

Corporate Governance Report

Corporate Governance Practices

The Company is committed to maintaining high standards of corporate governance. The Company recognises that sound and effective corporate governance practices are fundamental to the smooth, effective and transparent operation of a company and its ability to attract investment, protect the rights of shareholders and stakeholders, and enhance shareholder value.

The Company has complied with the applicable code provisions in the Code on Corporate Governance Practices ("Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31st December 2008.

Board of Directors

The Board, led by the Chairman, is responsible for the approval and monitoring of Group-wide strategies and policies, approval of annual budgets and business plans, evaluating the performance of the Group, and oversight of management. Management is responsible for the day-to-day operations of the Group under the leadership of the Group Managing Director.

As at 31st December 2008, the Board comprised sixteen Directors as follows:

Executive Directors

Mr. Canning Fok Kin-ning ⁽¹⁾
(Chairman)
Mr. Tso Kai-sum
(Group Managing Director)
Mrs. Susan Chow Woo Mo-fong ⁽¹⁾
Mr. Andrew John Hunter
Mr. Kam Hing-lam ^{(2) (3)}
Mr. Victor Li Tzar-kuoi ⁽³⁾
Mr. Neil Douglas McGee
(Group Finance Director)
Mr. Frank John Sixt ⁽¹⁾
Mr. Wan Chi-tin ⁽⁴⁾
*(Director of Engineering
(Planning & Development))*
Mr. Yuen Sui-see ⁽⁵⁾
(Director of Operations)

Non-executive Directors

Mr. Ronald Joseph Arculli
Mr. Francis Lee Lan-yee ⁽⁶⁾
Mr. George Colin Magnus

Independent Non-executive Directors

Mr. Holger Kluge
Mr. Ralph Raymond Shea
Mr. Wong Chung-hin

Notes:

- (1) Mrs. Susan Chow Woo Mo-fong is also Alternate Director to Mr. Canning Fok Kin-ning and Mr. Frank John Sixt.
- (2) Mr. Kam Hing-lam appointed Mr. Chan Loi Shun as his Alternate with effect from 11th February 2008.
- (3) Mr. Kam Hing-lam is an uncle of Mr. Victor Li Tzar-kuoi.
- (4) Mr. Wan Chi-tin was re-titled from Director & General Manager (Corporate Development) to Director of Engineering (Planning & Development) with effect from 1st March 2008.
- (5) Mr. Yuen Sui-see was appointed Executive Director on 1st March 2008.
- (6) Mr. Francis Lee Lan-yea was re-designated from an Executive Director to a Non-executive Director with effect from 13th August 2008.

Biographical information of the Directors are set out in "The Board of Directors" section on pages 26 to 27 of the Annual Report. An updated list of Directors containing biographical information and identifying the Independent Non-executive Directors is maintained on the website of the Company.



The Board meets at least four times a year. Additional board meetings will be held when warranted. Regular meetings of a year are scheduled during the last quarter of the preceding year providing Directors with adequate time to plan their schedules to attend. The Directors may attend meetings in person, by telephone or other electronic means or by their alternate directors in accordance with the Company's articles of association. Throughout the year, Directors also participate in the consideration and approval of matters of the Company by way of written resolutions circulated to Directors together with supporting explanatory write-up, coupled with briefings from the Group Managing Director, the Group Finance Director or the Company Secretary as required. Directors are required to declare their interests, if any, in the matters to be considered by them during board meetings and in the circular resolutions.

Directors at all times have full access to information on the Group. They have independent access to senior management for information on the Group and unrestricted access to the services of the Company Secretary. The Company Secretary advises the Board on governance matters and Board procedures. There is a procedure for Directors to seek independent professional advice whenever deemed necessary by them at the Company's expense.

Directors receive at least 14 days prior written notice of a regular meeting and may propose matters for discussion to be included in the agenda. An agenda with supporting board papers is sent to Directors no less than three days prior to a regular meeting. The Company Secretary assists the Chairman in seeing that Directors receive adequate information on each matter set out in the agenda and acts as co-ordinator for management in providing clarification sought by Directors.

The Board held four meetings during the 2008 financial year. The record of attendance of each Director is as follows:

	Name of Director	Number of Meetings Attended
Executive Directors	Mr. Canning Fok Kin-ning (<i>Chairman</i>)	4
	Mr. Tso Kai-sum (<i>Group Managing Director</i>)	4
	Mrs. Susan Chow Woo Mo-fong	3
	Mr. Andrew John Hunter	4
	Mr. Kam Hing-lam	4*
	Mr. Victor Li Tzar-kuoi	3
	Mr. Neil Douglas McGee	4
	Mr. Frank John Sixt	4
	Mr. Wan Chi-tin	4
	Mr. Yuen Sui-see	4
Non-executive Directors	Mr. Ronald Joseph Arculli	3
	Mr. Francis Lee Lan-yee	4
	Mr. George Colin Magnus	4
Independent Non-executive Directors	Mr. Holger Kluge	4
	Mr. Ralph Raymond Shea	4
	Mr. Wong Chung-hin	3

* Two meetings were attended by his Alternate Director

The minutes of board meetings are prepared by the Company Secretary with details of the decisions reached, any concerns raised and dissenting views expressed. The draft minutes are sent to all Directors within a reasonable time after each meeting for their comment before being formally signed by the chairman of the meeting. Copies of the final version of board minutes are sent to Directors for their information and records. The signed minutes are kept in safe custody by the Company Secretary and are available for inspection by Directors.

