter, for as long as the Trust Deed remains in force and except for the repurchase or redemption of the Preference Shares in accordance with the provisions of the Trust Deed and the Company's Articles, the Company may only repurchase or redeem Shares as components of Share Stapled Units repurchased or redeemed and only to the extent permitted by, and in accordance with the provisions of, any or all relevant laws and regulations and any applicable codes and guidelines as may be issued by the SFC from time to time.

The circumstances in which the Preference Shares may be redeemed in accordance with the provisions of the Trust Deed and the Company's Articles are described in *"Appendix IV — Trust Deed — Termination of HK Electric Investments"* and in paragraph 4 below in this section. In addition, the Preference Shares would be exchanged and cancelled on an exercise of the Exchange Right. That provision is described in detail in *"Appendix IV — Trust Deed — Exchange Right"* and in paragraph 3 below in this section.

2.13 Power of Any Subsidiary of the Company to Own Shares

There are no provisions in the Company's Articles relating to the ownership of shares by a subsidiary.

2.14 Dividends and Other Methods of Distributions

Subject to the Cayman Companies Law and the Company's Articles, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Company Board. Dividends shall only be payable in respect of the Ordinary Shares. The Preference Shares confer no rights to or in respect of dividends. The Company Board may from time to time pay to the holders of the Ordinary Shares such interim dividends as appear to the Company Board to be justified. The Company Board may in addition from time to time declare and pay special dividends on the Ordinary Shares of such amounts and on such dates as it thinks fit.

The Company's Articles state that, as reflected in a resolution of the Company Board passed on the date of adoption of the Company's Articles, it is the current intention, as at the date of adoption of the Company's Articles, of the Company Board to declare and distribute 100% of the Group Distributable Income for (a) the period from the Listing Date to 31 December 2014 and (b) each financial year

thereafter to the Trustee-Manager to fund distributions in respect of the Share Stapled Units to be made by the Trustee-Manager. In addition, subject to compliance with all applicable laws of the Cayman Islands and the Company's Articles, the Company Board may declare and distribute such additional amounts as the Company Board in their discretion determine.

It is currently (as at the date of adoption of the Company's Articles) the intention of the Company Board that the Company will declare and make distributions to the Trustee-Manager on a semi-annual basis, with the interim and final distributions in respect of a financial year being equal, in aggregate, to 100% of the Group Distributable Income in respect of that financial year. The respective proportions of the aggregate annual distribution to be paid as an interim distribution and a final distribution shall be determined by the Company Board in its discretion and the amount of the interim distribution need not be proportionate to the Group Distributable Income in respect of the first six months of the relevant financial year (or other period in respect of which the distribution is made) or proportionate to the Group Distributable Income in respect of the relevant financial year.

If the Group sells any fixed assets or properties, the Company Directors may, at their discretion, retain all or any part of the proceeds (including any realised gains) from such sale (less associated taxes and expenses and associated debt repayments), including any amounts retained for the purpose of servicing future debt repayments and/or for the purpose of complying with covenants in any credit facility agreement (such amounts retained for debt repayment and covenant compliance being "**Excluded Amounts**"), for up to five years following such sale and may utilise the retained proceeds (other than the Excluded Amounts) for the acquisition of other fixed assets or properties and/or capital expenditure. To the extent that all or any part of the retained proceeds (other than the Excluded Amounts) are not utilised for the purposes described above within five years following such sale, the Company will distribute such retained proceeds (other than the Excluded Amounts) to the Trustee-Manager.

The statements in the Company's Articles of the Company Board's current intention, as at the date of adoption of the Company's Articles, to declare and distribute 100% of the Group Distributable Income in respect of each financial year commencing with the financial year ending 31 December 2014 to the Trustee-Manager to fund distributions in respect of the Units is a distribution policy only and a statement of the Company Board's current intention, as at the date of adoption of the Company's Articles, only. It is not a legally binding obligation of the Company Directors, the Company and is subject to change. Nor is it guaranteed by any person.

The form, frequency and amount of future distributions (if any) in respect of Share Stapled Units will depend on the earnings, financial position and results of operations of the Group, as well as contractual restrictions (including compliance with financial undertakings imposed under the Group's loan facilities agreements), provisions of applicable laws and regulations and other factors including, but not limited to, funding requirements with reference to the prevailing business environment and operations, and expansion plans, other capital management considerations, the overall stability of distributions and prevailing industry practice.

The Company Board may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Company Board may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Subject to the Company's Articles, whenever the Company Board or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Company Board may further resolve either: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up provided that the holders of Ordinary Shares entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the holders of Ordinary Shares entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Company Board may think fit. The Company may upon the recommendation of the Company Board by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to holders of Ordinary Shares to elect to receive such dividend in cash in lieu of such allotment.

Unless otherwise directed by the Company Board, any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the Register of Members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the Register of Members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Company Board for the exclusive benefit of the Company until claimed. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Company Board and shall revert to the Company.

The Company Board, with the sanction of an ordinary resolution of the members of the Company in general meeting, may direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind to the holders of Ordinary Shares, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Company Board may settle the same as it thinks expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets, or any part thereof, and may determine that cash payments shall be made to any holders of Ordinary Shares upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Company Board.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting.

A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any one general meeting (or at any one class meeting). Instruments of proxy, whether for a specified meeting or otherwise, shall be in such form that complies with the Listing Rules as the Company Board may from time to time approve, provided that it shall enable a member, according to his intention, to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument appointing a proxy to vote at a general meeting shall (a) be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit and (b) unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates, provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same. The Company Board shall have the right to reject an instrument appointing a proxy which has not been properly completed. In determining the rights to vote and other matters in respect of a completed instrument of proxy submitted to it, the Company Board shall have regard to any instructions and/or notes set out in the instrument of proxy.

The instrument appointing a proxy and (if required by the Company Board) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid provided always that the Chairman of the meeting may at his discretion direct that an instrument of proxy shall be deemed to have been duly deposited upon receipt of facsimile confirmation from the appointor that the instrument of proxy duly signed is in the course of transmission to the Company. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on Shares and Forfeiture of Shares

For as long as the Trust Deed remains in force, the Company shall not issue any partly paid shares; provided that nothing in the Company's Articles or in the Trust Deed shall prohibit or restrict the Company from allotting or issuing any share on terms that the entire sum payable for the share is payable upon allotment or issue or by a fixed date falling no later than 10 Business Days following the date of allotment or issue of the share (or such later time as the Company Board may determine).

