

CORPORATE GOVERNANCE REPORT



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.

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 Group's corporate governance policy is designed to achieve these objectives and is maintained through a framework of processes, policies and guidelines.

The Company has complied with the applicable code provisions in the Corporate Governance 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 31 December 2014, except as noted hereunder.

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, evaluation of 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 Chief Executive Officer.

During the year 2014, the Board comprised the following Directors and the record of attendance of meetings in 2014 of each Director is as follows:

	Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Meetings between Chairman and Non-executive Directors	Annual General Meeting held on 15 May 2014	Extraordinary General Meeting held on 6 January 2014	
Executive Directors	Fok Kin Ning, Canning (Chairman) ⁽¹⁾	4/4	–	1/1	2/2	✓	✓	
	Tsai Chao Chung, Charles (Chief Executive Officer) ⁽²⁾	4/4	–	–	–	✓	–	
	Chan Loi Shun ⁽³⁾	4/4	–	–	–	✓	✓	
	Andrew John Hunter	4/4	–	–	–	✓	✓	
	Neil Douglas McGee ⁽⁴⁾	4/4	–	–	–	✓	✓	
	Wan Chi Tin ⁽⁵⁾	4/4	–	–	–	✓	✓	
	Chow Woo Mo Fong, Susan ⁽¹⁾ (Resigned on 29 January 2014)	–	–	–	–	–	–	✓
	Kam Hing Lam ^{(3), (6)} (Resigned on 29 January 2014)	–	–	–	–	–	–	✓
Yuen Sui See (Director of Operations) ⁽⁷⁾ (Resigned on 29 January 2014)	–	–	–	–	–	–	✓	
Non-executive Directors	Li Tzar Kuoi, Victor ^{(6), (8)}	4/4	–	–	2/2	✓	×	
	Frank John Sixt ^{(1), (9)}	3/4	–	–	2/2	✓	×	
	Tso Kai Sum (Deputy Chairman) ⁽¹⁰⁾ (Resigned on 29 January 2014)	–	–	–	–	–	✓	
	Ronald Joseph Acrulli ⁽¹¹⁾ (Resigned on 29 January 2014)	–	–	–	–	–	✓	
Independent Non-executive Directors	Ip Yuk-keung, Albert ⁽¹²⁾	4/4	2/2	–	2/2	✓	–	
	Ralph Raymond Shea	4/4	3/3	1/1	2/2	✓	✓	
	Wong Chung Hin	3/4	3/3	1/1	2/2	✓	✓	
	Wu Ting Yuk, Anthony ⁽¹³⁾	2/2	–	–	1/1	–	–	
	Fong Chi Wai, Alex ⁽¹⁴⁾ (Resigned on 29 January 2014)	–	–	–	–	–	×	
	Holger Kluge ⁽¹⁵⁾ (Retired on 15 May 2014)	1/1	1/1	–	–	×	×	
	Lee Lan Yee, Francis ⁽¹⁴⁾ (Resigned on 29 January 2014)	–	–	–	–	–	✓	
	George Colin Magnus ⁽¹⁴⁾ (Resigned on 29 January 2014)	–	–	–	–	–	×	

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Notes:

- (1) Mrs. Chow Woo Mo Fong, Susan resigned as an Executive Director and ceased to be an Alternate Director to Mr. Fok Kin Ning, Canning and Mr. Frank John Sixt on 29 January 2014.
- (2) Mr. Tsai Chao Chung, Charles was appointed as an Executive Director and the Chief Executive Officer on 29 January 2014.
- (3) Mr. Chan Loi Shun ceased to be an Alternate Director to Mr. Kam Hing Lam on 29 January 2014.
- (4) Mr. Neil Douglas McGee was re-designated from a Non-executive Director to an Executive Director on 29 January 2014.
- (5) Mr. Wan Chi Tin ceased to be Group Managing Director on 29 January 2014 and remained as an Executive Director.
- (6) Mr. Kam Hing Lam is an uncle of Mr. Li Tzar Kuoi, Victor. He resigned as an Executive Director on 29 January 2014.
- (7) Mr. Yuen Sui See resigned as an Executive Director on 29 January 2014.
- (8) Mr. Li Tzar Kuoi, Victor was re-designated from an Executive Director to a Non-executive Director on 29 January 2014.
- (9) Mr. Frank John Sixt was re-designated from an Executive Director to a Non-executive Director on 29 January 2014.
- (10) Mr. Tso Kai Sum resigned as a Non-executive Director and the Deputy Chairman and Senior Adviser to the Board on 29 January 2014.
- (11) Mr. Ronald Joseph Arculli resigned as a Non-executive Director and ceased to be a member of the Audit Committee on 29 January 2014.
- (12) Mr. Ip Yuk-keung, Albert was appointed as Independent Non-executive Director on 29 January 2014 and was appointed as a member of the Audit Committee on 3 June 2014.
- (13) Mr. Wu Ting Yuk, Anthony was appointed as an Independent Non-executive Director on 3 June 2014.
- (14) Mr. Fong Chi Wai, Alex, Mr. Lee Lan Yee, Francis and Mr. George Colin Magnus resigned as Independent Non-executive Directors on 29 January 2014.
- (15) Mr. Holger Kluge retired from the Board with effect from the conclusion of the annual general meeting held on 15 May 2014 and ceased to be a member of the Audit Committee on the same date.

