

COMBINED CORPORATE GOVERNANCE REPORT



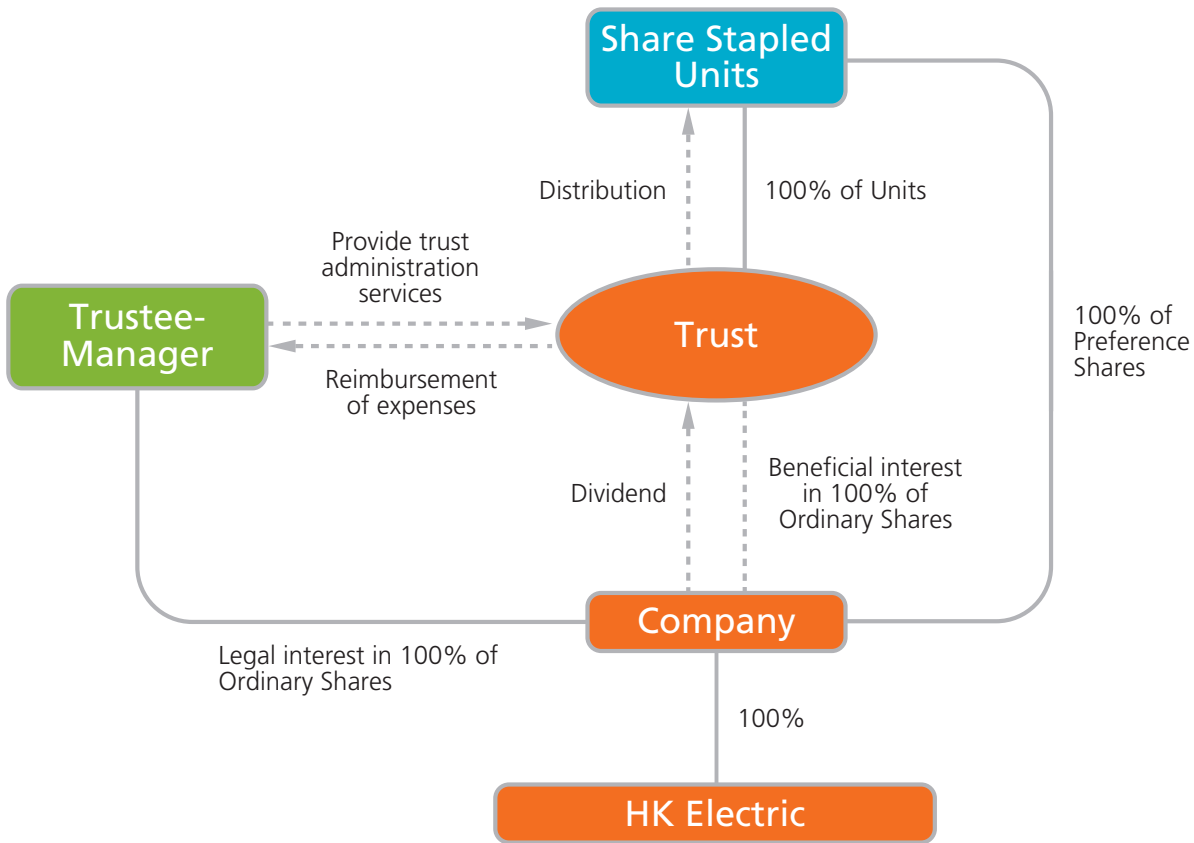
The Boards of the Trustee-Manager and the Company present their corporate governance report on a combined basis for the period from the Listing Date to 31 December 2014.

Structure of the Trust Group and the Share Stapled Units

The Trust, managed by the Trustee-Manager, was constituted under the laws of Hong Kong on 1 January 2014 by the Trust Deed. The Trustee-Manager, for the Trust, holds the legal interests in the ordinary shares of the Company whilst the beneficial interests in such ordinary shares form a component of the Share Stapled Units. Each Share Stapled Unit is jointly issued by the Trust and the Company and is a combination of: (a) a unit in the Trust; (b) the beneficial interest in a specifically identified ordinary share of the Company linked to the unit and held by the Trustee-Manager as legal owner in its capacity as trustee-manager of the Trust; and (c) a specifically identified

preference share of the Company stapled to the unit. The chart on page 32 is a simplified version of the structure of the Trust Group and the Share Stapled Units.