Subject to the foregoing, which applies for so long as the Trust Deed remains in force, the Company Board may from time to time make such calls as it may think fit upon the members of the Company in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company's Articles and the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the Company at the time and place so specified the amount called on his shares.

A call may be revoked or postponed as the Company Board may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

The Company's Articles provides that, for as long as the Trust Deed remains in force, the Company may only make calls upon terms agreed with the Trustee-Manager and such terms shall be consistent with the Trust Deed. A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Company Board authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof. If the sum or any instalment payable in respect of any call is unpaid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 15% per annum as the Company Board shall determine from the day appointed for the payment thereof to the time of actual payment, but the Company Board may waive payment of such interest wholly or in part.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Company Board may, at any time during such time as any part thereof remains unpaid serve a notice on him requiring payment of so much of the call or instalment as is unpaid together with any interest which may have accrued and which may still accrue up to the date of actual payment. For so long as the Trust Deed continues in force, the Company shall obtain the consent of the Trustee-Manager before serving any such notice.

The notice shall name a further day (not being earlier than the expiration of 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which the call was made or instalment is unpaid will be liable to be forfeited.

Subject to the prior consent of the Trustee-Manager, if the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Company Board to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture. A share so forfeited shall be deemed to be the property of the Company and, subject to the applicable provisions of the Trust Deed and the Company's Articles, may be sold, re-allotted or otherwise disposed of or cancelled.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares,

together with (if the Company Board shall in its discretion so require) interest thereon at such rate not exceeding 15% per annum as the Company Board may prescribe from the date of forfeiture until payment, and the Company Board may enforce payment thereof if it thinks fit without any deduction or allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of Register of Members

There shall be entered in the Principal Register of Members or the Hong Kong Register of Members (as the case may be) the following information as soon as practicable after the Trustee-Manager, the Company or the Registrar receives the relevant information: (a) the names and addresses of the registered holders of shares (and, in the case where the registered holder of shares is HKSCC Nominees, the name and address of HKSCC Nominees); (b) the number of shares held by each registered holder of shares, the distinctive numbers of the Ordinary Shares and Preference Shares held and the distinctive numbers of the certificate, if any, issued in respect thereof; (c) the date on which every such person entered in the Principal Register of Members or the Hong Kong Register of Members, as the case may be, in respect of the shares standing in his name became a registered holder of shares; (d) the date on which any transfer is registered, the name and address of the transferee and, where practicable, a sufficient reference to enable the name and address of the transferor to be identified; (e) the date on which any person ceased to be a registered holder of shares; and (f) the date on which any shares have been repurchased or redeemed pursuant to the Company's Articles.

For as long as the Trust Deed remains in force: (a) the Trustee-Manager shown in the Principal Register of Members as the registered holder of Ordinary Shares shall be the legal owner of the relevant Ordinary Shares, but shall hold those Ordinary Shares on the trusts constituted by the Trust Deed and subject to the beneficial interests of the Registered Holders of Units which are Linked to those Ordinary Shares, in accordance with the provisions of the Trust Deed; (b) each Registered Holder of a Unit shown in the Units Register shall have a beneficial interest (on and subject to the terms and conditions of the Trust Deed) in a number of Ordinary Shares registered in the name of the Trustee-Manager in the register equal to the number of Units registered in the name of the relevant Registered Holder of Units; (c) specifically, each Registered Holder of a Unit shown in the Units Register shall have a beneficial interest (on and subject to the terms and conditions of the Trust Deed) in the specifically identified Ordinary Share which is Linked to the relevant Unit registered in the name of the Registered Holder of that Unit; and (d) each transfer of Units in the Units Register shall include the transfer of the beneficial interest of the Registered Holder of Units in an equal number of Ordinary Shares registered in the name of the Trustee-Manager in the Principal Register of Members (specifically, the specifically identified Ordinary Shares which are Linked to the Units being transferred), to the same transferee.

The Register of Member and/or the Register of Beneficial Interests may, on 14 days' notice being given by announcement published on the Stock Exchange's website, or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Company's Articles or by announcement published in the newspapers, be closed at such times and for such periods as the Company Board may from time to time determine, either generally or in respect of any class of shares, provided that the Register of Members and/or the Register of Beneficial Interests shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

The Hong Kong Register of Members, which is established and maintained by the Company as a branch register in Hong Kong in accordance with the provisions of the Company's Articles, and the Register of Beneficial Interests shall during normal business hours (subject to such reasonable restrictions as the Company Board may impose) be open to inspection by a member of the Company without charge and by any other person on payment of such fee not exceeding HK$2.50 (or such higher amount as may from time to time be permitted under the Listing Rules) as the Company Board may determine for each inspection.

2.18 Quorum for Meetings and Separate Class Meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman. Two members of the Company present in person (or in the case of a corporation, by its duly authorised representatives) or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy. Any corporation which is a member of the Company may, by resolution of its directors or other governing body or by power of attorney, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of members of any class of shares of the Company and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member of the Company and where a corporation is so represented, it shall be treated as being present at any meeting in person.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 Rights of Minorities in relation to Fraud or Oppression

There are no provisions in the Company's Articles concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on Liquidation

If the Company shall be wound up, the assets available for distribution amongst the members of the Company shall be distributed in the following order of priority: (a) first, in paying to holders of Preference Shares an amount equal to the Offer Price per Preference Share and if there is a shortfall the proceeds shall be distributed to the holders of the Preference Shares in proportion to the amounts due on each such Preference Share held; and (b) thereafter, the balance of such assets shall be distributed amongst the holders of the Preference Shares and the Ordinary Shares *pari passu* as if the same constituted one class of share (in proportion to the number of shares held by them, respectively).

The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions. If the Company shall be wound up, the liquidator may with the authority of a special resolution of the Company and any other sanction required by the Cayman Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether the assets shall consist of property of one kind or shall consist of properties of different kinds) and may, for such purpose, set such value as he deems fair upon any property to be

divided and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like authority or sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like authority or sanction and subject to the Cayman Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable Members

Subject to the Company's Articles, the Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if and provided that: (i) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) the Company has not during that time or before the expiry of the three month period referred to in (iv) below received any indication of the whereabouts or existence of the member or person entitled to such shares by death, bankruptcy or operation of law; (iii) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (iv) upon expiry of the 12 year period, the Company has caused an announcement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Company's Articles, giving notice of its intention to sell such shares and a period of three months has elapsed since such announcement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

For as long as the Trust Deed remains in force, the Company may only exercise the rights described in the paragraph immediately above subject to, and in compliance with, the provisions of the Trust Deed and the provisions of the Company's Articles described above requiring that the Ordinary Shares remain Linked to Units and the Preference Shares remain Stapled to Units.