During the year, the Chairman and the Non-executive Directors held two meetings without the presence of the Executive Directors.

All Non-executive Directors have been appointed on annual twelve-month basis. All Directors are required to retire from office by rotation and are subject to re-election by shareholders at the annual general meeting once every three years pursuant to the articles of association of the Company. Directors retiring by rotation and offering themselves for re-election at the forthcoming annual general meeting are Mr. Neil Douglas McGee, Mr. Ralph Raymond Shea, Mr. Wan Chi-tin and Mr. Wong Chung-hin. None of the above-mentioned Directors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Insurance coverage in respect of Directors' liability has been arranged by the Company.

The Chairman and the Group Managing Director may recommend candidates for election to the Board. The principal consideration is to build an effective and complementary board with the expertise, skills and experience relevant to the Group's businesses. Potential candidates for Independent Non-executive Director will also be reviewed to determine whether they are independent according to the requirements of the Listing Rules, and able to devote sufficient time to Board and committee meetings. Credentials of candidates are put forward to the Board for consideration in respect of any proposed appointment of a new Director.

On 11th February 2008, Mr. Kam Hing-lam, an Executive Director, appointed Mr. Chan Loi-shun to be his alternate director pursuant to article 100 of the articles of association of the Company and the appointment was approved by all Directors. On 1st March 2008, Mr. Yuen Sui-see was appointed as an Executive Director of the Company by the full Board. He was nominated by the Group Managing Director, and details of his qualifications

and experience had been submitted to the Directors for consideration. In accordance with the Company's articles of association, Mr. Yuen retired at the Annual General Meeting held on 15th May 2008 and was re-elected as Director by shareholders at the Meeting. Mr. Francis Lee Lan-yeo retired from his position of Director and General Manager (Engineering) during the year. His re-designation as a Non-executive Director of the Company with effect from 13th August 2008 was recommended by the Group Managing Director and approved by all Directors.

Newly appointed Directors receive briefings and a package of orientation materials on the operations and businesses of the Group, together with information relating to duties and responsibilities of directors under statutory regulations and the Listing Rules. The Company Secretary updates Directors on the latest developments and changes to the Listing Rules and the applicable legal and regulatory requirements regarding subjects necessary in the discharge of their duties. As part of the continuous professional development exercise, Directors are invited to seminars on corporate governance and directors' duties.

Directors' Securities Transactions

The Board of Directors of the Company has adopted the Model Code for Securities Transactions by Directors ("Model Code") set out in Appendix 10 of the Listing Rules as the Group's code of conduct regarding Directors' securities transactions. All Directors have confirmed following specific enquiry that they have complied with the required standards set out in the Model Code throughout the year ended 31st December 2008.

Senior managers who are likely to be in possession of unpublished price sensitive information regarding the Company and its securities are also required to comply with the Model Code.

Reminders are sent during each year to Directors and senior managers that they should not deal in the shares of the Company during the "black-out period" specified in the Model Code.

Directors' Responsibility for Financial Reporting and Publishing Required Disclosures

Annual and Interim Reports and Financial Statements

The Directors acknowledge their responsibility to prepare financial statements for each half and full financial year which give a true and fair view of the state of affairs of the Company and of the Group. The annual and interim results of the Company are published in a timely manner within the limits of three months and two months respectively after the end of the relevant periods.

Accounting Policies

The Directors consider that in preparing financial statements, the Group ensures statutory requirements are met and applies appropriate accounting policies that are consistently adopted and makes judgments and estimates that are reasonable and prudent in accordance with the applicable accounting standards.

Accounting Records

The Directors are responsible for ensuring the Group keeps proper accounting records which disclose at any time the financial position of the Group upon which financial statements of the Group could be prepared in accordance with statutory requirements and the Group's accounting policies.

Safeguarding Assets

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities within the Group.

Going Concern

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Group's financial statements have accordingly been prepared on a going concern basis.

Disclosure

The Board is aware of the requirements under the applicable Listing Rules and statutory regulations with regard to the timely and proper disclosure of price sensitive information, announcements and financial disclosures and authorises their publication as and when required.

Chairman and Group Managing Director

The positions of the Chairman (Mr. Canning Fok Kin-ning) and the Group Managing Director (Mr. Tso Kai-sum) are held by separate individuals. The Chairman is elected among the Directors by the Board for a term of one year until the conclusion of each annual general meeting whereupon the Chairman is subject to re-election. Both the Chairman and the Group Managing Director are subject to retirement from their offices as Directors by rotation and re-election by shareholders every three years at the annual general meeting.

The Chairman is responsible for providing leadership to, and overseeing the functioning and effective running of, the Board to ensure that the Board acts in the best interests of the Group. The Chairman approves Board meeting agendas and ensures that Board meetings are planned and conducted effectively and that all Directors are properly briefed on issues arising at Board meetings. In addition to Board meetings, the Chairman holds meetings with Executive Directors and two meetings annually with Non-executive Directors without the presence of Executive Directors. The Chairman also acts in an advisory capacity to the Group Managing Director in all matters covering the interests and management of the Group.