The Trust and the Company are both listed on the Main Board of the Stock Exchange, and are subject to the provisions of the Listing Rules. Pursuant to the Trust Deed, the Trustee-Manager is responsible for compliance by the Trust with the Listing Rules applicable to the Trust and other relevant laws and regulations, the Company is responsible for compliance by the Company with the Listing Rules applicable to the Company and other relevant laws and regulations, and each of the Trustee-Manager and the Company will co-operate with each other to ensure that each party complies with the Listing Rules obligations and to co-ordinate disclosure to the Stock Exchange.



Corporate Governance Practices

The Boards are committed to maintaining high standards of corporate governance, and recognise that sound and effective corporate governance practices are fundamental to the smooth, effective and transparent operation of the Trustee-Manager and the Trust Group, and the ability to attract investment, protect the rights of Holders of Share Stapled Units and other stakeholders, and enhance the value of the Share Stapled Units. The corporate governance policies of the Trustee-Manager and the Trust Group are designed to achieve these objectives and are maintained through a framework of processes, policies and guidelines.

The Trust and the Company have adopted the applicable code provisions in the Corporate Governance Code with effect from the Listing Date, and have complied with such code provisions throughout the period under review, except as noted hereunder.

Boards of Directors

Each of the Trustee-Manager Board and the Company Board, led by the Chairman, is responsible for approval and monitoring of strategies and policies, approval of annual budgets and business plans, evaluation of the performance, and oversight of management of the Trustee-Manager and the Company respectively. Management is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer.

The Trust Deed requires that the directors of the Company and the directors of the Trustee-Manager shall at all times comprise the same individuals.

The current Directors and their biographical information are set out in the "Boards of Directors and Senior Management" section on pages 26 to 30 of the Annual Report. An updated list of Directors containing their 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 HKEx.



During 2014, the number of board and committee meetings and the attendance of each Director at these meetings and the combined 2014 annual general meeting are as follows:

Directors	Company				Trustee-Manager			Combined 2014 Annual General Meeting
	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Meetings between Chairman and Non-executive Directors	Board Meetings	Audit Committee Meetings	Meetings between Chairman and Non-executive Directors	
Executive Directors								
Fok Kin Ning, Canning (Chairman) ⁽¹⁾⁽⁴⁾	4/4	–	1/1	2/2	4/4	–	2/2	✓
Wan Chi Tin (Chief Executive Officer) ⁽²⁾	4/4	–	–	–	4/4	–	–	✓
Chan Loi Shun ⁽³⁾	4/4	–	–	–	4/4	–	–	✓
Cheng Cho Ying, Francis ⁽⁴⁾	4/4	–	–	–	4/4	–	–	✓
Yuen Sui See ⁽⁴⁾	4/4	–	–	–	4/4	–	–	✓
Chow Woo Mo Fong, Susan ⁽⁴⁾ <i>(Resigned as a Director on 28 November 2014 and currently an Alternate Director to Mr. Fok Kin Ning, Canning)</i>	3/3	–	–	–	3/3	–	–	✓
Non-executive Directors								
Li Tzar Kuoi, Victor (Deputy Chairman) ⁽⁵⁾ <i>(Appointed on 28 November 2014)</i>	1/1	–	–	1/1	1/1	–	1/1	–
Ronald Joseph Arculli ⁽⁶⁾	2/4	2/3	–	1/2	2/4	2/3	1/2	×
Tso Kai Sum (Deputy Chairman) ⁽⁷⁾ <i>(Resigned on 28 November 2014)</i>	2/3	–	–	0/1	2/3	–	0/1	×
Independent Non-executive Directors								
Fong Chi Wai, Alex ⁽⁸⁾	4/4	–	1/1	2/2	4/4	–	2/2	✓
Lee Lan Yee, Francis ⁽⁹⁾	4/4	3/3	–	2/2	4/4	3/3	2/2	✓
George Colin Magnus ⁽¹⁰⁾	4/4	–	–	2/2	4/4	–	2/2	✓
Donald Jeffrey Roberts ⁽¹¹⁾	4/4	3/3	1/1	2/2	4/4	3/3	2/2	✓

Notes:

- (1) Mr. Fok Kin Ning, Canning was appointed Executive Director and Chairman of the Boards and Member of Remuneration Committee of the Company on 5 December 2013.
- (2) Mr. Wan Chi Tin was appointed Director of the Trustee-Manager and the Company on 23 September 2013, and was designated Executive Director and appointed the Chief Executive Officer of the Company on 5 December 2013.
- (3) Mr. Chan Loi Shun was appointed Director of the Trustee-Manager and the Company on 23 September 2013, and was designated Executive Director on 5 December 2013.
- (4) Each of Mr. Cheng Cho Ying, Francis, Mrs. Chow Woo Mo Fong, Susan and Mr. Yuen Sui See was appointed Executive Director of the Trustee-Manager and the Company on 5 December 2013. Mrs. Chow resigned as an Executive Director on 28 November 2014 and was appointed Alternate Director to Mr. Fok Kin Ning, Canning on the same date.
- (5) Mr. Li Tzar Kuoi, Victor was appointed Non-executive Director of the Trustee-Manager and the Company, and Deputy Chairman of the Company Board on 28 November 2014.
- (6) Mr. Ronald Joseph Arculli was appointed Non-executive Director of the Trustee-Manager and the Company, and Member of Trustee-Manager Audit Committee and Company Audit Committee on 5 December 2013.
- (7) Mr. Tso Kai Sum was appointed Non-executive Director of the Trustee-Manager and the Company, and Deputy Chairman and Senior Adviser to the Company Board on 5 December 2013. Mr. Tso resigned as a Non-executive Director and Deputy Chairman of the Company Board on 28 November 2014.
- (8) Mr. Fong Chi Wai, Alex was appointed Independent Non-executive Director of the Trustee-Manager and the Company, and Member of Remuneration Committee of the Company on 5 December 2013.
- (9) Mr. Lee Lan Yee, Francis was appointed Independent Non-executive Director of the Trustee-Manager and the Company, and Member of Trustee-Manager Audit Committee and Company Audit Committee on 5 December 2013.
- (10) Mr. George Colin Magnus was appointed Independent Non-executive Director of the Trustee-Manager and the Company on 5 December 2013.
- (11) Mr. Donald Jeffrey Roberts was appointed Independent Non-executive Director of the Trustee-Manager and the Company, and Chairman of Trustee-Manager Audit Committee, Company Audit Committee and Remuneration Committee of the Company on 5 December 2013.

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The Trustee-Manager Board and the Company Board hold meetings on a combined basis, and they meet at least four times a year. Additional board meetings will be held when warranted. The Chairman also has meetings with the Non-executive Directors without the presence of Executive Directors. 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 articles of association of the Trustee-Manager and the Company. Throughout the period up to 31 December 2014, 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.

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 the 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.

Directors at all times have full and timely access to information of the Trust 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 Trust Group and unrestricted access to the services of the Company Secretary, who advises the Boards 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 Trustee-Manager or the Company, as appropriate. Insurance coverage in respect of Directors' liability has been arranged by the Trustee-Manager and the Company.

At present, neither the Trustee-Manager nor the Company has a nomination committee as provided for in code provision A.5. The Trustee-Manager and the Company do not consider it necessary to have a nomination committee as the full Boards are responsible for reviewing the structure, size and composition of the Boards and the appointment of new Directors from time to time, and the Boards as a whole are 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. Credentials of candidates are put forward to the Boards 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 Boards. 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 Boards laid down in the board diversity policy which is available on the website of the Company. The policy sets out the approach in achieving board diversity, recognising that board appointment should be based on merit that complements and expands the skills, experience and expertise of the Boards as a whole, taking into account professional experience and qualifications, gender, age, cultural and educational background, and any other factors that the Boards might consider relevant and applicable from time to time towards achieving board diversity. In addition potential candidates for Independent Non-executive Directors are also reviewed to determine whether they are independent according to the requirements of the Listing Rules, and are able to devote sufficient time to Boards and committee meetings. The appointments of Mr. Li Tzar Kuoi, Victor as a Non-executive Director with effect from 28 November 2014, Mr. Shan Shewu as an Executive Director, Mr. Du Zhigang and Mr. Jiang Xiaojun as Non-executive Directors and

Mr. Kwan Kai Cheong as an Independent Non-executive Director in each case with effect from 6 January 2015 were considered and approved on the basis of the abovementioned criteria and procedure.

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.

All Directors have been appointed on annual twelve-month basis (save for the initial period which is for a period up to 31 December in the year of appointment), subject to retirement from office by rotation and re-election at the annual general meeting once every three years pursuant to the Trust Deed and the articles of association of the Company.

