

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 2015.

Principal Activities and Business Review

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are investment in power and utility-related businesses. Particulars of the Company's principal subsidiaries as at 31 December 2015 are set out in Appendix 2 on pages 118 to 119 of the financial statements. Further discussion and analysis of the Group's activities as required by Schedule 5 to the Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Chairman's Statement on pages 4 to 5, CEO's Report on pages 8 to 21, Environmental, Social and Governance Report on pages 22 to 29, Risk Management and Risk Factors on pages 53 to 55 and Financial Review on pages 56 to 58 of this Annual Report.

A discussion on the Group's relationships with its key stakeholders, and environmental policies and performance is contained in the Environmental, Social and Governance Report on pages 22 to 29, whilst its compliance with the relevant laws and regulations that have a significant impact on the Group are included in Risk Factors on pages 54 to 55 and Corporate Governance Report on pages 34 to 52. These discussions form part of this directors' report.

Results

The results of the Group for the year ended 31 December 2015 and the financial positions of the Group as at that date are set out in the financial statements on pages 62 to 122.

Dividends

An interim dividend of 68 cents (2014: 67 cents) per ordinary share was paid to shareholders on 2 September 2015 and the Directors recommend a final dividend of \$2.02 (2014: \$2.01) per ordinary share payable on 27 May 2016 to shareholders who are registered on the register of members on 18 May 2016.

Share Capital

Details of the share capital of the Company are set out in note 23(c) to the financial statements. There was no movement during the year.

Donations

Charitable and other donations made by the Group during the year amounted to \$3 million (2014: \$4 million).

Summary of Five-Year Financial Results

The summary of five-year financial results of the Group is set out on page 123.

Major Customers and Suppliers

Sales to the largest customer is 28.0% (2014: 18.5%) of the Group's total revenue, and sales to five largest customers combined is 72.6% (2014: 50.1%) of the Group's total revenue for the year ended 31 December 2015. The five largest customers for the year are the joint ventures or associates of the Company and the Company's substantial shareholder, Cheung Kong Infrastructure Holdings Limited.

Purchases from the largest supplier is 24.1% (2014: 9%) of the Group's total purchases of revenue items, and purchases from the five largest suppliers combined is 59.1% (2014: less than 30%) of the Group's total purchases of revenue items for the year ended 31 December 2015.

Directors

The Directors in office during the year and up to the date of this report were Mr. Fok Kin Ning, Canning, Mr. Tsai Chao Chung, Charles, Mr. Chan Loi Shun, Mr. Andrew John Hunter, Mr. Ip Yuk-keung, Albert, Mr. Li Tzar Kuoi, Victor, Mr. Neil Douglas McGee, Mr. Ralph Raymond Shea, Mr. Frank John Sixt, Mr. Wan Chi Tin, Mr. Wong Chung Hin and Mr. Wu Ting Yuk, Anthony.

The list of directors and alternate directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report is available under "Board of Directors" in "About Us" section on the Company's website at www.powerassets.com.

Permitted Indemnity

Pursuant to Article 182(A) of the Company's articles of association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, and no Director shall be liable for any loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto.

A Directors Liability Insurance is currently in place, and was in place during the year, to protect the Directors of the Company and its subsidiaries against potential costs and liabilities arising from claims brought against them.

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Directors' Material Interest in Transactions, Arrangements or Contracts

No transaction, arrangement or contract of significance in relation to the Group's business to which the Company or its subsidiaries was a party, and in which a Director had, directly or indirectly, a material interest, subsisted at the end of the year or at any time during the year.

Management Contracts

During the year the Group shared general office administration and other support services (such as legal, company secretarial, financial, accounting, treasury, internal audit, human resources, public affairs services, information technology and administrative services) provided by HK Electric Investments Limited, an associate of the Company, pursuant to a support services agreement which was entered into on 14 January 2014 and came into effect on 29 January 2014, for an initial term of three years and thereafter automatic renewal for successive periods of three years, subject to compliance with the relevant requirements under the Listing Rules and termination at any time with six months' prior notice.

Save as disclosed above, there are no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

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 (2014: 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 to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate (2014: nil).

Equity-linked Agreements

No equity-linked agreements were entered into by the Group during the year or subsisted at the end of the year.

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 statement of financial position of the affiliated companies as at 31 December 2015 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

Combined statement of financial position of the affiliated companies	
as at 31 December 2015	\$ million
Non-current assets	304,009
Current assets	16,696
Current liabilities	(35,461)
Non-current liabilities	(209,227)
Net assets	76,017
Share capital	23,009
Reserves	53,008
Capital and reserves	76,017

As at 31 December 2015, the consolidated attributable interest of the Group in these affiliated companies amounted to \$41,896 million.

On behalf of the Board

Fok Kin Ning, Canning

Chairman

Hong Kong, 16 March 2016