The Group Managing Director, working with the executive management team of each operating unit, is responsible for managing the businesses of the Group, attending to the formulation and successful implementation of Group policies and assuming full accountability to the Board for all Group operations. The Group Managing Director attends to developing strategic operating plans and is directly responsible for maintaining the operational performance of the Group. Working with the Group Finance Director, other Executive Directors and the general manager of each operational division, he ensures that the funding requirements of the businesses are met and closely monitors the operating and financial results of the businesses against plans and budgets, taking remedial action when necessary. He maintains an ongoing dialogue with the Chairman and all other Directors to keep them informed of all major business development and issues. He is also responsible for building and maintaining an effective team to support him in his role.

Independent Non-executive Directors

The Board must satisfy itself that an Independent Non-executive Director does not have any material relationship with the Group. The Board is also guided by the criteria of independence as set out in the Listing Rules in determining the independence of Directors.

Each of Messrs. Holger Kluge, Ralph Raymond Shea and Wong Chung-hin, Independent Non-executive Directors of the Company, has provided to the Company a confirmation of his independence pursuant

to Rule 3.13 of the Listing Rules. The Board continues to consider all the Independent Non-executive Directors to be independent.

Directors' Interests in Securities of the Company

At 31st December 2008, the interests of the Directors in the issued share capital of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SF Ordinance")) as recorded in the register required to be kept under section 352 of the SF Ordinance were as follows:

Long Positions in Shares of the Company

Name of Director	Capacity	Nature of Interests	Number of Shares Held	Total	Approximate % of Shareholding
Francis Lee Lan-ye	Beneficial owner	Personal	739	739	≈ 0%
Yuen Sui-see	Beneficial owner	Personal	1,500	1,500	≈ 0%
Ronald Joseph Arculli	Interest of controlled corporation	Corporate	2,011	2,011	≈ 0%
Victor Li Tzar-kuoi	Interest of child or spouse	Family	151,000)	829,750,612	≈ 38.87%
)		
	Beneficiary of trusts	Other	829,599,612)		
			(Notes 1 and 2))		

Notes:

- These shares are held by subsidiaries of Cheung Kong Infrastructure Holdings Limited ("CKI").
The discretionary beneficiaries of each of The Li Ka-Shing Unity Discretionary Trust ("DT1") and another discretionary trust ("DT2") are, inter alia, Mr. Victor Li Tzar-kuoi, his wife and children, and Mr. Richard Li Tzar-kai. Each of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1", which is the trustee of DT1) and Li Ka-Shing Unity Trustcorp Limited ("TDT2", which is the trustee of DT2) holds units in The Li Ka-Shing Unity Trust ("UT1") but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. Li Ka-Shing Unity Trustee Company Limited ("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 Cheung Kong (Holdings) Limited ("CKH"). Certain subsidiaries of CKH in turn together hold more than one-third of the issued share capital of Hutchison Whampoa Limited ("HWL"). A subsidiary of HWL in turn holds more than one-third of the issued share capital of CKI.
The entire issued share capital of TUT1 and of the trustees of DT1 and DT2 are owned by Li Ka-Shing Unity Holdings Limited ("Unity Holdco"). Each of Mr. Li Ka-shing, Mr. Victor Li Tzar-kuoi and Mr. Richard Li Tzar-kai is interested in one-third 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, Mr. Victor Li Tzar-kuoi and Mr. Richard Li Tzar-kai 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 and as a Director of CKH, Mr. Victor Li Tzar-kuoi is 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 the subsidiaries of CKH, the shares of CKI held by the subsidiary of HWL and the shares of the Company held by the subsidiaries of CKI under the SF Ordinance as a Director of the Company. Although Mr. Richard Li Tzar-kai is interested in one-third of the entire issued share capital of Unity Holdco and is a discretionary beneficiary of each of DT1 and DT2, he is not a director of CKH and has no duty of disclosure in relation to the shares of CKH held by TUT1 as trustee of UT1 and TUT1 related companies under the SF Ordinance.
- Mr. Victor Li Tzar-kuoi, by virtue of his interests as described in Note (1) above and as a Director of the Company, is also deemed to be interested in the shares of the subsidiaries and associated corporations (within the meaning of the SF Ordinance) of the Company held through the Company under the SF Ordinance.