Biographical information of the current Directors are set out in the "Board of Directors and Senior Management" section on pages 28 to 31 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 names of all Directors and their roles are posted on the website of Hong Kong Exchanges and Clearing Limited ("HKEx").

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, the Directors also participate in the consideration and approval of matters by way of written resolutions, which are circulated to Directors together with supporting explanatory write-up and coupled with briefings from the Chief Executive Officer 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. During the year, the Board held four meetings, and the Chairman and the Non-executive Directors held two meetings without the presence of the Executive Directors.

Directors at all times have full and timely access to information of the Group. A financial summary outlining the Group's financial position and performance and containing the actual and budgeted results from different operations, with major variances explained, is sent to Directors each month for their information. Directors also 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 expense of the Company, as appropriate.

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 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 comments before being formally signed by the chairman of the meeting. Copies of the final versions 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.

All Directors have been appointed on annual twelve-month basis (with exception in relation to the appointment for the initial period which is for a period up to 31 December 2014), subject to retirement from office by rotation and 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. Mr. Wu Ting Yuk, Anthony, appointed subsequent to the last annual general meeting, will retire in accordance with article 99 of the Company's articles of association and offer himself for re-election at the forthcoming annual general meeting. Information relating to the Directors offering themselves for re-election which is required to be disclosed under the Listing Rules is contained in the circular to shareholders dated 31 March 2015. None of the said 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 Company does not have a nomination committee as provided for in the Corporate Governance Code. At present, the Company does not consider it necessary to have a nomination committee as the full Board is responsible for reviewing the structure, size and composition of the Board and the appointment of new Directors from time to time, and the Board as a whole is also responsible for reviewing the succession plan for the Directors, in particular the Chairman and the Chief Executive Officer. The Chairman and the Chief Executive Officer 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 appropriate for the requirements of the businesses of the Group with due regard to the benefits of diversity on the Board laid down in the Group's board diversity policy which sets out the approach to achieving board diversity, recognising that board appointment should be based on merit that complements and expands the skills, experience and expertise of the Board as a whole, taking into account professional experience and qualifications, gender, age, cultural and educational background, and any other factors that the board might consider relevant and applicable from time to time towards achieving board diversity. The policy is available on the website of the Company. Potential candidates for Independent Non-executive Directors will also be

reviewed to determine whether they are independent according to the requirements of the Listing Rules, and are 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 or any proposed appointment of a director to an executive office, and the appointment is subject to the approval of the Board. The appointment of Mr. Tsai Chao Chung, Charles as Chief Executive Officer and Executive Director, the re-designation of Mr. Li Tzar Kuoi, Victor and Mr. Frank John Sixt from Executive Directors to Non-executive Directors, and the appointment of Mr. Ip Yuk-keung, Albert as Independent Non-executive Director on 29 January 2014 respectively and the appointment of Mr. Wu Ting Yuk, Anthony as Independent Non-executive Director on 3 June 2014 were all considered and approved on the basis of the abovementioned criteria and procedure.

Any newly appointed director will be subject to retirement and re-election pursuant to the articles of association of the Company at the next general meeting (in the case of filling a casual vacancy) and at the next annual general meeting (in the case of an addition to the Board).

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.

Mr. Holger Kluge, who was an Independent Non-executive Director, retired from the Board with effect from the conclusion of the annual general meeting of the Company held on 15 May 2014. Following the retirement of Mr. Kluge, the Company had three Independent Non-executive Directors and its Audit Committee had two Independent Non-executive Directors, which fell below the required numbers under Rules 3.10A and 3.21 of the Listing Rules respectively. On 3 June 2014, Mr. Wu Ting Yuk, Anthony was appointed as an Independent Non-executive Director, and Mr. Ip Yuk-keung, Albert, an Independent Non-executive Director, was appointed as a member of the Audit Committee, following which the numbers of Independent Non-executive Directors and Audit Committee members of the Company were in compliance with Rules 3.10A and 3.21 of the Listing Rules respectively.

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Continuous Professional Development Activities of Directors

The Company arranges and provides continuous professional development training and relevant materials to Directors to help ensure they are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its business and to refresh their knowledge and skills on the roles, functions and duties of a listed company director. In addition, attendances at external forums or briefing sessions on the relevant topics also count towards continuous professional development training. The Directors have provided to the Company their records of continuous professional development training during the year 2014, and they have participated in training activities in the following manner:

1. Reading materials and seminars on directors' duties, new Companies Ordinance, compliance issues for listed companies (including amendments to Listing Rules in respect of connected transactions) and/or legal and regulatory requirements
2. Reading materials and seminars on corporate governance and reporting
3. Seminars on risk management and sustainable growth

	1	2	3
Executive Directors			
Fok Kin Ning, Canning	✓	✓	✓
Tsai Chao Chung, Charles	✓	✓	✓
Chan Loi Shun	✓	✓	✓
Andrew John Hunter	✓	✓	✓
Neil Douglas McGee	✓	✓	✓
Wan Chi Tin	✓	✓	✓
Non-executive Directors			
Li Tzar Kuoi, Victor	✓	✓	✓
Frank John Sixt	✓	✓	✓
Independent Non-executive Directors			
Ip Yuk-keung, Albert	✓	✓	✓
Ralph Raymond Shea	✓	✓	✓
Wong Chung Hin	✓	✓	✓
Wu Ting Yuk, Anthony	✓	✓	✓

During the year ended 31 December 2014, Mr. Alex Ng, the Company Secretary of the Company, has received no less than 15 hours of relevant professional training to refresh his skills and knowledge.