Pursuant to the Trust Deed and the Company's articles of association, any director appointed by the Company Board either to fill a casual vacancy or as an addition shall also be appointed a director of the Trustee-Manager. Any Director appointed to fill the casual vacancy shall hold office only until the next following general meeting of the Company or the next following general meeting of the Trust, as the case may be, and shall be eligible for re-election at that meeting. In the case of an addition, the additional Director shall hold office only until the next following annual general meeting of the Company or the next following annual general meeting of the Trust, as the case may be, and shall be eligible for re-election at that meeting.

Directors appointed subsequent to the last annual general meeting and retiring in accordance with clause 29.2(g) of the Trust Deed and article 16.3 of the Company's articles of association and offering themselves for re-election at the forthcoming combined annual general meeting are Mr. Li Tzar Kuoi, Victor, Mr. Du Zhigang, Mr. Jiang Xiaojun, Mr. Kwan Kai Cheong and Mr. Shan Shewu. Information relating to these Directors required to be disclosed under the Listing Rules is contained in the circular to Holders of Share Stapled Units dated 31 March 2015. None of these Directors has a service contract which is not determinable by the Trustee-Manager or the Company within one year without payment of compensation (other than statutory compensation).

Continuous Professional Development Activities of Directors

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.

The Company also 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 Trust 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 and completion of courses organised by professional bodies on the relevant topics also count towards continuous professional development training. The Directors have provided to the Trustee-Manager and the Company their records of continuous professional development training during the period up to 31 December 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 the 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	✓	✓	✓
Wan Chi Tin	✓	✓	✓
Chan Loi Shun	✓	✓	✓
Cheng Cho Ying, Francis	✓	✓	✓
Yuen Sui See	✓	✓	✓
Chow Woo Mo Fong, Susan <i>(Resigned as a Director on 28 November 2014 and currently an Alternate Director to Mr. Fok Kin Ning, Canning)</i>	✓	✓	✓
Non-executive Directors			
Li Tzar Kuoi, Victor <i>(Appointed on 28 November 2014)</i>	✓	✓	✓
Ronald Joseph Arculli	✓	✓	✓
Tso Kai Sum <i>(Resigned on 28 November 2014)</i>	✓	✓	✓
Independent Non-executive Directors			
Fong Chi Wai, Alex	✓	✓	✓
Lee Lan Yee, Francis	✓	✓	✓
George Colin Magnus	✓	✓	✓
Donald Jeffrey Roberts	✓	✓	✓



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

Directors' Securities Transactions

The Boards have adopted the Model Code as their 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 period up to 31 December 2014.

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

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

The Trustee-Manager and the Company have established a policy relating to inside information and securities dealing explaining the meaning of unpublished inside information and the illegality of insider dealing, and setting out the restrictions in securities dealing, preventive controls and reporting mechanism for all employees of the Group to comply with when they are in possession of confidential or unpublished inside information in relation to the Trustee-Manager and the Trust Group. Such policy is available on the intranet of the Company.

Directors' Responsibility for Financial Reporting and Disclosure

Annual and Interim Reports and Financial Statements

The Directors of the Trustee-Manager and the Company 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 Trust Group, the Group and the Trustee-Manager, as appropriate. The interim and annual results of the Trust Group, the Group and the Trustee-Manager are published in a timely manner within the limits of two months and three months respectively after the end of the relevant periods.

Accounting Policies

The Directors consider that in preparing financial statements, the Trustee-Manager and the Company ensure statutory requirements are met and apply appropriate accounting policies that are consistently adopted and make judgments and estimates that are reasonable and prudent in accordance with the applicable accounting standards.

Accounting Records

The Directors of each of the Trustee-Manager and the Company are responsible for ensuring the Trustee-Manager and the Group, as appropriate, keep proper accounting records which disclose at any time the respective financial position of the Trust Group, the Group and the Trustee-Manager from which the respective financial statements of the Trust Group, the Group and the Trustee-Manager could be prepared in accordance with statutory requirements and the appropriate accounting policies.

Safeguarding Assets

The Directors of the Trustee-Manager and the Company are responsible for taking all reasonable and necessary steps to safeguard the assets of the Trust, the Trustee-Manager and the Group and to prevent and detect fraud and other irregularities within the Trust, the Trustee-Manager and the Group, as appropriate.