Save as disclosed above, at 31st December 2008, none of the Directors or chief executives had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SF Ordinance) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SF Ordinance (including interest and short positions which they were taken or deemed to have under such provisions of the SF Ordinance) or which were recorded in the register required to be kept by the Company under Section 352 of the SF Ordinance, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Interests in Competing Business

During the year of 2008, the interests of Directors in businesses which may compete with the Group's business of investing overseas in power generation, transmission and distribution and other infrastructure facilities ("Overseas Business") were as follows:

Name of Director	Name of Company	Nature of Interests
Canning Fok Kin-ning	Hutchison Whampoa Limited Cheung Kong Infrastructure Holdings Limited Husky Energy Inc.	Group Managing Director Deputy Chairman Co-Chairman
Tso Kai-sum	Cheung Kong Infrastructure Holdings Limited	Executive Director
Susan Chow Woo Mo-fong	Hutchison Whampoa Limited Cheung Kong Infrastructure Holdings Limited	Deputy Group Managing Director Executive Director
Andrew John Hunter	Cheung Kong Infrastructure Holdings Limited Spark Infrastructure Group	Executive Director (Chief Operating Officer) Non-executive Director
Kam Hing-lam	Hutchison Whampoa Limited Cheung Kong Infrastructure Holdings Limited Spark Infrastructure Group	Executive Director Group Managing Director Non-executive Director
Victor Li Tzar-kuoi	Hutchison Whampoa Limited Cheung Kong Infrastructure Holdings Limited	Deputy Chairman Chairman
George Colin Magnus	Hutchison Whampoa Limited Cheung Kong Infrastructure Holdings Limited	Non-executive Director Non-executive Director
Frank John Sixt	Hutchison Whampoa Limited Cheung Kong Infrastructure Holdings Limited Husky Energy Inc.	Group Finance Director Executive Director Director

The Board is of the view that the Group is capable of carrying on its Overseas Business independent of, and at arm's length from the businesses of the above companies. When making decisions on the Overseas Business, the above Directors, in the performance of their duties as Directors of the Company, have acted and will continue to act in the commercial best interest of the Group and all its shareholders.

Directors' Interests in Contracts of Significance

No contracts of significance to which the Company or any subsidiaries was a party and in which a Director of the Company had a material interest subsisted at the end of or at any time during the year ended 31st December 2008.

Remuneration Committee

The Remuneration Committee is chaired by the Chairman, Mr. Canning Fok Kin-ning with Mr. Ralph Raymond Shea and Mr. Wong Chung-hin, both Independent Non-executive Directors as members.

The principal responsibilities of the Remuneration Committee include reviewing and considering the Company's policy for remuneration of Executive Directors and senior management, and determining their remuneration packages. The Remuneration Committee reports its decisions and recommendations to the Board at the next Board meeting after the meeting of the Committee. Committee members may seek independent professional advice at the expense of the Company to discharge their duties as members of the Committee. The terms of reference of the Remuneration Committee are published on the Company's website.

The Group's human resources division assists the Remuneration Committee by providing relevant remuneration data and market conditions for the Committee's consideration. The remuneration of Executive Directors and senior management is determined with reference to the Company's performance and profitability, as well as remuneration benchmarks in the industry and the prevailing market conditions. Remuneration is performance-based and coupled with an incentive system is competitive to attract and retain talented employees.

The Remuneration Committee held one meeting in 2008 which was attended by all members. During the meeting, the Committee assessed the performance of the full time Executive Directors and senior management of the Group and considered and determined the performance-based bonus payable to them in respect of the 2008 financial year and their remuneration for the next year. None of the Executive Directors or senior management participated in the determination of their own remuneration.

Audit Committee

The Audit Committee comprises four members. It is chaired by Mr. Wong Chung-hin (an Independent Non-executive Director) and the other members are Mr. Ronald Joseph Arculli (a Non-executive Director), Mr. Holger Kluge (an Independent Non-executive Director) and Mr. Ralph Raymond Shea (an Independent Non-executive Director). The Company Secretary acts as secretary to the Audit Committee. None of the Committee members is a partner or former partner of KPMG, the Group's external auditors.

The Audit Committee reports directly to the Board of Directors and its principal responsibilities include the review and supervision of the Group's financial reporting and internal control systems and the review of the Company's interim and annual financial statements. The Committee also meets regularly with KPMG to discuss the audit process and accounting issues. The chairman of the Committee summarises the subjects discussed and decisions or recommendations made in a written report to the Board after each meeting. Committee members may seek independent professional advice at the expense of the Company to discharge their duties as members of the Committee. The terms of reference of the Audit Committee were updated on 1st January 2009 to include the new requirements of the Code relating to the review of the adequacy of the Company's accounting and financial reporting function. The updated terms of reference have been approved by the Board and are published on the Company's website.

The Audit Committee held three meetings in 2008. The record of attendance of its members is as follows:

Name of Member	Number of Meetings Attended
Mr. Wong Chung-hin (<i>Chairman</i>)	3
Mr. Ronald Joseph Arculli	3
Mr. Holger Kluge	3
Mr. Ralph Raymond Shea	3

During those meetings, the Audit Committee reviewed and considered matters including the Group financial statements and Annual Report for the year ended 31st December 2007, the audit fee for the 2007 Group financial statements, the re-appointment of auditors, the internal control assessment declaration for the year 2007 in respect of the effectiveness of the system of internal controls of the Group made by the Group Managing Director and Group Finance Director, the Group's risk management report as of December 2007, the non-audit services provided by KPMG in the year 2007, the internal audit plan for 2008, the 4-year cycle audit plan for 2008 to 2011, the financial statements for the six months ended 30th June 2008, the revised treasury policy of the Group, the proposed spreadsheet audit, KPMG's audit plan for the 2008 Group results, and all internal audit reports compiled during the year. Representatives from KPMG were invited to attend two of the meetings and they discussed the 2007 audited financial statements, the 2008 audit plan and various accounting issues with the Committee.