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 31 December 2014.

Senior managers, and other nominated managers and staff who, because of their respective positions in the Company are likely to possess unpublished inside information regarding the Company and its securities are also required to comply with the Model Code.

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

The Company has established a policy relating to inside information and securities dealing which is applicable to all its staff. The policy explains the meaning of unpublished inside information and the illegality of insider dealing, and sets out restrictions, controls and reporting mechanism for dealing with securities of the Company.

Directors' Responsibility for Financial Reporting and Disclosure

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 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 from which, the 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 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 inside information, announcements and financial disclosures and authorises their publication as and when required.

Chairman and Chief Executive Officer

The positions of the Chairman and the Chief Executive Officer (previously titled as Group Managing Director) are held by separate individuals. During the year 2014, the Chairman of the Board was Mr. Fok Kin Ning, Canning, while Mr. Wan Chi Tin was the Group Managing Director until 29 January 2014 when Mr. Tsai Chao Chung, Charles was appointed the Chief Executive Officer.

The Chairman is elected by members of 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 Chief Executive Officer are subject to retirement from their directorship 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 meetings of the Board 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 schedules two meetings annually with Non-executive Directors without the presence of Executive Directors. The Chairman also acts in an advisory capacity to the Chief Executive Officer in all matters covering the interests and management of the Group.

The Chief Executive Officer, working with the executive management team, 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 Chief Executive Officer attends to developing strategic operating plans and is directly responsible for maintaining the operational performance of the Group. Working with other Executive Directors and the general managers, 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 be satisfied itself that an Independent Non-executive Director does not have any material relationship with the Group. The Board is guided by the criteria of independence as set out in the Listing Rules in determining the independence of Directors.

Mr. Ip Yuk-keung, Albert, Mr. Ralph Raymond Shea, Mr. Wong Chung Hin and Mr. Wu Ting Yuk, Anthony, Independent Non-executive Directors of the Company, have each provided a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board continues to consider these Directors to be independent.

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Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2014, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were 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 SFO (including interests and short positions which the Directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code 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
Li Tzar Kuoi, Victor	Interest of child or spouse	Family	151,000)	829,750,612	38.87%
	Beneficiary of trusts	Other	829,599,612) (Notes 1(a), 2 and 3)		
Tsai Chao Chung, Charles	Beneficial owner	Personal	4,022	4,022	= 0%

Long Positions in Shares of Associated Corporation

HK Electric Investments and HK Electric Investments Limited

Name of Director	Capacity	Nature of Interests	Number of Share Stapled Units Held	Total	Approximate % of Issued Share Stapled Units
Li Tzar Kuoi, Victor	Interest of controlled corporations	Corporate	7,870,000) (Note 4)	4,715,240,218	53.36%
	Beneficiary of trusts	Other	4,707,370,218) (Notes 1(b), 2 and 3)		
Fok Kin Ning, Canning	Interest of controlled corporation	Corporate	2,000,000	2,000,000	0.02%
Tsai Chao Chung, Charles	Beneficial owner	Personal	880	880	= 0%

Notes:

- (1) (a) These shares are held by subsidiaries of Cheung Kong Infrastructure Holdings Limited ("CKI").
- (b) Such share stapled units of HK Electric Investments and HK Electric Investments Limited ("HKEI") comprise:
 - (i) 4,409,300,000 share stapled units of HKEI held by Quickview Limited, a wholly-owned subsidiary of the Company; and
 - (ii) 298,070,218 share stapled units of HKEI held by a number of subsidiaries of Hyford Limited, which is a wholly-owned subsidiary of CKI.
- (2) The discretionary beneficiaries of each of The Li Ka-Shing Unity Discretionary Trust ("DT1") and another discretionary trust ("DT2") are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard. 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 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"). Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-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 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 and as a Director of CKH, Mr. Li Tzar Kuoi, Victor 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, the shares of the Company held by the subsidiaries of CKI, the share stapled units of HKEI held by the subsidiaries of Hyford Limited, and the share stapled units of HKEI held by Quickview Limited under the SFO as a Director of the Company.

- (3) Mr. Li Tzar Kuoi, Victor, by virtue of his interests as described in Note (2) above and as a Director of the Company, is also deemed to be interested in the shares of subsidiaries and associated corporations (within the meaning of Part XV of the SFO) of the Company held through the Company under the SFO.
- (4) Such share stapled units of HKEI comprise:
- 2,700,000 share stapled units of HKEI held by Lankford Profits Limited, a wholly-owned subsidiary of Li Ka Shing (Overseas) Foundation ("LKSOF"). By virtue of the terms of the constituent documents of LKSOF, Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSOF; and
 - 5,170,000 share stapled units of HKEI held by Li Ka Shing Foundation Limited ("LKSF"). By virtue of the terms of the constituent documents of LKSF, Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSF.