3. Repurchase and Cancellation of the Preference Shares on Exercise of the Exchange Right

Subject to the provisions of the Cayman Companies Law, if the Exchange Right is exercised under Clause 12 *(Exchange)* of the Trust Deed, all the Preference Shares shall be exchanged (together with the Units to which they are Stapled) by their holders with the Trustee-Manager for the Ordinary Shares held by the Trustee-Manager which are Linked to the Units being exchanged. The consideration for the exchange of each Preference Share is the transfer by the Trustee-Manager to the Registered Holder of the relevant Share Stapled Unit of the specifically identified Ordinary Share held by the Trustee-Manager, the beneficial interest in which is a component of that Share Stapled Unit. The Trust Deed provides that pursuant to the exercise of the Exchange Right, the Company will repurchase, from the Trustee-Manager, all of the issued Preference Shares which have been exchanged by the former Registered Holders of Share Stapled Units with the Trustee-Manager pursuant to the exercise of the Exchange Right, for an aggregate purchase price of HK$1.00, and which will be cancelled by the Company.

Subject to that, the Company is not required to provide any additional consideration to any holder or former holder of Share Stapled Units or Preference Shares for or in connection with the exchange of any Preference Share on exercise of the Exchange Right. On the Exchange Date (as defined in the Company's Articles), any and all certificates issued in respect of the Preference Shares shall cease to be valid and the Preference Shares shall confer no further rights.

4. Redemption of Preference Shares in the Event that HK Electric Investments is to be Terminated

If HK Electric Investments is to be terminated under Clause 25 *(Termination of HK Electric Investments)* of the Trust Deed (otherwise than pursuant to Clause 25.1(b) of the Trust Deed as a result of the exercise of the Exchange Right, which is governed by the provisions described in paragraph 3 above), subject to the provisions of the Cayman Companies Law all the Preference Shares shall be redeemed in full on a date to be agreed by the Trustee-Manager and the Company and notified to the members of the Company. In the case of a redemption under this provision the Company shall pay on each of the Preference Shares redeemed a sum equal to the par value of the Preference Share. On the day fixed for the redemption of the Preference Shares, the Company shall pay to each holder of Preference Shares the amount payable in respect of such redemption and upon receipt of that amount each such holder shall surrender to the Company the certificates for his Preference Shares in order that they may be cancelled. Irrespective of whether a certificate is delivered to the Company for cancellation, all such certificates shall be cancelled and cease to be valid with effect from the date of payment of the amount payable by the Company in respect of such redemption.

B. SUMMARY OF THE CAYMAN COMPANIES LAW

The Company is incorporated in the Cayman Islands subject to the Cayman Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share Capital

The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "**share premium account**". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be

issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of Section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course business.

The Cayman Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Cayman Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Company's Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial Assistance to Purchase Shares of a Company or its Holding Company

Subject to all applicable laws, the Company may give financial assistance to Company Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Company Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of Shares and Warrants By a Company and its Subsidiaries

Subject to the provisions of the Cayman Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Cayman Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of

purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Cayman Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and Distributions

With the exception of Section 34 of the Cayman Companies Law, there is no statutory provision relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, Section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph (b) above for further details).

(f) Protection of Minorities

The Cayman Court ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Cayman Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Cayman Court shall direct.

Any shareholder of a company may petition the Cayman Court which may make a winding up order if the Cayman Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Cayman Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Cayman Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and Auditing Requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to Section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of 20 years from 8 October 2013.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to Directors

There is no express provision in the Cayman Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of Corporate Records

Members of the Company will have no general right under the Cayman Companies Law to inspect or obtain copies of the Register of Members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Cayman Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Cayman Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding Up

A company may be wound up compulsorily by order of the Cayman Court; voluntarily; or, under supervision of the Cayman Court. The Cayman Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Cayman Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Cayman Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Cayman Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Cayman Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Cayman Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Cayman Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within 28 days of the commencement of the liquidation, failing which, its liquidator must apply to Cayman Court for an order that the liquidation continue under the supervision of the Cayman Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least 21 days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Cayman Court. Whilst a dissenting shareholder would have the right to express to the Cayman Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Cayman Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory Acquisition

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Cayman Court within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Cayman Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Court to be contrary to public policy (for example, for purporting to provide indemnification against the consequences of committing a crime).

C. GENERAL

Conyers Dill & Pearman (Cayman) Limited, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in *"Appendix VIII — Documents Delivered to the Registrar of Companies and Available for Inspection"*. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

The following summary of certain Hong Kong, BVI and Cayman Islands tax consequences of the purchase, ownership and disposition of the Share Stapled Units is based upon the laws, regulations, rulings and decisions now in effect, all of which are subject to change (possibly with retroactive effect). The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Share Stapled Units and does not purport to apply to all categories of prospective investors, some of whom may be subject to special rules. Prospective investors should consult their own tax advisers concerning the application of Hong Kong, BVI and Cayman Islands tax laws to their particular situation as well as any consequences of the purchase, ownership and disposition of the Share Stapled Units arising under the laws of any other taxing jurisdiction.

The taxation of HK Electric Investments, the Company, Trustee-Manager and that of the Holders of Share Stapled Units is described below. Where Hong Kong, BVI and Cayman Islands tax laws are discussed, these are merely an outline of the implications of such laws.

Investors should note that the following statements are based on advice received by the Trustee-Manager regarding taxation laws, regulations and practice in force as at the date of this prospectus, which may be subject to change.

A. OVERVIEW OF TAX IMPLICATIONS OF HONG KONG

1. Hong Kong Taxation of HK Electric Investments

Profits Tax

Profits arising in or derived from Hong Kong by HK Electric Investments will generally be chargeable to Hong Kong profits tax at the current profits tax rate of 16.5%. Dividend income derived by the HK Electric Investments from the Company will be excluded from Hong Kong profits tax.

Stamp Duty

No Hong Kong stamp duty is payable by HK Electric Investments on the issue of new Share Stapled Units.