Internal Control and Risk Management

Introduction

The Board has overall responsibility for the Group's system of internal control and reviews its effectiveness to ensure that policies and procedures in place for the identification and management of risks are adequate.

The Audit Committee assists the Board in meeting its responsibility for maintaining an effective system of internal controls. The Committee reviews all material controls, including financial, operational and compliance controls and risk management functions. It reviews the process by which the Group evaluates its control environment and its risk assessment process, and the way in which business and control risks are managed. It also reviews the annual work plans of the Group Manager, Internal Audit, and considers the report of the Group Managing Director and Group Finance Director to the Committee on the effectiveness of internal controls in the Group's business operations. These reviews and reports are taken into consideration by the Committee when it makes its recommendation to the Board for approval of the annual consolidated financial statements.

Internal Control Environment

The Company's management encourages a risk aware and control conscious environment throughout the Group. Management sets objectives, performance targets and policies for the management of key risks including strategic planning, business operations, acquisitions, investments, legal and regulatory compliance, expenditure control, treasury, environment, health and safety, and customer service. The Company has a well established organizational structure with defined levels of responsibility and authority and reporting procedures. There are inherent limitations in any system of internal control and accordingly the Group's internal control system is designed to provide reasonable and not absolute assurance against material misstatement or loss.

Full-time Executive Directors review operational and financial reports and key operating statistics of each division and hold regular meetings with the division general managers to review their reports.

Full-time Executive Directors and senior executives are appointed to the boards and board committees of all material operating subsidiaries and associates for monitoring the operations of those companies. There is a comprehensive system for reporting information by those companies to the Company's management.

Budgets are prepared annually by the management of the operating units and are subject to review and approval firstly by the Group Managing Director and then by the Board. Re-forecasts of operating results for the current year are prepared on a quarterly basis, reviewed for differences to the budget and for approval by the Executive Directors.

The Group Finance Director has established guidelines and procedures for the approval and control of expenditure. Operating expenditure is subject to overall budget control, with approval levels being set by reference to the level of authority of each executive and officer. Capital expenditure is also subject to overall control within the approved budget of individual projects with more specific control and approval being required for overspending, unbudgeted expenditure and material expenditure within the approved budget. Monthly reports of actual versus budgeted and approved expenditure are also reviewed.

The Group Finance Director is in charge of the treasury function overseeing the Group's investment and borrowing activities. The Group Treasurer regularly reports on the Group's cash and liquid investments, borrowings and movements thereto, outstanding contingent liabilities and financial derivatives commitments. The Board has approved and adopted a treasury policy to manage the financial risks of the Group and the operational risks associated with such risk management activities. The treasury policy is reviewed by the Audit Committee from time to time.

The Group Manager, Internal Audit, reporting to the Group Finance Director, provides independent assurance as to the existence and effectiveness of the risk management activities and controls in the Group's business operations. Using risk assessment methodology and taking into account the dynamics of the Group's activities, Internal Audit prepares its yearly audit plan which is reviewed and approved by the Audit Committee. Internal Audit's reports on the Group's operations are also reviewed and considered by the Audit Committee. Internal Audit follows up on its reports to ensure that its recommendations are implemented by the operating units. The scope of work performed by Internal Audit includes financial and operations review, recurring and unscheduled audits, fraud investigation and productivity efficiency reviews. With the assistance of Internal Audit, the Group Managing Director and Group Finance Director assess the Group's internal control system, formulate an opinion on the system and report their findings to the Audit Committee and the Board.

Each division is required to undertake risk identification, mitigation and monitoring by compiling and updating on an ongoing basis a risk register taking into account emerging issues and new regulations. A risk management report highlighting the key risks updated as at the end of each year and outlining the action plans to manage the risks is then reviewed and considered by the Audit Committee. An internal control self assessment has also been established requiring division general managers and department heads to half-yearly assess the effectiveness of controls over the operations within their areas of accountability and compliance with

applicable laws and regulations. These assessments form part of the bases on which the Group Managing Director and Group Finance Director formulate their opinion on the Group's internal control system.

Reports from the external auditors on internal controls, if any, are presented to the Audit Committee. These reports are considered and reviewed and the appropriate action taken if required.

The Group Managing Director and Group Finance Director have the responsibility of developing and implementing risk mitigation strategies including the deployment of insurance to transfer the financial impact of risk. The Company Secretary, working with the operating units, is responsible for arranging appropriate insurance coverage for the Group.

Code of Conduct

The Group places great emphasis on employees' ethical standards and integrity in all aspects of its operations. Employees are required to adhere to the standards set out in the Group's Code of Conduct.

External Auditors

Independence

An independence confirmation has been obtained from KPMG, the external auditors, confirming that they have been for the year ended 31st December 2008 independent of the Group in accordance with the independence requirements of the Hong Kong Institute of Certified Public Accountants.

Rotation of engagement partner

KPMG adopts a policy of rotating every seven years the engagement partner servicing its client companies. The last rotation took effect for the audit of the 2007 financial statements.

Reporting Responsibility

The reporting responsibilities of KPMG are stated in the Independent Auditor's Report on page 53 of the Annual Report.