Save as disclosed above, as at 31 December 2014, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Interests in Competing Business

In 2014, the interests of Directors in businesses which may compete with the Group's business of development, investment and operation of power generation, transmission and distribution and other energy related infrastructure facilities outside Hong Kong ("Business") were as follows:

Name of Director	Name of Company	Nature of Interests
Fok Kin Ning, Canning	Cheung Kong (Holdings) Limited Hutchison Whampoa Limited Cheung Kong Infrastructure Holdings Limited Husky Energy Inc.	Non-executive Director Group Managing Director Deputy Chairman Co-Chairman
Tsai Chao Chung, Charles (Appointed on 29 January 2014)	Australian Gas Networks Limited ^(Note)	Director (Appointed on 1 September 2014)
Chan Loi Shun	Cheung Kong Infrastructure Holdings Limited Australian Gas Networks Limited ^(Note)	Executive Director and Chief Financial Officer Director
Chow Woo Mo Fong, Susan (Resigned on 29 January 2014)	Hutchison Whampoa Limited Cheung Kong Infrastructure Holdings Limited	Deputy Group Managing Director Executive Director and Alternate Director
Andrew John Hunter	Cheung Kong Infrastructure Holdings Limited Australian Gas Networks Limited ^(Note)	Deputy Managing Director Director (Appointed on 1 September 2014)
Kam Hing Lam (Resigned on 29 January 2014)	Cheung Kong (Holdings) Limited Hutchison Whampoa Limited Cheung Kong Infrastructure Holdings Limited	Deputy Managing Director Executive Director Group Managing Director
Li Tzar Kuoi, Victor	Cheung Kong (Holdings) Limited Hutchison Whampoa Limited Cheung Kong Infrastructure Holdings Limited Husky Energy Inc.	Managing Director and Deputy Chairman Deputy Chairman Chairman Co-Chairman
Neil Douglas McGee	Husky Energy Inc.	Director
Frank John Sixt	Cheung Kong (Holdings) Limited Hutchison Whampoa Limited Cheung Kong Infrastructure Holdings Limited Husky Energy Inc.	Non-executive Director Group Finance Director Executive Director Director
Tso Kai Sum (Resigned on 29 January 2014)	Cheung Kong Infrastructure Holdings Limited	Non-executive Director

Note:

Australian Gas Networks Limited (formerly known as Envestra Limited) was a listed company before its delisting on 17 October 2014.

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The Board is of the view that the Group is capable of carrying on the Business independent of, and at arm's length from the businesses of the above companies. When making decisions on the 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 31 December 2014.

Corporate Governance Functions

The Board delegates its responsibility for performing corporate governance duties to the Audit Committee.

At its meetings held in February and July 2014, the Audit Committee reviewed the governance structure of the Group, the records of continuous professional development activities of Directors and senior managers in 2013 and the half year to 30 June 2014, the compliance status of the Corporate Governance Code for the year 2013 and the first six months of 2014, and the corporate governance disclosure in the 2013 Corporate Governance Report and the 2014 interim report.

Remuneration Committee

The Remuneration Committee is chaired by Mr. Wong Chung Hin (an Independent Non-executive Director), with Mr. Fok Kin Ning, Canning (the Chairman) and Mr. Ralph Raymond Shea (an Independent Non-executive Director) as members.

The Remuneration Committee's principal responsibilities include the review and consideration of the Company's policy for remuneration of Directors and senior management, and the determination of their individual remuneration packages. It reports to the Board at the next board meeting after decisions and recommendations have been made. 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 and the HKEx's website.

The Remuneration Committee receives and considers relevant remuneration data and market conditions. The remuneration of Executive Directors and senior management is determined with reference to the Company's performance and profitability, industry remuneration benchmarks and prevailing market conditions. Remuneration is performance-based and, coupled with an incentive system, is competitive to attract and retain talented employees.

The Committee held a meeting in December 2014 which was attended by all members, during which it 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 2014 financial year and their remuneration for the next year. The Committee also considered and approved the remuneration package for Mr. Tsai Chao Chung, Charles as Chief Executive Officer with effect from 1 January 2015. None of the Directors and senior management participated in the determination of their own remuneration. The Committee, authorised by the Board, also reviewed and approved the 2015 wage and salary review proposal.

The emoluments paid to each Director for the 2014 financial year are shown in note 10 to the financial statements on page 79 of the Annual Report. The remuneration paid to members of the senior management for the 2014 financial year is disclosed by bands also in note 10 on page 80 of the Annual Report.

Audit Committee

During 2014, the Audit Committee was chaired by Mr. Wong Chung Hin (an Independent Non-executive Director) and its other members are Mr. Ronald Joseph Arculli (a Non-executive Director) (until 29 January 2014), Mr. Holger Kluge (an Independent Non-executive Director) (until 15 May 2014), Mr. Ralph Raymond Shea (an Independent Non-executive Director) and Mr. Ip Yuk-keung, Albert (appointed on 3 June 2014). Mr. Ronald Joseph Arculli resigned as a Non-executive Director on 29 January 2014 and his membership to the Audit Committee ceased on the same date. Mr. Holger Kluge retired from the Board upon conclusion of the annual general meeting held on 15 May 2014 and following his retirement ceased to be a member of the Audit Committee. On 3 June 2014, Mr. Ip Yuk-keung, Albert, an Independent Non-executive Director, was appointed as a member of the Audit Committee. 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 auditor.