2. Hong Kong Taxation of the Company

Profits Tax

The Company will be subject to Hong Kong profits tax in respect of profits arising in or derived from Hong Kong at the current rate of 16.5%. Dividend income derived by the Company from its subsidiaries will be excluded from Hong Kong profits tax.

3. Hong Kong Taxation of the Trustee-Manager

Profits Tax

The Trustee-Manager will be subject to Hong Kong profits tax in respect of the profits derived from the provision of trust administration services to HK Electric Investments at the current profits tax rate of 16.5%.

4. Hong Kong Taxation of Holders of Share Stapled Units

Profits Tax

The Company believes that under the current practice of the IRD, Hong Kong profits tax will not generally be payable by unitholders on distributions by Hong Kong listed unit trusts or fixed single investment trusts (such as HK Electric Investments). Holders of Share Stapled Units should seek advice from their own professional advisers as to their particular tax position.

Hong Kong profits tax will not be payable by any Holders of Share Stapled Units (other than Holders of Share Stapled Units carrying on a trade, profession or business in Hong Kong and holding the Share Stapled Units for trading purposes) on any capital gains made on the sale or other disposal of the Share Stapled Units.

Stamp Duty

No Hong Kong stamp duty is payable by Holders of Share Stapled Units in relation to the issue of Share Stapled Units to them by HK Electric Investments.

Based on the understanding obtained from the IRD, Hong Kong stamp duty will be charged on the sale and purchase of Share Stapled Units (each of which comprises a Unit, the beneficial interest in a specifically identified Ordinary Share and a specifically identified Preference Share) only, at the current rate of 0.2% of the consideration for, or (if greater) the value of, the Share Stapled Units being sold or purchased, whether or not the sale or purchase is on or off the Stock Exchange. The Holder of Share Stapled Units selling the Share Stapled Units and the purchaser will each be liable for one-half of the amount of Hong Kong stamp duty payable upon such transfer. In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of Share Stapled Units.

Estate Duty

Hong Kong estate duty was abolished with effect from 11 February 2006. No Hong Kong estate duty is payable by Holders of Share Stapled Units in relation to the Share Stapled Units owned by them upon death.

B. OVERVIEW OF TAX IMPLICATIONS OF VARIOUS OTHER JURISDICTIONS

1. Taxation in the BVI

A company incorporated under the BVI Business Companies Act, 2004, as amended is exempt from all provisions of the Income Tax Act (as amended) of the BVI (including with respect to all dividends, interests, rents, royalties, compensation and other amounts payable by the company to persons who are not persons resident in the BVI).

Capital gains realised with respect to any shares, debt obligations or other securities of a company by persons who are not persons resident in the BVI are also exempt from all provisions of the Income Tax Act of the BVI.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the BVI with respect to any shares, debt obligations or other securities of the company, save for interest payable to or for the benefit of an individual resident in the European Union.

No stamp duty is payable in the BVI on a transfer of shares in a BVI company except those which hold interests in land in the BVI.

2. Taxation in the Cayman Islands

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(b) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of 20 years from 8 October 2013.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

A. FURTHER INFORMATION ABOUT THE COMPANY

1. Incorporation

The Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 23 September 2013. The Company has established a principal place of business in Hong Kong at 44 Kennedy Road, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part XI of the Companies Ordinance on 9 December 2013, with Mr. WAN Chi Tin of Flat A, 15/F, Block 10, Braemar Hill Mansions, 33 Braemar Hill Road, North Point, Hong Kong and Mr. CHAN Loi Shun of Flat A, 16/F, Tower 1, Island Crest, 8 First Street, Hong Kong appointed as the Hong Kong authorised representatives of the Company on 21 November 2013 for acceptance on behalf of the Company of service of process and any notices required to be served on the Company.

As the Company was incorporated in the Cayman Islands, its operations are subject to the Cayman Companies Law and to its constitution which comprises the Memorandum and Articles of Association of the Company. A summary of the relevant sections of the Memorandum and Articles of Association of the Company and the relevant aspects of the Cayman Companies Law is set out in *"Appendix V — Summary of the Constitution of the Company and Cayman Companies Law"*.

2. Changes in the Share Capital of the Company

As at the date of incorporation of the Company, it had an authorised share capital of HK$380,000 divided into 760,000,000 shares with a par value of HK$0.0005 each. The following alterations in the share capital of the Company have taken place since its date of incorporation up to the date of this prospectus:

(a) On 23 September 2013, one fully paid ordinary share of HK$0.0005 was allotted and issued for cash at par by the Company to the initial subscriber, Sharon Pierson, who on the same day transferred that one share to Quickview, a wholly-owned subsidiary of PAH. On 4 December 2013, Quickview subscribed for and was allotted and issued one additional ordinary share in the capital of the Company at par.

(b) 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 from HK$380,000 to HK$20,000,000, of which 20,000,000,000 shares, including one issued share held in the name of Quickview, were designated as ordinary shares with a par value of HK$0.0005 each (the "**Ordinary Shares**"), and the remaining 20,000,000,000 shares, including the other issued share held in the name of Quickview, were designated as preference shares with a par value of HK$0.0005 each (the "**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.

(c) On 1 January 2014, pursuant to a sale and purchase agreement entered into between Quickview and the Trustee-Manager, Quickview transferred one Ordinary Share held by it to the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments) in consideration for HK$0.0005 which was satisfied by HK Electric Investments 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 in accordance with the Trust Deed.

(d) On the Listing Date, pursuant to the Reorganisation, HK Electric Investments and the Company will issue 4,409,299,999 Consideration Share Stapled Units to Quickview at the Offer Price as partial settlement of the consideration for the Acquisition, which will result in the Company issuing 4,409,299,999 Ordinary Shares to the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments) and 4,409,299,999 Preference Shares to Quickview, which will be credited as fully paid and which will be Linked and Stapled, respectively, to the same number of Units to be issued by HK Electric Investments to form Share Stapled Units.

(e) On the Listing Date, following the issue of the Consideration Share Stapled Units, pursuant to the Global Offering, HK Electric Investments and the Company will issue at the Offer Price 4,426,900,000 Offer Share Stapled Units, which will result in the Company issuing 4,426,900,000 Ordinary Shares to the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments) and 4,426,900,000 Preference Shares to subscribers of the Offer Share Stapled Units, which will be issued fully paid or credited as fully paid and which will be Linked and Stapled, respectively, to the same number of Units to be issued by HK Electric Investments on the Listing Date to form Share Stapled Units.