Remuneration

An analysis of the fees of KPMG and other external auditors is shown in note 8 to the financial statements on page 72 of the Annual Report.

Shareholders

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars, the Company's website at www.heh.com and meetings with investors and analysts. All shareholders have the opportunity to put questions to the Board at the annual general meeting, and at other times by e-mailing or writing to the Company. The Company handles share registration and related matters for shareholders through Computershare Hong Kong Investor Services Limited, the Company's share registrar.

2008 Annual General Meeting

The annual general meeting is a main channel of communication between Directors and shareholders. The 2008 Annual General Meeting was held at Harbour Plaza Hong Kong on 15th May 2008. The notice of meeting, the Company's annual report and the circular containing information on the proposed resolutions were sent to shareholders on 3rd April 2008 which was more than 21 clear days (as required by the Companies Ordinance and the Company's articles of association) and more than 20 clear business days (as defined in the Listing Rules) prior to the meeting. The chairman and members of the Audit Committee and the Remuneration Committee were available to answer questions from the shareholders. At the meeting, a separate resolution was proposed by the Chairman in respect of each substantially separate issue, and voting on each resolution was conducted by way of a poll. The procedure for demanding a poll by shareholders was set out in the circular despatched together with the Company's annual report, and the poll voting procedure was explained fully to shareholders during the meeting. Computershare Hong Kong Investor Services Limited, the Company's share registrar, was appointed as scrutineer to monitor and count the poll votes cast at the meeting. The resolutions proposed at the meeting and the percentage of votes cast in favour of them are set out below:-

- Statement of accounts and the reports of the directors and auditors for the year ended 31st December 2007 (100%);
- Declaration of a final dividend of HK\$1.43 per share (100%);
- Election of Canning Fok Kin-ning, Tso Kai-sum, Ronald Joseph Arculli, Susan Chow Woo Mo-fong, Andrew John Hunter, Kam Hing-lam, Holger Kluge, Victor Li Tzar-kuoi, George Colin Magnus and Yuen Sui-see as Directors (ranging from 83.1821% to 98.8494% in respect of individual resolution);
- Re-appointment of KPMG as auditors and authorisation of Directors to fix their remuneration (99.9984%);
- General mandates to Directors to issue additional shares of the Company (63.3764%) and to repurchase shares of the Company (99.9514%), and extension of the general mandate to issue shares (72.0072%).

The results of the poll which included the number of shares voted for and against each resolution were posted on the Stock Exchange's and the Company's websites on the same day of the meeting and published in the newspapers on the next day.

Extraordinary General Meeting

An Extraordinary General Meeting was held at Harbour Plaza Hong Kong on 23rd June 2008 for the purpose of approving the acquisition of 50% of the entire issued share capital of Wellington Electricity Distribution Network Holdings Limited from Cheung Kong Infrastructure Holdings Limited ("CKI"). A circular containing information on the proposed resolution, including the respective advice of the independent board committee and the independent financial adviser and notice of the meeting were sent to shareholders on 6th June 2008, which was more than 10 clear business days (as defined in the Listing Rules) before the meeting. At the meeting, the independent board committee was available to answer questions from shareholders, and voting was conducted by way of a poll. The procedure for demanding a poll by shareholders was set out in the circular and the poll voting procedure was explained fully to shareholders during the meeting. As the acquisition constituted a connected transaction under the Listing Rules, CKI and its associates had abstained from voting. Computershare Hong Kong Investor Services Limited, the Company's share registrar, was appointed as scrutineer to monitor and count the poll votes cast at the meeting. The percentage of votes cast in favour of the resolution was 99.9934%. The poll results which included the number of shares voted for and against the resolution were posted on the Stock Exchange's and the Company's websites on the same day of the meeting and published in the newspapers on the next day.

Company's Website

The Company maintains a website at www.heh.com. For the dissemination of published information, the Company uploads such information including press releases, results announcements and other announcements onto its website.

Memorandum and Articles of Association

No changes were made to the memorandum and articles of association of the Company during the year ended 31st December 2008.

Key Dates

Announcement of 2008 interim results	5th August 2008
Payment of 2008 interim dividend (62 cents per share)	19th September 2008
Announcement of audited results for the year ended 31st December 2008	17th March 2009
Last day to register for 2008 final dividend	6th May 2009
Closure of register of members	7th May 2009 to 14th May 2009
2009 annual general meeting	14th May 2009
Payment of 2008 final dividend	15th May 2009

Interests of Shareholders Discloseable under the Securities and Futures Ordinance ("SF Ordinance")

According to the register kept under Section 336 of the SF Ordinance and information received by the Company, at 31st December 2008, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SF Ordinance were as follows:

Long Positions in Shares of the Company

Name	Capacity	Number of Shares Held		Approximate % of Shareholding
Capital Research and Management Company	Investment Manager	128,611,000		6.026%
Interman Development Inc.	Beneficial owner	186,736,842	(Note 1)	8.75%
Venniton Development Inc.	Beneficial owner	197,597,511	(Note 1)	9.26%
Univest Equity S.A.	Beneficial owner	279,011,102	(Note 1)	13.07%
Monitor Equities S.A.	Beneficial owner & Interest of controlled corporation	287,211,674	(Note 1)	13.46%
Hyford Limited	Interest of controlled corporations	829,599,612	(Note 2)	38.87%
Cheung Kong Infrastructure Holdings Limited	Interest of controlled corporations	829,599,612	(Note 2)	38.87%
Hutchison Infrastructure Holdings Limited	Interest of controlled corporations	829,599,612	(Note 3)	38.87%
Hutchison International Limited	Interest of controlled corporations	829,599,612	(Note 3)	38.87%
Hutchison Whampoa Limited	Interest of controlled corporations	829,599,612	(Note 3)	38.87%
Cheung Kong (Holdings) Limited	Interest of controlled corporations	829,599,612	(Note 4)	38.87%
Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust	Trustee	829,599,612	(Note 5)	38.87%
Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust	Trustee & beneficiary of a trust	829,599,612	(Note 6)	38.87%
Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust	Trustee & beneficiary of a trust	829,599,612	(Note 6)	38.87%
Li Ka-shing	Founder of discretionary trusts & interest of controlled corporations	829,599,612	(Note 6)	38.87%

Notes:

- (1) These are direct or indirect wholly-owned subsidiaries of Hyford Limited ("Hyford") and their interests are duplicated in the same 829,599,612 shares of the Company held by Hyford described in Note (2) below.
- (2) Cheung Kong Infrastructure Holdings Limited ("CKI") is deemed to be interested in the 829,599,612 shares of the Company as referred to in Note (1) above as it holds more than one-third of the issued share capital of Hyford indirectly. Its interests are duplicated in the interest of Hutchison Whampoa Limited ("HWL") in the Company described in Note (3) below.
- (3) HWL is deemed to be interested in the 829,599,612 shares of the Company as referred to in Note (2) above as it holds more than one-third of the issued share capital of Hutchison International Limited, which holds more than one-third of the issued share capital of Hutchison Infrastructure Holdings Limited ("HIH"). HIH holds more than one-third of the issued share capital of CKI.
- (4) Cheung Kong (Holdings) Limited ("CKH") is deemed to be interested in the 829,599,612 shares of the Company as referred to in Note (3) above as certain subsidiaries of CKH hold more than one-third of the issued share capital of HWL.
- (5) Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of The Li Ka-Shing Unity Trust ("UT1") is deemed to be interested in those shares of the Company described in Note (4) above 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 hold more than one-third of the issued share capital of CKH.
- (6) By virtue of the SF Ordinance, each of Mr. Li Ka-shing, being the settlor and may being 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 SF Ordinance, 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 shares TUT1 as trustee of UT1 is deemed to be interested in as referred to in Note (5) above 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 owns one-third of the issued share capital of Unity Holdco.

Save as disclosed above, at 31st December 2008, the Company has not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SF Ordinance, or which were recorded in the register required to be kept by the Company under Section 336 of the SF Ordinance.

Public Float

According to information that is available to the Company, the percentage of the Company's shares which are in the hands of the public exceeds 25% of the Company's total number of issued shares.

Connected Transactions

Acquisition of 50% interest in Wellington Electricity Distribution Network Holdings Limited

On 16th May 2008, the Company and Cheung Kong Infrastructure Holdings Limited ("CKI") entered into an agreement ("Agreement") pursuant to which the Company agreed to purchase from CKI 50% of the entire issued capital of Wellington Electricity Distribution Network Holdings Limited ("WEDNHL"), a wholly owned subsidiary of CKI. CKI agreed that it would procure Wellington Electricity Distribution Network Limited ("WEDNL"), another of its wholly owned subsidiary, to become a wholly owned subsidiary of WEDNHL. WEDNL had entered into a sale and purchase agreement ("CKI Agreement") on 28th April 2008 for the acquisition of Wellington Electricity Lines Limited (formerly known as Vector Wellington Electricity Network Limited) which in turn had entered into an agreement for the purchase from Vector Limited the electricity network assets which formed part of Vector Limited's electricity lines business in the Wellington, Porirua and Hutt Valley regions in New Zealand.

Pursuant to the Agreement, the consideration payable by the Company to CKI was an amount equivalent to (a) NZ\$50 being 50% of the initial capital of WEDNHL plus (b) 50% of the transaction costs and expenses incurred by CKI for the transactions contemplated under the CKI Agreement, but excluding any such costs or expenses paid with the initial capital of WEDNHL. The Company also undertook to assume 50% of the obligations of CKI under or arising from the letter of credit established by CKI pursuant to the CKI Agreement, and assume CKI's guarantee in respect of the banking facility of WEDNL ("Facility") to the extent of 50% of the amount to be drawn under the Facility on a several basis. The Company also agreed to fund 50% of the purchase price payable under the CKI Agreement to the extent that it was not met by WEDNHL's initial capital and the Facility by way of loans and/or equity to WEDNHL or WEDNL.

CKI was a substantial shareholder holding approximately 38.87% of the issued share capital of the Company and the Agreement therefore constituted a connected transaction for the Company under the Listing Rules. The Agreement and its related transactions were approved by independent shareholders (being shareholders other than CKI and its associates) of the Company at an extraordinary general meeting held on 23rd June 2008. Completion of the Agreement took place on 24th June 2008 and completion of the CKI Agreement took place on 24th July 2008.