The Audit Committee reports directly to the Board of Directors and its principal responsibilities include the review of the Group's financial reporting and internal control systems, the interim and annual financial statements, and corporate and compliance issues. The Committee also acts as the key representative body for overseeing the Company's relations with the external auditor, reviewing the arrangements which employees can use in confidence to raise concerns about improprieties in financial reporting, internal control and other matters, and undertaking duties relating to the corporate governance function of the Board. 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 are published on the Company's website and the HKEx's website.

The Audit Committee held three meetings in 2014. During the meetings, the Audit Committee reviewed and considered matters including the Group financial statements and Annual Report for the year ended 31 December 2013, the audit fee and auditor engagement letter for the 2013 Group financial statements, the re-appointment of auditor, the report of the auditor to the Audit Committee in relation to the audit of the 2013 Group financial statements, the non-audit services provided by KPMG in the year 2013, the Group's risk management report as of December 2013, the internal control assessment declarations for the year 2013 and for the half year to 30 June 2014 in respect of the effectiveness of the system of internal controls of the Group, the internal audit plan for 2014, the 4-year cycle internal audit plan for 2014 to 2017, the financial statements for the six months ended 30 June 2014, the statistics on bribery activities and illegal or unethical behaviour of the Group and its major associates for the year 2013 and for the half year to 30 June 2014, the performance of the Group's major investments outside Hong Kong for the year ended 31 December 2013 and for the six months ended 30 June 2014, the Group's outstanding litigation and claims as at 31 December 2013 and 30 June 2014, the tax dispute with the Australian Tax Office, the Group's corporate governance structure, the compliance of the Corporate Governance Code by the Company, the disclosure in the 2013 Corporate Governance Report, the corporate governance disclosure in the 2014 interim report, the continuous professional development

activities undertaken by Directors and senior managers during 2013 and the six months ended 30 June 2014, KPMG's audit plan for the 2014 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 2013 audited financial statements, the 2014 audit plan and various accounting issues with the Committee.

Internal Control

Introduction

The Board has overall responsibility for the Group's system of internal control and reviews its effectiveness through the Audit Committee 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. The Audit Committee also reviews the annual work plans of Internal Audit function, and considers the reports of the Chief Executive Officer to the Committee on the effectiveness of internal controls and risk management process 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 or 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 organisational 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.

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Executive Directors review operational and financial reports and key operating statistics and hold regular meetings with general managers to review their reports.

Executive Directors and senior executives are appointed to the boards and board committees of all major operating subsidiaries, associates and joint ventures 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 and are subject to review and approval firstly by the Chief Executive Officer 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 has established guidelines and procedures for the approval and control of expenditure which is implemented through the service sharing arrangement of the financial and accounting functions of HK Electric Investments Limited. 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.

With effect from 29 January 2014 the Group's electricity business in Hong Kong, carried on by The Hongkong Electric Company, Limited, was separately listed on the Main Board of the Stock Exchange through HKEI. The Company entered into an agreement dated 14 January 2014 with HK Electric Investments Limited for sharing of support services, pursuant to which HK Electric Investments Limited will continue to provide the relevant financial and accounting, treasury and internal audit services to the Company and to support the internal control functions outlined above with effect from the listing date of HKEI.

Treasury Department of HK Electric Investments Limited, which oversees the Group's treasury function and its investment and funding activities, regularly reports to an Executive Director on the Group's cash and liquid investments, borrowings, outstanding contingent liabilities and financial derivatives commitments. The

Board has approved and adopted a treasury policy governing the management of the financial risks of the Group (including interest rate risk, foreign exchange risk and liquidity risk) 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's internal audit function, which is shared with that of HK Electric Investments Limited, reports to an Executive Director and the Audit Committee, and provides independent assurance as to the existence and effectiveness of the risk management activities and controls in the operations of the Group's business units. Staff members are from a wide range of disciplines including accounting, engineering and information technology. Using risk assessment methodology and taking into account the scope and nature of the Group's activities and changes in operating environment, 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. The scope of work on the Group's business units performed by Internal Audit includes financial and operations review, recurring and unscheduled audits, fraud investigation, productivity efficiency review and laws and regulations compliance review. Internal Audit follows up audit recommendations on implementation by the business units and the progress is reported to the Audit Committee. With the assistance of Internal Audit, the Chief Executive Officer assesses the Group's system of internal control and risk management, formulates an opinion on the system and reports his findings to the Audit Committee and the Board.

Effective risk management is fundamental to the achievement of the Group's strategic objectives. The Company has in place an enterprise risk management framework that provides a pro-active and systematic approach to the risk management process. More details are given in the Risk Management Report on pages 49 to 51 of the Annual Report.

An internal control self assessment has been established requiring managers of each functional unit to 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 Chief Executive Officer formulates his opinion on the Group's internal control system.

Reports from the external auditor on material non-compliance with procedures and significant internal control weaknesses, if any, are presented to the Audit Committee. These reports are considered and reviewed and the appropriate action is taken if required.