(f) Immediately following the completion of the Reorganisation and the Global Offering, the Company will have an issued and paid-up share capital comprising 8,836,200,000 Ordinary Shares and 8,836,200,000 Preference Shares, and 11,163,800,000 Ordinary Shares and 11,163,800,000 Preference Shares will remain unissued.

Save as disclosed above and in *"— Written Resolutions of the Sole Shareholder passed on 1 January 2014"* below, there has been no alteration in the share capital of the Company since the date of its incorporation.

3. Written Resolutions of the Sole Shareholder passed on 1 January 2014

On 1 January 2014, resolutions of the Company were passed by Quickview, the then sole shareholder of the Company, pursuant to which, among other things:

(a) the share capital structure of the Company was changed by increasing the authorised share capital of the Company from HK$380,000 to HK$20,000,000 by the creation of 39,240,000,000 shares with a par value of HK$0.0005 each, of which 20,000,000,000 shares were designated as Ordinary Shares with a par value of HK$0.0005 each and 20,000,000,000 shares were designated as Preference Shares with a par value of HK$0.0005 each, 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;

(b) the Company Directors, or a committee of Company Directors duly authorised by the Company Directors, were authorised to allot and issue (at the direction of the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments)) certain Ordinary Shares (in such number as such Company Directors or a committee thereof may decide in their discretion) to the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments) and the same number of Preference Shares to Quickview pursuant to the Reorganisation as partial settlement of the consideration for the Acquisition, such Ordinary Shares and Preference Shares to be Linked and Stapled, respectively, to the same number of Units to be issued by HK Electric Investments on the Listing Date to form the Consideration Share Stapled Units;

(c) conditional upon the satisfaction (or, if applicable, waiver) of the conditions set out in *"Structure of the Global Offering — Conditions of the Global Offering"* and pursuant to the terms set out therein, the Company Directors, or a committee of Company Directors duly authorised by the Company Directors, were authorised to allot and issue such number of Ordinary Shares and Preference Shares so as to match such number of Units that will be issued and offered under the Global Offering, such Ordinary Shares and Preference Shares to be Linked and Stapled, respectively, to such Units to form Share Stapled Units;

(d) the Company's amended and restated Memorandum and Articles of Association were approved and adopted; and

(e) subject to the Global Offering becoming unconditional, a general mandate was granted to the Company Directors to issue or agree (conditionally or unconditionally) to issue Shares in accordance with the provisions of the Trust Deed as components of Share Stapled Units, at any time after the Listing Date and on or prior to the date of the first annual general meeting of Shareholders held after the Listing Date (whether directly or pursuant to any Convertible Instrument), without the approval of an ordinary resolution of Shareholders if the total number of new Shares issued, or agreed (conditionally or unconditionally) to be issued, under the general mandate, otherwise than pursuant to (i) a rights issue or (ii) any distribution reinvestment arrangement providing for the issue of Shares (as components of Share Stapled Units) in lieu of all or part of a distribution on Share Stapled Units in accordance with the Trust Deed and the Company's Articles, does not increase the number of Shares outstanding immediately following the completion of the Global Offering on the Listing Date by more than 20%.

Any issue of, or any agreement (whether conditional or unconditional) to issue, new Shares exceeding the percentage threshold specified above will require specific prior approval by an ordinary resolution of Shareholders, except that agreements to issue new Shares exceeding such percentage threshold which are conditional upon specific prior approval by an ordinary resolution of Shareholders may be entered into without first obtaining such prior approval.

The authority granted under the general mandate described above will only remain in effect until the conclusion of the first annual general meeting of Shareholders following the Listing Date, or the expiration of the period within which such annual general meeting is required to be held, or until revoked, renewed or varied by an ordinary resolution of Shareholders, whichever occurs first.

On 13 January 2014, a committee of the Company Directors and a committee of the Trustee-Manager Directors approved, among other things, the allotment and issue of Share Stapled Units pursuant to the Sale and Purchase Agreement and the Global Offering.

4. Subsidiaries

Details of the subsidiaries of the Company are set out in *"History and Reorganisation"* and *"Appendix I — Accountants' Report"*.

The following subsidiaries have been incorporated within two years immediately preceding the date of this prospectus:

Name of Subsidiary	Place of Incorporation	Date of Incorporation
Century Rank	BVI	30 August 2013
Treasure Business	BVI	10 July 2013

Save as set out above and in *"History and Reorganisation"* and *"Appendix I — Accountants' Report"*, there has been no alteration in the share capital of the subsidiaries of the Company within two years immediately preceding the date of this prospectus.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of Material Contracts

The Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus that are or may be material:

(1) the Trust Deed dated 1 January 2014 constituting HK Electric Investments and entered into between the Trustee-Manager and the Company on the terms as more particularly set out in *"Appendix IV — Trust Deed"*;

(2) a sale and purchase agreement dated 1 January 2014 entered into between Quickview and the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments) pursuant to which Quickview agreed to transfer one Ordinary Share to the Trustee-Manager in consideration for HK$0.0005 which was satisfied by HK Electric Investments 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 in accordance with the Trust Deed. Such agreement was entered into as part of the Reorganisation;

(3) a cornerstone investment agreement dated 6 January 2014 entered into among the Trustee-Manager, the Company, Goldman Sachs (Asia) L.L.C., The Hongkong and Shanghai Banking Corporation Limited and SGID pursuant to which SGID agreed to subscribe at the Offer Price for such number of Share Stapled Units which is equivalent to 18.0% of the total number of Share Stapled Units in issue immediately following the completion of the Reorganisation and the Global Offering, rounded down to the nearest whole board lot of 500 Share Stapled Units, on the terms as more particularly set out in "*Cornerstone Investors*";

(4) a cornerstone investment agreement dated 11 January 2014 entered into among the Trustee-Manager, the Company, Goldman Sachs (Asia) L.L.C., The Hongkong and Shanghai Banking Corporation Limited and OIF pursuant to which OIF agreed to subscribe for such number of Share Stapled Units at the Offer Price for an aggregate subscription amount equal to HK$387.5 million, rounded down to the nearest whole board lot of 500 Share Stapled Units, on the terms as more particularly set out in "*Cornerstone Investors*";

(5) the Sale and Purchase Agreement dated 14 January 2014 entered into between (a) PAH as vendor, (b) Treasure Business as purchaser, (c) the Company, and (d) the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments) for the acquisition of the entire issued share capital of HEC by Treasure Business, on the terms as more particularly set out in *"History and Reorganisation — The Reorganisation"*;

(6) the Non-Competition Deed dated 14 January 2014 entered into between the Company and PAH on the terms as more particularly set out in *"Relationship with PAH — Non-Competition Deed"*; and

(7) the Hong Kong Underwriting Agreement dated 14 January 2014 entered into among the Company, the Trustee-Manager, PAH, Quickview, the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters on the terms as more particularly set out in *"Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement"*.

