

Report of the Directors

(Expressed in Hong Kong dollars)

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2013.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are investment in power and utility related businesses outside Hong Kong and, prior to the spin-off and separate listing of the Group's Hong Kong electricity business on 29 January 2014, included generation and supply of electricity to Hong Kong Island and Lamma Island. Particulars of the Company's principal subsidiaries as at 31 December 2013 are set out in Appendix 2 on pages 130 to 131 of the financial statements.

Financial Statements

The consolidated statement of profit or loss for the year ended 31 December 2013 is set out on page 66 and shows the Group's profit after tax and Scheme of Control transfers of \$11,165 million (2012: \$9,729 million). The state of the Company's and the Group's affairs as at 31 December 2013 are set out in the financial statements on pages 66 to 133.

Dividends

An interim dividend of 65 cents (2012: 62 cents) per ordinary share was paid to shareholders on 4 September 2013 and the Directors recommend a final dividend of \$1.90 (2012: \$1.83) per ordinary share payable on 30 May 2014 to shareholders who are registered on the register of members on 21 May 2014.

Reserves

Movements in the reserves of the Company and the Group during the year are set out in note 27(a) to the financial statements and in the consolidated statement of changes in equity on page 69 respectively.

Charitable Donations

Charitable donations made by the Group during the year amounted to \$30 million (2012: \$35 million).

Fixed Assets

Additions of fixed assets for the year for the Company and its subsidiaries amounted to \$1,973 million (2012: \$2,613 million). The movements in fixed assets during the year are set out in note 13 to the financial statements.

Subsidiaries

The names, principal activities, places of incorporation and operation and particulars of the issued share capital and debt securities of the principal subsidiaries are set out in Appendix 2 on pages 130 to 131 of the financial statements.

Summary of Five-Year Financial Results

The summary of five-year financial results of the Group is set out on page 134.

Major Customers and Suppliers

Sales to the Group's five largest customers combined is less than 30% of the Group's total turnover for each of the years ended 31 December 2013 and 2012.

Purchases from the largest supplier of revenue items for the year represents 39.3% (2012: 36%) of the Group's total purchases of revenue items, and purchases from the largest five suppliers combined accounts for 69.4% (2012: 69.2%) of the Group's total purchases of revenue items for the year ended 31 December 2013.

At no time during the year have the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in the above major customers and suppliers.

Directors

The Directors in office during the year were Mr. Fok Kin Ning, Canning, Mr. Tso Kai Sum, Mr. Wan Chi Tin, Mr. Ronald Joseph Arculli, Mr. Chan Loi Shun, Mrs. Chow Woo Mo Fong, Susan, Mr. Fong Chi Wai, Alex, Mr. Andrew John Hunter, Mr. Kam Hing Lam, Mr. Holger Kluge, Mr. Lee Lan Yee, Francis, Mr. Li Tzar Kuoi, Victor, Mr. George Colin Magnus, Mr. Neil Douglas McGee, Mr. Ralph Raymond Shea, Mr. Frank John Sixt, Mr. Wong Chung Hin and Mr. Yuen Sui See.

During the year, Mrs. Chow Woo Mo Fong, Susan also served as Alternate Director to Mr. Fok Kin Ning, Canning and Mr. Frank John Sixt, and Mr. Chan Loi Shun served as Alternate Director to Mr. Kam Hing Lam.

On 29 January 2014, Mr. Tso Kai Sum, Mr. Ronald Joseph Arculli, Mrs. Chow Woo Mo Fong, Susan, Mr. Fong Chi Wai, Alex, Mr. Kam Hing Lam, Mr. Lee Lan Yee, Francis, Mr. George Colin Magnus and Mr. Yuen Sui See resigned as Directors of the Company. Mrs. Chow Woo Mo Fong, Susan ceased to be the Alternate Director to Mr. Fok Kin Ning, Canning and Mr. Frank John Sixt, and Mr. Chan Loi Shun ceased to be the Alternate Director to Mr. Kam Hing Lam on the same date.

Mr. Tsai Chao Chung, Charles and Mr. Ip Yuk-keung, Albert were appointed as Directors on 29 January 2014.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's issued shares during the year (2012: nil).

Arrangement to Purchase Shares or Debentures

At no time during the year was the Company or any of its subsidiaries a party to any arrangement that enables the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate (2012: nil).

Report of the Directors

Disclosure under Rule 13.22 of Chapter 13 of the Listing Rules

In relation to the provision of financial assistance by the Group to certain affiliated companies, a combined balance sheet of the affiliated companies as at 31 December 2013 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

| Combined balance sheet of the affiliated companies as at 31 December 2013 | | \$ million |
|--|--|------------|
| Non-current assets | | 309,887 |
| Current assets | | 13,685 |
| Current liabilities | | (24,142) |
| Non-current liabilities | | (231,721) |
| Net assets | | 67,709 |
| Share capital | | 24,221 |
| Reserves | | 43,488 |
| Capital and reserves | | 67,709 |

As at 31 December 2013, the consolidated attributable interest of the Group in these affiliated companies amounted to \$39,369 million.

On behalf of the Board

Fok Kin Ning, Canning
Chairman
Hong Kong, 25 February 2014