Established guidelines where new businesses are being acquired including detailed appraisal and review procedures and due diligence processes are in place.

The Chief Executive Officer and other Executive Directors have the responsibility of developing and implementing risk mitigation strategies including the deployment of insurance to transfer the financial impact of risk. The insurance function of HK Electric Investments Limited supports the Group with appropriate insurance coverage.

Code of Conduct

The Group recognises the need to maintain a culture of corporate ethics and places great emphasis on employees' ethical standards and integrity in all aspects of its operations. The Group's Code of Conduct, applicable to all employees, aims to give guidance in dealing with ethical issues, provides mechanisms to report unethical conduct and helps to foster a culture of honesty and accountability. Employees of the Group are required to adhere to the standards set out in the Code of Conduct.

The Group prohibits any form of bribery or corruption. Accepting or offering advantages in any manner from or to clients, suppliers, or any person in connection with the Group's business is prohibited. An anti-bribery and anti-corruption control assessment is conducted biannually to evaluate the effectiveness of controls for managing bribery risks. A monitoring mechanism has been established to review compliance with anti-corruption laws and the Code of Conduct.

It is the responsibility of each Director and employee to avoid situations that may lead to or involve a conflict of interest. They should make full disclosure in case any of their dealings may have a conflict of interest with the activities of the Group. It is the responsibility of all Directors and employees who have access to and in control of the Group's information to provide

adequate safeguard to prevent any abuse or misuse of that information. The Group strictly prohibits the use of inside information to secure personal advantage.

The Group promotes fair and open competition, and procurement of supplies and services are conducted in a manner of high ethical standards. There are procurement and tendering procedures in place to ensure impartial selection of suppliers and contractors, and that the hire of services and purchase of goods are based solely upon price, quality, suitability and need.

External Auditor

Independence

KPMG, the external auditor, have confirmed that they have been, for the year ended 31 December 2014, independent of the Group in accordance with the independence requirements of the Hong Kong Institute of Certified Public Accountants.

Rotation of Engagement Partner

KPMG adopt a policy of rotating every seven years the engagement partner servicing their client companies. The last rotation in respect of the Group took place in the audit of the 2014 financial statements and the next rotation will take place in the audit of the 2021 financial statements.

Reporting Responsibility

The reporting responsibilities of KPMG are stated in the Independent Auditor's Report on page 57 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 77 of the Annual Report.

Re-appointment

A resolution for re-appointment of KPMG as auditor of the Company will be proposed at the forthcoming annual general meeting. There has been no change in auditor in any of the preceding three years.

CORPORATE GOVERNANCE REPORT

Shareholders

The Company has established a range of communication channels between itself and its shareholders and investors. These include the annual general meeting, the annual and interim reports, notices, letters, announcements and circulars, results highlights published in newspapers, news releases, the Company's website at www.powerassets.com and meetings with investors and analysts. All shareholders have the opportunity to put questions to the Board at general meetings, and at other times by e-mailing or writing to the Company.

Shareholders may at any time notify the Company by mail or email of any change in their choice of language (English or Chinese or both) or means of receiving (printed copies or through the Company's website) corporate communications from the Company.

The Company handles share registration and related matters for shareholders through Computershare Hong Kong Investor Services Limited, the Company's share registrar, whose contact details are set out on page 123 of the Annual Report.

Pursuant to section 566 of the Companies Ordinance, shareholders representing at least 5% of the total voting rights of all the shareholders of the Company having a right to vote at general meetings may request for the convening of a general meeting. The request stating the general nature of the business to be dealt with at the meeting should be signed by the requisitionists and sent to the Company in hard copy form or in electronic form. Pursuant to sections 580 and 615 of the Companies Ordinance, shareholders qualified under sub-section (3) and sub-section (2) of the respective sections may request for the Company's circulation of statements with respect to proposed resolutions to be considered at a general meeting and the Company's giving of notice of a resolution intended to be moved at an annual general meeting. The request should be signed by the requisitionists and sent to the Company in hard copy form or in electronic form in accordance with the statutory provisions.

The Board has adopted a communication policy which provided a framework to promote effective communication with shareholders. The policy is available on the website of the Company.

2014 Annual General Meeting

The annual general meeting is a main channel of communication between Directors and shareholders. The 2014 Annual General Meeting was held on 15 May 2014. The notice of meeting, the annual report and the circular containing information on the proposed resolutions were sent to shareholders on 26 March 2014 which was more than 20 clear business days (as defined in the Listing Rules) and more than 21 clear days (as required by the Company's articles of association) prior to the meeting. The chairman and members of the Audit Committee and the Remuneration Committee respectively were available at the meeting to answer questions from the shareholders. 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 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 were passed by shareholders at the meeting and the percentage of votes cast in favour of each of them is set out below:

Ordinary resolutions

- Audited Financial Statement, Report of the Directors and the Independent Auditor's Report for the year ended 31 December 2013 (99.9944%);
- Declaration of a final dividend of HK\$1.90 per share (99.9987%);
- Election of Mr. Fok Kin Ning, Canning (91.5514%), Mr. Andrew John Hunter (75.5592%), Mr. Ip Yuk-keung, Albert (99.7127%), Mr. Li Tzar Kuoi, Victor (73.6164%), and Mr. Tsai Chao Chung, Charles (98.7445%) as Directors;
- Re-appointment of KPMG as auditor and authorisation of Directors to fix their remuneration (99.5039%); and
- General mandates to Directors to issue and dispose of additional shares of the Company (64.2017%) and to repurchase shares of the Company (99.9551%), and extension of the general mandate to issue shares (64.2054%).