2. Intellectual Property

As at the Latest Practicable Date, we had registered or applied for registration of the following intellectual property rights which are or may be material in relation to our business:

A. Trademarks

(i) As at the Latest Practicable Date, HEC had registered the following trademarks:

	Trademark	Class(es)	Registration No.	Territory of registration	Expiry Date
(1)	香港電燈	39	199506223	Hong Kong	2 March 2023
(2)	香港電燈	40	199506224	Hong Kong	1 December 2023
(3)		39	1996B07961	Hong Kong	2 March 2023

	Trademark	Class(es)	Registration No.	Territory of registration	Expiry Date
(4)		40	1996B07963	Hong Kong	1 December 2023
(5)	Hongkong Electric	39	1996B07962	Hong Kong	2 March 2023
(6)	Hongkong Electric	40	1996B07964	Hong Kong	1 December 2023
(7)	A 港燈 HK Electric B 港燈 HK Electric	39, 40	300858817	Hong Kong	24 April 2017
(8)	hke.com	38	1999B13190	Hong Kong	14 April 2015
(9)	hec.com	38	199913191	Hong Kong	14 April 2015
(10)		41	301741103	Hong Kong	19 October 2020
(11)	香港第三齡學苑	41	301741112	Hong Kong	19 October 2020
(12)		39	3455214	PRC	28 March 2018
(13)		40	6769857	PRC	28 July 2022
(14)		39	6769858	PRC	14 May 2022

(ii) As at the Latest Practicable Date, HEC had applied for the registration of the following trademarks:

	Trademark	Class(es)	Application No.	Application Date	Territory of Application
(1)	港燈	39, 40	302785212	31 October 2013	Hong Kong
(2)	(A) 港燈電力投資 HK Electric Investments (B) 港燈電力投資 HK Electric Investments	39, 40	302785221	31 October 2013	Hong Kong
(3)	(A) HK Electric Investments (B) HK Electric Investments	39, 40	302785230	31 October 2013	Hong Kong
(4)	(A) HK Electric Investments 港燈 (B) HK Electric Investments 港燈	39, 40	302785249	31 October 2013	Hong Kong

	Trademark	Class(es)	Application No.	Application Date	Territory of Application
(5)	(A) 	41	302785258	31 October 2013	Hong Kong
	(B) 				

B. Patents

As at the Latest Practicable Date, the following patent had been assigned to HEC pursuant to an assignment agreement dated 31 October 2013 entered into between PAH as assignor and HEC as assignee, and application had been made with the Patents Registry for the registration of such assignment on 11 November 2013. The registration of such assignment was still pending and therefore PAH remained the registered owner in the register of patents kept by the Patents Registry in Hong Kong as at the Latest Practicable Date.

Name of Patent	Place of registration	Type of Patents	Patent No.	Validity Period
Safe and environmentally friendly rubbish bin	Hong Kong	Short-term Patent	HK1171906	30 November 2012 to 29 November 2020

C. Domain Names

As at the Latest Practicable Date, HEC was the registrant of the following domain names:

Domain Name	Expiry Date
cleanenergyfund.hk	11 October 2014
香港電燈.公司.hk/.公司.香港	2 December 2016
香港電燈集團.公司.hk/.公司.香港	6 February 2017
香港電燈集團.hk/.香港	26 March 2017
hkelectric.com	29 April 2017
香港電燈.hk/.香港	9 May 2017
hec.com.hk	26 July 2017
hke.com.hk	26 July 2017
hongkongelectric.com.hk	26 July 2017
hke-investments.hk	9 October 2018
hke-investments.com.hk	9 October 2018
hkei.hk	9 October 2018
hkeinvest.hk	9 October 2018
hkeinvest.com.hk	9 October 2018
hkeinvestments.hk	9 October 2018

Domain Name	Expiry Date
hkeinvestments.com.hk	9 October 2018
hkelectricinvest.hk	9 October 2018
hkelectricinvest.com.hk	9 October 2018
heh.com	6 December 2019
hke-invest.com	30 September 2023
hkeinvestments.com	30 September 2023
hke-investments.com	30 September 2023
hkelectricinvest.com	30 September 2023

C. FURTHER INFORMATION ABOUT THE DIRECTORS

1. Disclosure of Interests

Immediately following the completion of the Reorganisation and the Global Offering (assuming the Over-allotment Option is not exercised), the interests and short positions of the Directors and the chief executive of the Trustee-Manager or the chief executive of the Company in the Share Stapled Units, the Shares and the underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) will have to be notified to the Trustee-Manager, the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Trustee-Manager, the Company and the Stock Exchange, in each case once the Share Stapled Units are listed on the Stock Exchange, will be as follows:

Interests in the Share Stapled Units

Name of Director or chief executive	Number of Share Stapled Units	Nature of interest	Approximate percentage (%)
YUEN Sui See	375 *(Note)*	Personal	0
Ronald Joseph ARCULLI	502 *(Note)*	Corporate	0
LEE Lan Yee, Francis	184 *(Note)*	Personal	0

Note: Assuming the Directors will take up their Assured Entitlements to the Reserved Share Stapled Units in full under the Preferential Offering.

Save as disclosed above, none of the Directors or the chief executive of the Trustee-Manager or the chief executive of the Company will, immediately following the completion of the Reorganisation and the Global Offering, have an interest or short position in the Share Stapled Units, the Shares, and the underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) will have to be notified to the Trustee-Manager, the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and

short positions which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Trustee-Manager, the Company and the Stock Exchange, in each case once the Share Stapled Units are listed on the Stock Exchange.