Shareholders have been informed of the Agreement in an announcement posted on the respective websites of the Stock Exchange and the Company on 16th May 2008 and a circular to shareholders dated 6th June 2008, and the particulars thereof are herein disclosed pursuant to Rule 14A.45 of the Listing Rules.

Shareholder's Loan to Stanley Power Inc.

On 27th November 2008, HEI Tap Limited ("HEIT"), an indirect wholly owned subsidiary of the Company, entered into an agreement ("HEH Loan Agreement") with Stanley Power Inc. ("Stanley"), an associate owned indirectly as to 50% and 50% by the Company and CKI. Pursuant to the HEH Loan Agreement, HEIT agreed to extend a shareholder's loan of up to CAD\$213,333,333 to Stanley on or before 31st December 2008 to enable Stanley to meet its financing requirements. The shareholder's loan carries an interest rate of 11% per annum and its maturity date is 30th November 2013. Stanley may make one or more requests for drawdown under the HEH Loan Agreement for advances to be made on or before 31st December 2008. CKI, through its indirect wholly owned subsidiary, North America Power Inc. ("NAP"), also entered into an agreement ("CKI Loan Agreement") with Stanley on the same day with identical terms and conditions.

It was intended that whenever a loan drawdown was made under the HEH Loan Agreement and CKI Loan Agreement, HEIT and NAP would inject further equity capital to Stanley by subscription for further shares in proportion to their respective shareholdings in Stanley, and the amount of each of such capital injections was expected to be equivalent to approximately half of the amount of each loan drawdown.

CKI was a substantial shareholder holding approximately 38.87% of the issued share capital of the Company and accordingly, Stanley which was owned as to 50% by CKI was a connected person of the Company. The HEH Loan Agreement therefore constituted a connected transaction for the Company under the Listing Rules. Shareholders have been informed of the HEH Loan Agreement in an announcement posted on the respective websites of the Stock Exchange and the Company on 27th November 2008, and the particulars thereof are herein disclosed pursuant to Rule 14A.45 of the Listing Rules.

Acquisition of the Entire Interest in Outram Limited

On 5th February 2009, the Company and CKI entered into an agreement ("Agreement") pursuant to which the Company agreed to purchase from CKI the entire issued share capital of Outram Limited ("Outram"), a wholly owned subsidiary of CKI. Outram holds through intermediate holding companies ("Holdcos") 45% equity interests in certain joint venture companies ("JV Companies") established in the People's Republic of China ("PRC") which own and operate two power plants in Zhuhai city in the Guangdong province, PRC and a power plant in Siping city in the Jilin province, PRC.

Pursuant to the Agreement, the consideration payable by the Company to CKI was HK\$5,680 million, which amount had taken into account the estimated dividend or other distributions ("PRC Distribution") made by the JV Companies to Outram or the Holdcos in respect of the year 2007 and/or the year 2008 (as the case may be) which had not been paid as at the date of the Agreement. It was possible that some PRC Distribution might be paid after the Agreement and some might be paid after the completion of the Agreement. To the extent payment of any dividend or other distribution attributable to the PRC Distribution was made by Outram and/or its subsidiaries to CKI and/or its subsidiaries (other than Outram and its subsidiaries) after the date but before the completion of the Agreement, the consideration would be reduced by the same amount. In addition, to the extent that the PRC Distribution received by Outram and/or its subsidiaries up to the first anniversary after completion of the Agreement was less than HK\$740.4 million, CKI would pay the difference to the Company. To the extent

that the PRC Distribution received by Outram and/or its subsidiaries up to the first anniversary of the Agreement exceeded HK\$740.4 million, the Company would pay the difference to CKI. The Company would pay CKI any PRC Distribution in respect of the year 2007 and/or the year 2008 (as the case may be) received thereafter.

The Company agreed that it would on completion of the Agreement (a) provide a counter indemnity to CKI which related to certain of CKI's obligations in respect of the joint venture undertaking of one of the power plants in Zhuhai city as its foreign party, which obligations were not expected to be material; and (b) procure Outram to enter into with CKI an operation and management contract ("OM Contract") under which CKI would provide Outram with services in relation to the management and operations of Outram's power plant investments in the PRC on the following terms: (i) the OM Contract would be for an initial term of three years, commencing on completion of the Agreement; (ii) the fees payable to CKI for the services provided would be equivalent to CKI's costs for provision of such services subject to a maximum of HK\$35 million per year; and (iii) the fees would be paid in cash on a monthly basis.

CKI was a substantial shareholder holding approximately 38.87% of the issued share capital of the Company and accordingly the Agreement constituted a connected transaction and the OM Contract would constitute a continuing connected transaction for the Company under the Listing Rules. The Agreement, its related transactions and the OM Contract were approved by independent shareholders (being shareholders other than CKI and its associates) of the Company at an extraordinary general meeting held on 16th March 2009.

Shareholders have been informed of the Agreement and the OM Contract in an announcement posted on the respective websites of the Stock Exchange and the Company on 5th February 2009 and a circular to shareholders dated 26th February 2009, and the particulars thereof are herein disclosed pursuant to Rule 14A.45 of the Listing Rules.