The results of the poll, which included the number of shares voted for and against each resolution, were posted on the Company's and the HKEx's websites on the same day of the meeting.

Company's Website

The Company maintains a website at www.powerassets.com. It contains a wide range of information of interest to investors and other stakeholders. For the dissemination of published information, such information including financial results, notices of meetings, announcements required under the Listing Rules, circulars to shareholders, press releases and other necessary announcements were uploaded onto the Company's website.

Memorandum and Articles of Association

No changes were made to the memorandum and articles of association of the Company during the year ended 31 December 2014.

Key Dates

Announcement of 2014 interim results	24 July 2014
Payment of 2014 interim dividend (HK67 cents per share)	4 September 2014
Announcement of annual results for the year ended 31 December 2014	24 February 2015
Closure of register of members (annual general meeting)	11 May 2015 to 14 May 2015 (both days inclusive)
2015 annual general meeting	14 May 2015
Record date for 2014 final dividend	20 May 2015
Payment of 2014 final dividend (HK\$2.01 per share)	1 June 2015

Interests and Short Positions of Shareholders

As at 31 December 2014, 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 SFO, or which were recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

Substantial Shareholders

Long Positions in Shares of the Company

Name	Capacity	Number of Shares Held	Approximate % of Shareholding
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%

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Other Persons

Long Positions in Shares of the Company

Name	Capacity	Number of Shares Held	Approximate % of Shareholding
Capital Research and Management Company	Investment Manager	126,851,700 (Note 7)	5.94%
The Capital Group Companies, Inc.	Investment Manager	128,803,700 (Note 7)	6.04%

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 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 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.
- (7) Capital Research and Management Company ("CRMC") is a wholly-owned subsidiary of The Capital Group Companies, Inc. ("CGCI"). As such, the interests of CRMC of 126,851,700 shares are notified by CGCI and are duplicated in the 128,803,700 shares of the Company notified by CGCI.

Save as disclosed above, as at 31 December 2014, there was no other person (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

Public Float

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

Connected Transactions during 2014

Allotment of reserved share stapled units to subsidiaries of Cheung Kong Infrastructure Holdings Limited pursuant to the preferential offering

The wholly-owned subsidiaries of Cheung Kong Infrastructure Holdings Limited ("CKI") which hold an aggregate of approximately 38.87% shareholding interest in the Company (the "Relevant CKI

Subsidiaries") applied for, and were allocated on 28 January 2014, their respective assured entitlement to a total of 207,399,901 reserved share stapled units in full, and one of the Relevant CKI Subsidiaries also applied for 93,000,000 additional reserved share stapled units by way of excess application in the preferential offering, and 90,670,317 reserved share stapled units were allocated to it in respect of such excess application. Accordingly, the Relevant CKI Subsidiaries had been allocated a total of 298,070,218 reserved share stapled units, representing approximately 6.7% of the total number of offer share stapled units initially being offered under the global offering and approximately 3.4% of the total number of share stapled units in issue on the listing date of the share stapled units immediately following the completion of the reorganisation and the global offering.

Based on the final offer price of HK\$5.45 per share stapled unit as announced on 22 January 2014 and taking into consideration the amounts refundable to the Relevant CKI Subsidiaries due to the difference between such final offer price and the maximum offer price and the partially unsuccessful excess application, the total net amount paid by the Relevant CKI Subsidiaries in respect of the 298,070,218 reserved share stapled units

allocated to them amounted to HK\$1,640,857,473.60. The reserved share stapled units were allotted to the Relevant CKI Subsidiaries on the same terms as the allotment of all other reserved share stapled units to other qualifying shareholders under the preferential offering.

As CKI is a substantial shareholder of the Company, the Relevant CKI Subsidiaries are connected persons of the Company under the Listing Rules. The allotment of reserved share stapled units to the Relevant CKI Subsidiaries constituted a connected transaction of the Company under the Listing Rules.

Shareholders have been informed of the allotment of reserved share stapled units in an announcement posted on the respective websites of the Company and the HKEx on 28 January 2014.

Formation of a joint venture for acquisition of all the shares of Envestra Limited

On 30 May 2014, the Company entered into a shareholders' agreement with Cheung Kong (Holdings) Limited ("CKH"), CKI and CK ENV UK Limited (now known as Australian Gas Networks UK Limited) ("JV Co"), together with their respective wholly-owned subsidiary which set out the parties' funding to, shareholding in and other rights and obligations in respect of the takeover bid and the operations and management of the JV Co's Group, being a joint venture for the purpose of acquisition of the entire issued share capital of Envestra Limited (now known as Australian Gas Networks Limited) ("Joint Venture Transaction") which is a distributor of natural gas in Australia.