2. Particulars of Letters of Appointment

Each of the Company Directors has entered into a letter of appointment with the Company for a period commencing on the Listing Date and ending on 31 December 2014 which will be renewed automatically for successive 12-month periods subject to termination by the Company Director or the Company, the requirements of the Listing Rules, the provisions of retirement and rotation of Directors under the Company's Articles of Association, and the continued approval of the Company Board. Each of the Trustee-Manager Directors has also entered into a separate letter of appointment with the Trustee-Manager. Under the Trust Deed, the Trustee-Manager Directors must be the same individuals who serve as Company Directors at the relevant time. Accordingly, the retirement by rotation provisions will also be applicable, indirectly, in relation to the Trustee-Manager Board.

Pursuant to the terms of the letter of appointment entered into between each Company Director on the one part and the Company on the other part, the annual director's fees payable by the Company to each of them are HK$70,000, and the chairman of the Company Board will receive an additional fee of HK$50,000 per annum from the Company whereas a non-executive Director or an independent non-executive Director will receive from the Company an additional fee of HK$70,000 for being a member of the Company Audit Committee and HK$20,000 for being a member of the Company Remuneration Committee.

The director's fees payable by the Company to the relevant Company Director is subject to increase or reduction as shall be determined or approved by the Company Board and the Holders of Share Stapled Units.

Pursuant to the terms of the letter of appointment entered into between each Trustee-Manager Director on the one part and the Trustee-Manager on the other part, none of them is entitled to receive any director's fees nor any bonus from the Trustee-Manager.

Each of the Directors is entitled to reimbursement from the Company or the Trustee-Manager (as the case may be) for all necessary and reasonable out-of-pocket expenses properly incurred in connection with the performance and discharge of his/her duties under his/her letter of appointment.

Save as disclosed above, none of the Directors has entered into any service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' Remuneration

(a) No remuneration was paid or is payable to any Director in his/her capacity as such during the Track Record Period. Mr. FOK Kin Ning, Canning, Mr. WAN Chi Tin, Mr. CHAN Loi Shun, Mrs. CHOW WOO Mo Fong, Susan, Mr. YUEN Sui See, Mr. CHENG Cho Ying, Francis, Mr. TSO Kai Sum, Mr. Ronald Joseph ARCULLI, Mr. FONG Chi Wai, Alex, Mr. LEE Lan Yee, Francis and Mr. George Colin MAGNUS, Directors, who were also directors or employees of the PAH Group during the Track Record Period, received remuneration from PAH in respect of their services to the PAH Group,

which included certain companies of the Group. Part of such remuneration was in respect of their services for HEC and was therefore reimbursed by HEC to PAH. Such portion of the remuneration (including allowances, benefits in kind, discretionary bonuses and retirement schemes contribution) paid to the Directors allocated for their services to HEC amounted to approximately HK$11.0 million, HK$10.4 million, HK$11.7 million and HK$4.2 million for FY2010, FY2011, FY2012 and 9M2013, respectively.

(b) Under the current arrangements, the aggregate remuneration and benefits in kind payable by the Group to the Directors for the year ending 31 December 2014 are estimated to be HK$1.1 million from the Company and HK$28.0 million from HEC.

(c) None of the Directors has been paid any sum of money for the Track Record Period for (i) the loss of office as director or of any other office in connection with the management affairs of any member of the Group or (ii) as an inducement to join or upon joining the Group or any member of the Group.

(d) There has been no arrangement under which a Director has waived or agreed to waive any emoluments in the Track Record Period.

4. Agency Fees or Commissions Received

The Underwriters will receive an underwriting commission and the Joint Global Coordinators may receive a discretionary incentive fee in connection with the Underwriting Agreements, as detailed in *"Underwriting — Commissions and Expenses"*. Save in connection with the Underwriting Agreements, no commissions, discounts, brokerages or other special terms have been granted by the Group to any person (including the Directors and experts referred to in *"— Other Information — Qualifications and Consent of Experts"* below) in connection with the issue or sale of any capital or security of HK Electric Investments or any member of the Group within the two years immediately preceding the date of this prospectus.

5. Personal Guarantees

The Directors have not provided personal guarantees in favour of lenders in connection with banking facilities granted to the Group.

6. Further information on certain Directors

Mr. FOK Kin Ning, Canning was previously a director of Peregrine Investments Holdings Limited ("**Peregrine**"), a company incorporated in Bermuda and registered under Part XI of the Companies Ordinance. Mr. Fok resigned from his directorship in Peregrine on 12 January 1998. Peregrine was an investment bank and it commenced compulsory liquidation on 18 March 1998. As at the Latest Practicable Date, the liquidation was still in progress and the total claim admitted by the liquidators of Peregrine amounted to HK$15,278 million.

Mr. CHAN Loi Shun previously held directorships in CrossCity Motorway Pty Ltd, CrossCity Motorway Nominees No. 1 Pty Ltd, CrossCity Motorway Nominees No. 2 Pty Ltd, CrossCity Motorway Holdings Pty Ltd and CrossCity Motorway Finance Pty Ltd (collectively, the "**CrossCity Companies**"), all incorporated in Australia. Mr. Chan resigned from all directorships in the CrossCity Companies on 22 December 2006. The principal business of the CrossCity Companies was the design, construction and

operation of the Cross City Tunnel in Sydney, Australia. A voluntary administrator and a receiver and manager were appointed in respect of the CrossCity Companies on 27 December 2006 as the companies were insolvent. The amount which led to the receivership proceedings was approximately A$567 million. Ownership of the project contracts in respect of the Cross City Tunnel was subsequently transferred to a consortium formed by ABN AMRO and Leighton Contractors on 27 September 2007.

In 1984, the Insider Dealing Tribunal, established pursuant to the provisions of Section 141G of the Securities Ordinance (Chapter 333 of the Laws of Hong Kong) (later repealed in 2002), was appointed in relation to dealings in the securities of International City Holdings Limited ("**ICH**") which took place in 1984. The Insider Dealing Tribunal determined that CKH, Starpeace Limited ("**Starpeace**") (now liquidated but previously a subsidiary of CKH), Mr. George Colin MAGNUS (being at that time, a director of CKH and Starpeace) and other parties were involved in insider dealing of certain securities of ICH. However, no disqualification, director/officer ban, cease trade ban, penalty or other consequence (criminal, civil or regulatory) resulted from such determination by the Insider Dealing Tribunal and there was no suggestion of any dishonesty or improper motive on the part of Mr. Magnus.