Going Concern

The Directors of the Trustee-Manager and the Company consider that the Trustee-Manager and the Group respectively have 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 each of their abilities to continue as going concerns. The financial statements of the Trust Group, the Group and the Trustee-Manager have accordingly been prepared on a going concern basis.

Disclosure

The Boards are 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 of the Company are held by separate individuals. During the year 2014, the Chairman of the Boards was



Mr. Fok Kin Ning, Canning and the Company's Chief Executive Officer was Mr. Wan Chi Tin. The Trustee-Manager does not appoint a Chief Executive Officer due to its specific and limited role to administer the Trust.

The Chairman is elected by members of the Boards 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 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 Boards to ensure that each Board acts in the best interests of the Trust and the Group, as appropriate. The Chairman approves board meeting agendas and ensures that meetings of the Boards 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 Company 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 Boards must be satisfied that an Independent Non-executive Director does not have any material relationship with the Trust Group. They are guided by the criteria of

independence as set out in the Listing Rules in determining the independence of Independent Non-executive Directors.

Mr. Kwan Kai Cheong and Mr. Donald Jeffrey Roberts, both Independent Non-executive Directors, have each provided a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Boards continue to consider Mr. Kwan and Mr. Roberts to be independent.

Mr. Fong Chi Wai, Alex, Mr. Lee Lan Yee, Francis and Mr. George Colin Magnus, all Independent Non-executive Directors, have each made a similar confirmation and stated that, during the two years immediately prior to his appointment on 5 December 2013, he was director of HK Electric, a wholly-owned subsidiary of the Company. In addition, Mr. Magnus has also stated that he had been a director (other than an Independent Non-executive Director) of Power Assets, a connected person of the Company, until he was re-designated as an Independent Non-executive Director of Power Assets on 28 September 2012. The Boards have considered these directorships and are satisfied with Mr. Fong's, Mr. Lee's and Mr. Magnus' independence having regard to all relevant factors including that all of them have not held any executive or management function or position in the Group since their appointment as Independent Non-executive Directors in December 2013 and that Mr. Lee and Mr. Magnus have not held any executive or management function or position in the Power Assets group since their designation as Non-executive Directors in August 2008 and November 2005 respectively.

Directors' Interests and Short Positions in Share Stapled Units, Underlying Share Stapled Units and Debentures

As at 31 December 2014, the interests or short positions of the Directors and chief executives of the Trustee-Manager and the Company in the SSUs, underlying SSUs and debentures of the Trust and the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Trustee-Manager, the Company and the 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 Trustee-Manager and 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 pursuant to section 352 of the SFO, or as otherwise notified to the Trustee-Manager, the Company and the Stock Exchange pursuant to the Model Code were as follows:



Long Positions in Share Stapled Units

Name of Director	Capacity	Nature of Interests	Number of SSUs Held	Total	Approximate % of Issued SSUs
Li Tzar Kuoi, Victor	Interest of controlled corporations	Corporate	7,870,000) (Note 1)	4,715,240,218	53.36%
	Beneficiary of trusts	Other	4,707,370,218) (Notes 2, 3 and 4)		
Fok Kin Ning, Canning	Interest of controlled corporation	Corporate	2,000,000	2,000,000	0.02%
Donald Jeffrey Roberts	Interest of controlled corporation	Corporate	74,000	74,000	≈0%

Notes:

- (1) Such SSUs comprise:
 - (a) 2,700,000 SSUs held by Lankford Profits Limited, a wholly-owned subsidiary of Li Ka Shing (Overseas) Foundation ("LKSOFF"). By virtue of the terms of the constituent documents of LKSOFF, 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 LKSOFF; and
 - (b) 5,170,000 SSUs 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.
- (2) Such SSUs comprise:
 - (a) 4,409,300,000 SSUs held by Quickview Limited, a wholly-owned subsidiary of Power Assets; and
 - (b) 298,070,218 SSUs held by a number of subsidiaries of Hyford Limited, which is a wholly-owned subsidiary of CKI.
- (3) 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 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 CKH. Certain subsidiaries of CKH in turn together hold more than one-third of the issued share capital of 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-thirds 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 Power Assets held by the subsidiaries of CKI, the SSUs held by the subsidiaries of Hyford Limited, and the SSUs held by Quickview Limited under the SFO as a director of the Company.
- (4) Mr. Li Tzar Kuoi, Victor, by virtue of his interests as described in Note (3) above and as a director of the Company, is also deemed to be interested in the shares of subsidiaries (within the meaning of Part XV of the SFO) of the Company held through the Company under the SFO.