Pursuant to the shareholders' agreement, each of the Company, CKH and CKI will through their respective subsidiaries subscribe for shares in the capital of and advance shareholders' loans to JV Co on an equal basis in proportion to their respective equity interests in JV Co. The size of the Company's maximum capital commitment in respect of the JV Co to be paid by the Company will be up to approximately AUD666 million.

Each of the Company, CKH and CKI is entitled, but not obliged, to appoint one Director of the JV Co in respect of each complete 10% of the shares it owns in the capital of JV Co.

CKI holds approximately 38.87% of the issued share capital of the Company and by virtue of this shareholding, CKI is a substantial shareholder and accordingly, a connected person of the Company. Therefore, the Joint Venture Transaction constituted a connected transaction

of the Company under the Listing Rules.

Shareholders have been informed of the Joint Venture Transaction in the announcements posted on the respective websites of the Company and the HKEx on 8 May 2014, 30 May 2014, 7 August 2014 and 5 September 2014.

Continuing Connected Transactions

Operation and Management Contract in respect of power plant investments in mainland China

Pursuant to an agreement dated 2 April 2009 entered into between Outram Limited ("Outram"), an indirect wholly-owned subsidiary of the Company, and Cheung Kong China Infrastructure Limited ("CKCI") as supplemented by a notice issued by Outram to CKCI on 30 September 2011 to extend its term to 1 April 2015 (the "Agreement"), CKCI agreed to provide Outram with services in relation to the operation and management of Outram's power plant investments in mainland China. The fees payable to CKCI for the services are equivalent to CKCI's costs for provision of such services and are paid in cash on a monthly basis subject to a maximum of HK\$35,000,000 per year.

CKCI is a wholly-owned subsidiary of CKI, a substantial shareholder of the Company, and therefore CKCI's provision of the services to Outram constituted continuing connected transactions (the "Continuing Connected Transactions") for the Company under the Listing Rules. The aggregate amount paid for the year ended 31 December 2014 attributable to the Continuing Connected Transactions subject to annual review requirements under the Listing Rules was HK\$34,205,216.

All the Independent Non-executive Directors have reviewed the Continuing Connected Transactions in the 2014 financial year and confirmed that those transactions had been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the auditor of the Company have been engaged to report on the continuing connected transactions in accordance with Hong Kong Standard of Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on

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Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor have issued an unqualified letter to the Board containing their finding and conclusions in respect of the continuing connected transactions, in which they have confirmed that nothing has come to their attention that caused them to believe that the continuing connected transactions in the 2014 financial year (i) had not been approved by the Board, (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing such transactions, and (iii) had exceeded the annual cap amount for the 2014 financial year.

Extension of the term of the Agreement

On 30 September 2014, Outram issued a notice to CKCI to extend the term of the Agreement for a period of three years from 2 April 2015 to 1 April 2018 on the same terms and for the same purposes contained in the Agreement.

Shareholders have been informed of the extension of the term of the Agreement in an announcement posted on the respective websites of the Company and the HKEx on 30 September 2014.

Other Transactions

In connection with the spin-off and separate listing of the Group's electricity business in Hong Kong on 29 January 2014 the Company entered into the following transactions which came into effect from 29 January 2014:

Non-competition Deed with HK Electric Investments Limited

The Company entered into a deed of non-competition dated 14 January 2014 (the "Non-competition Deed") with HK Electric Investments Limited, pursuant to which the Company has undertaken that save for certain exceptions the Group will not 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 through its holding of share stapled units in HKEI), the business of generation, transmission, distribution and supply of electricity in Hong Kong.

The Company has complied with the Non-competition Deed from 29 January 2014 and throughout the remainder of 2014 and has, in accordance with the Non-competition Deed, provided HK Electric Investments Limited with its annual written confirmation.

Deed relating to investment opportunity in power projects with Cheung Kong Infrastructure Holdings Limited

The Company entered into a deed relating to investment opportunity in power projects dated 10 January 2014 (the "Investment Opportunity Deed") with CKI to further enhance the delineation between the future business focus of the Company and CKI in power projects and projects other than power projects respectively. Pursuant to the Investment Opportunity Deed, CKI has undertaken that if it is offered an opportunity to invest in any power projects it will inform the Company and offer the opportunity to the Company, and CKI may only invest in any power project if (i) the Company (with the endorsement of its independent non-executive directors or a committee thereof) invites CKI to participate as a co-investor and (ii) the investment opportunity is in respect of a power project of an enterprise value exceeding HK\$4 billion. Any co-investment by the Company and CKI will be subject to compliance with the applicable requirements of the Listing Rules, including independent shareholders' approval (if required).

The Investment Opportunity Deed also requires CKI and the Company to review the deed's implementation as part of its internal audit plan and the respective audit committee of CKI and the Company to review the deed's compliance.

In accordance with the Investment Opportunity Deed, a committee comprising all its independent non-executive directors has reviewed the compliance by CKI with the terms of the deed and any decision by the Group regarding any exercise of the rights under the deed. Having considered the Company's internal control framework of ensuring the deed's compliance, Internal Audit's compliance review report, CKI's annual compliance confirmation to the Company and other relevant documents, the committee has confirmed its view that, for the period between 29 January 2014 and 31 December 2014, CKI complied with the terms of the Investment Opportunity Deed and the Group's decisions regarding any exercise of the rights under the deed are made in accordance with the requirements thereof.