7. Disclaimers

(a) None of the Directors nor any of the experts referred to in *"— Other Information — Qualifications and Consent of Experts"* below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

(b) Save in connection with the Underwriting Agreements, none of the Directors nor any of the experts referred to in *"— Other Information — Qualifications and Consent of Experts"* below, is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group.

(c) None of the Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

(d) None of the Controlling Holder of Share Stapled Units and the Directors are interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group.

(e) No cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any promoter of HK Electric Investments or the Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the Global Offering or related transactions as mentioned.

(f) So far as is known to the Directors, none of the Directors or their associates, Holders of Share Stapled Units and shareholders of the Company who are expected to be interested in 5% or more of the issued Units and the issued share capital of the Company has any interest in the five largest customers or the five largest suppliers of the Group.

D. OTHER INFORMATION

1. Estate Duty

The Directors have been advised that no material liability for estate duty is likely to fall on the Group in Hong Kong, the Cayman Islands and the BVI.

2. Joint Sponsors

The Joint Sponsors have made an application on behalf of the Trustee-Manager and the Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Share Stapled Units in issue and to be issued as mentioned in this prospectus.

All necessary arrangements have been made to enable the Share Stapled Units to be admitted into CCASS.

3. Registration Procedures

The Units Register of HK Electric Investments will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited.

The register of members of the Company will be maintained in the Cayman Islands by Codan Trust Company (Cayman) Limited and a Hong Kong branch register of members of the Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Save where the Company Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the Hong Kong branch register of members of the Company and may not be lodged in the Cayman Islands.

The Share Stapled Units Register will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited.

4. Preliminary Expenses

The total preliminary expenses of HK Electric Investments and the Company are estimated to be approximately HK$374,000 and are payable by HK Electric Investments and the Company.

5. Promoter

Neither HK Electric Investments nor the Company have any promoters. Save as disclosed above, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefits have been paid, allotted or given to the promoters in connection with the Global Offering or the related transactions described in this prospectus.

6. Particulars of Quickview

Pursuant to the Over-allotment Option, Quickview may be required to sell Share Stapled Units under the Over-allotment Option. Certain particulars of Quickview are set out below:

Name	Description	Registered Office	Number of Share Stapled Units subject to the Over-allotment Option
Quickview Limited	Investment holding company	P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	664,035,000

A statement of particulars of Quickview has been attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration.

7. Qualifications and Consent of Experts

The qualifications of the experts which have given opinions or advice which are contained in, or referred to in, this prospectus are as follows:

Name of Expert	Qualifications
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law
Goldman Sachs (Asia) L.L.C.	Licensed under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities
HSBC Corporate Finance (Hong Kong) Limited	Licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activity
KPMG	Certified Public Accountants

Each of Conyers Dill & Pearman (Cayman) Limited, Goldman Sachs (Asia) L.L.C., HSBC Corporate Finance (Hong Kong) Limited and KPMG has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or references to its name included herein in the form and context in which they respectively appear.

8. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance so far as applicable.

9. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

10. Miscellaneous

(a) Save as disclosed in *"History and Reorganisation"*, *"Information About the Share Stapled Units"*, *"Structure of the Global Offering"* and in this appendix, within the two years preceding the date of this prospectus, no Unit or share or loan capital of the Company or any of its subsidiaries has been issued or has been agreed to be issued fully or partly paid either for cash or for a consideration other than cash.

(b) No Unit or share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(c) No founders, management or deferred Units or shares of the Company or any of its subsidiaries have been issued or have been agreed to be issued.

(d) None of the equity and debt securities of HK Electric Investments or the Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

(e) Each of HK Electric Investments and the Company has no outstanding convertible debt securities or debentures.

(f) None of Conyers Dill & Pearman (Cayman) Limited, Goldman Sachs (Asia) L.L.C., HSBC Corporate Finance (Hong Kong) Limited and KPMG:

  (i) is interested beneficially or non-beneficially in any shares in any member of the Group; or

  (ii) has any right (save in their respective capacities as Qualifying PAH Shareholders, if applicable) or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group save in connection with the Underwriting Agreements.

(g) No company within the Group is presently listed on any stock exchange or traded on any trading system.

(h) The English text of this prospectus and the Application Forms shall prevail over their respective Chinese text.

(i) There has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the **WHITE**, **YELLOW**, **BLUE** and **GREEN** Application Forms;

(b) a copy of each of the material contracts referred to in *"Appendix VII — Statutory and General Information — Further Information About the Business — Summary of Material Contracts"*;

(c) the written consents referred to in *"Appendix VII — Statutory and General Information — Other Information — Qualifications and Consents of Experts"*; and

(d) the statement of particulars of Quickview referred to in *"Appendix VII — Statutory and General Information — Other Information — Particulars of Quickview"*.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Woo Kwan Lee & Lo at 26th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Trust Deed;

(b) the amended and restated Memorandum of Association of the Company and the Company's Articles;

(c) the report on the financial information of the Operating Group for the years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2013 from KPMG, the text of which is set out in *"Appendix I — Accountants' Report"*;

(d) the report on the unaudited pro forma financial information from KPMG, the text of which is set out in *"Appendix II — Unaudited Pro Forma Financial Information"*;

(e) the audited consolidated financial statements of HEC for the years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2013;

(f) the letters from KPMG and the Joint Sponsors relating to the 2013 Profit Estimate and the 2014 Profit Forecast, the text of which is set out in *"Appendix III — 2013 Profit Estimate and 2014 Profit Forecast"*;

(g) the letter from Conyers Dill & Pearman (Cayman) Limited, the Company's Cayman Islands legal adviser, summarising the constitution of the Company and certain aspects of Cayman Companies Law referred to in *"Appendix V — Summary of the Constitution of the Company and Cayman Companies Law"*;

(h) the Cayman Companies Law;

(i) the letters of appointment referred to in *"Appendix VII — Statutory and General Information — Further Information About the Directors — Particulars of Letters of Appointment"*;

(j) the material contracts referred to in *"Appendix VII — Statutory and General Information — Further Information About the Business — Summary of Material Contracts"*;

(k) the written consents referred to in *"Appendix VII — Statutory and General Information — Other Information — Qualifications and Consents of Experts"*;

(l) the statement of particulars of Quickview referred to in *"Appendix VII — Statutory and General Information — Other Information — Particulars of Quickview"*; and

(m) the current Scheme of Control dated 7 January 2008.


港燈電力投資
HK Electric Investments