Save as disclosed above, as at 31 December 2014, none of the Directors or chief executives of the Trustee-Manager and the Company had any interests or short positions in the SSUs, underlying SSUs or debentures of the Trust and 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 under section 352 of the SFO, or as otherwise notified to the Trustee-Manager, the Company and the Stock Exchange pursuant to the Model Code.

Directors' Interests in Competing Business and in Contracts of Significance

None of the Directors is interested in any businesses apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the Group's business in the generation, transmission, distribution and supply of electricity in Hong Kong. No contracts of significance to which the Trustee-Manager, or the Company or any of its subsidiaries was a party and in which a Director had a material interest subsisted at the end of or at any time during the period from the Listing Date up to 31 December 2014.

Corporate Governance Functions

The Boards delegate their respective responsibility for performing corporate governance duties to the Trustee-Manager Audit Committee and the Company Audit Committee.

At the meetings held in March and July 2014, the Trustee-Manager Audit Committee and the Company Audit Committee reviewed the governance structure of the Trustee-Manager and the Group, the records of continuous professional development activities of directors and senior managers for the semi-annual period ended 30 June 2014, the compliance status of the Corporate Governance Code for the period from the Listing Date up to 30 June 2014, and the Corporate Governance disclosure in the 2013 Corporate Governance Report and the 2014 interim report.

Remuneration Committee of the Company

The Remuneration Committee of the Company is chaired by Mr. Donald Jeffrey Roberts (an Independent Non-executive Director), and its other members are Mr. Fok Kin Ning, Canning (the Chairman) and Mr. Fong Chi Wai, Alex (an Independent Non-executive Director).

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 Company 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. The terms of reference of the Remuneration Committee are published on the Company's website and the HKEx'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, 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 Remuneration Committee held a meeting in December 2014, during which all members attended and 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 each of Mr. Wan Chi Tin, Mr. Yuen Sui See and Mr. Cheng Cho Ying, Francis as Chief Executive Officer, Director of Operations and General Manager (Generation) respectively. None of the Directors and senior management participated in the determination of their own remuneration. The committee, authorised by the Company Board, also reviewed and approved the 2015 wage and salary review proposal.

In January 2015 the Remuneration Committee, as authorised by the Company Board, considered and approved the remuneration package for Mr. Shan Shewu as the Co-General Manager (Transmission & Distribution).

The emoluments paid to each Director of the Company for the 2014 financial year are shown in note 11 to the financial statements on page 76 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 11 on page 77 of the Annual Report.

The Trustee-Manager does not have a remuneration committee as provided for in code provision B.1, since under the terms of their letters of appointment the Directors of the Trustee-Manager are not entitled to any remuneration.

Trustee-Manager Audit Committee and Company Audit Committee

The Trustee-Manager and the Company established their respective audit committee, and the Trust Deed requires that the memberships of both committees must be the same.

Each of the Trustee-Manager Audit Committee and the Company Audit Committee is chaired by Mr. Donald Jeffrey Roberts (an Independent Non-executive Director) and its other members are Mr. Ronald Joseph Arculli (a Non-executive Director) and Mr. Lee Lan Yee, Francis (an Independent Non-executive Director). The Company Secretary acts as secretary to both committees. None of the committee members is a partner or former partner of KPMG, the external auditor of the Trust, the Trustee-Manager and the Company.

COMBINED CORPORATE GOVERNANCE REPORT

The Trustee-Manager Audit Committee reports directly to the Trustee-Manager Board and its principal responsibilities are to assist the Trustee-Manager Board in fulfilling its audit duties through the review and supervision of the financial reporting system and internal control system of the Trust and the Trustee-Manager, to review the financial information of the Trust and the Trustee-Manager, and to consider issues relating to the external auditor and their appointment.

The Company Audit Committee reports directly to the Company Board and its principal responsibilities are to assist the Company Board in fulfilling its audit duties through the review and supervision of the financial reporting system and internal control system of the Company, to review the financial information of the Company and to consider issues relating to the external auditor and their appointment. The Company Audit Committee also oversees the Company's whistle-blowing procedure under which employees can use in confidence to raise concerns about improprieties in matters related to the Group.

