

REPORT OF THE DIRECTORS

(Expressed in Hong Kong dollars)

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2014.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are investment in power and utility-related businesses. Particulars of the Company's principal subsidiaries as at 31 December 2014 are set out in Appendix 2 on pages 118 to 119 of the financial statements.

Financial Statements

The consolidated statement of profit or loss for the year ended 31 December 2014 is set out on page 58 and shows the Group's profit after tax and Scheme of Control transfers of \$61,005 million (2013: \$11,165 million). The state of the Company's and the Group's affairs as at 31 December 2014 are set out in the financial statements on pages 58 to 121.

Dividends

An interim dividend of 67 cents (2013: 65 cents) per ordinary share was paid to shareholders on 4 September 2014 and the Directors recommend a final dividend of \$2.01 (2013: \$1.90) per ordinary share payable on 1 June 2015 to shareholders who are registered on the register of members on 20 May 2015.

Reserves

Movements in the reserves of the Company and the Group during the year are set out in note 25(a) to the financial statements and in the consolidated statement of changes in equity on page 61 respectively.

Charitable Donations

Charitable donations made by the Group during the year amounted to \$4 million (2013: \$30 million).

Fixed Assets

Additions of fixed assets for the year for the Company and its subsidiaries amounted to \$86 million (2013: \$1,973 million). The movements in fixed assets during the year are set out in note 12 to the financial statements.

Subsidiaries

The names, principal activities, places of incorporation and operation and particulars of the issued share capital of the principal subsidiaries are set out in Appendix 2 on pages 118 to 119 of the financial statements.

Summary of Five-Year Financial Results

The summary of five-year financial results of the Group is set out on page 122.

Major Customers and Suppliers

Sales to the largest customer is 18.5% of the Group's total turnover, and sales to five largest customers combined is 50.1% (2013: less than 30%) of the Group's total turnover for the year ended 31 December 2014. The five largest customers for the year are the joint ventures or associates of the Company and the Company's substantial shareholder, Cheung Kong Infrastructure Holdings Limited.

Purchases from the five largest suppliers combined is less than 30% (2013: 69.4%) of the Group's total purchases of revenue items for the year ended 31 December 2014.

Directors

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

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

On 29 January 2014, Mr. Tso Kai Sum, Mr. Ronald Joseph Arculli, Mrs. Chow Woo Mo Fong, Susan, Mr. Fong Chi Wai, Alex, Mr. Kam Hing Lam, Mr. Lee Lan Yee, Francis, Mr. George Colin Magnus and Mr. Yuen Sui See resigned as Directors of the Company. Mrs. Chow Woo Mo Fong, Susan ceased to be the

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Alternate Director to Mr. Fok Kin Ning, Canning and Mr. Frank John Sixt, and Mr. Chan Loi Shun ceased to be the Alternate Director to Mr. Kam Hing Lam on the same date. Mr. Holger Kluge retired as Director with effect from the conclusion of the annual general meeting of the Company held on 15 May 2014.

Mr. Tsai Chao Chung, Charles and Mr. Ip Yuk-keung, Albert were appointed as Directors on 29 January 2014, and Mr. Wu Ting Yuk, Anthony was appointed as Director on 3 June 2014.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's issued shares during the year (2013: nil).

Arrangement to Purchase Shares or Debentures

At no time during the year was the Company or any of its subsidiaries a party to any arrangement that enables the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate (2013: nil).

Disclosure under Rule 13.22 of Chapter 13 of the Listing Rules

In relation to the provision of financial assistance by the Group to certain affiliated companies, a combined statement of financial position of the affiliated companies as at 31 December 2014 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

Combined statement of financial position of the affiliated companies as at 31 December 2014

	\$ million
Non-current assets	305,545
Current assets	13,443
Current liabilities	(25,107)
Non-current liabilities	(223,451)
Net assets	70,430
Share capital	23,702
Reserves	46,728
Capital and reserves	70,430

As at 31 December 2014, the consolidated attributable interest of the Group in these affiliated companies amounted to \$39,731 million.

On behalf of the Board

Fok Kin Ning, Canning

Chairman

Hong Kong, 24 February 2015