Each of the Trustee-Manager Audit Committee and the Company Audit Committee held three meetings on a combined basis in 2014. During the meetings, members reviewed and considered matters including the financial statements and Annual Report for the period ended 31 December 2013, the audit fee and auditor engagement letter for the 2013 financial statements, the re-appointment of auditor, the report of the auditor to the Audit Committees in relation to the audit of the 2013 financial statements, the Group's risk management report as of December 2013, the internal control assessment declarations for the half year to 30 June 2014 in respect of the effectiveness of the system of internal controls, 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 corporate governance structure, the compliance of the Corporate Governance Code, the disclosure in the 2013 Corporate Governance Report, the corporate governance disclosure in the 2014 interim report, the Internal Audit Charter, the continuous professional development activities undertaken by Directors and senior managers during 2013 and the six months ended 30 June 2014, KPMG's 2014 audit plan and all internal audit reports compiled during the year. In addition, the Company Audit Committee also reviewed and considered the Group's personal data privacy policy and the Group's outstanding litigation and claims as at 31 December 2013 and 30 June 2014.

Representatives from KPMG were invited to attend two of the meetings of the Trustee-Manager Audit Committee and the Company Audit Committee and they discussed the 2013 audited financial statements, the 2014 audit plan and various accounting issues with the members of the committees.

Internal Control

Introduction

The Trustee-Manager Board has overall responsibility for the system of internal control of the Trust and the Trustee-Manager and reviews its effectiveness through the Trustee-Manager Audit Committee to ensure that policies and procedures in place for the identification and management of risks are adequate.

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

Each of the Trustee-Manager Audit Committee and the Company Audit Committee assists the Trustee-Manager Board and the Company Board respectively in meeting its responsibility for maintaining an effective system of internal control. The Audit Committees review all material controls, including financial, operational and compliance controls and risk management functions. They review the process by which, the Trustee-Manager and the Company evaluate their control environment and their risk assessment process, and the way in which business and control risks are managed. The Audit Committees also review the annual work plans of the Internal Audit Department, and considers the reports of the Chief Executive Officer to the Audit Committees on the effectiveness of internal controls and risk management process in business operations. These reviews and reports are taken into consideration by the Audit Committees when they make their recommendation to the Trustee-Manager Board and the Company Board for approval of the annual financial statements.

Internal Control Environment

The management encourage a risk aware and control conscious environment, setting objectives, performance targets or policies for the management of key risks including strategic planning, business operations, investments, legal and regulatory compliance, expenditure control, treasury, environment, health and safety, and customer service. The Trustee-Manager and the Company have 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 Trustee-Manager's and the Group's internal control systems are designed to provide reasonable and not absolute assurance against material misstatement or loss.

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



Budgets are prepared annually by the management of each division and are subject to review and approval firstly by the Chief Executive Officer and then by the Company 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 Division 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 Treasury Department, reporting to an Executive Director, is in charge of the treasury function overseeing investment and funding activities. It regularly reports on the Group's cash and liquid investments, borrowings, outstanding contingent liabilities and financial derivatives commitments. The Boards have approved and adopted a treasury policy governing the management of financial risks (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 Committees from time to time.

The Internal Audit Department, reporting to an Executive Director and the Trustee-Manager Audit Committee and the Company Audit Committee, provides independent assurance as to the existence and effectiveness of the risk management activities and controls in business operations. Staff members of the department 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, the Internal Audit Department prepares its yearly audit plan which is reviewed and approved by the Audit Committees. Its internal audit reports on the Group's operations are also reviewed and considered by the Trustee-Manager Audit Committee and the Company Audit Committee. The scope of work performed includes financial and operations review, recurring and unscheduled audits, fraud investigation, productivity efficiency review and laws and regulations compliance review. The Internal Audit Department follows up audit recommendations on implementation by the operating units and the progress is reported to the Audit Committees. With the assistance of Internal Audit Department, the Chief Executive

Officer assesses the system of internal control and risk management, formulates an opinion on the system and reports his findings to the Audit Committees and the Boards.

Effective risk management is fundamental to the achievement of the Trustee-Manager's and the Company's strategic objectives, and there is 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 23 to 25 of the Annual Report.

An internal control self assessment has been established requiring division general managers and department heads 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 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 Trustee-Manager Audit Committee and the Company Audit Committee. These reports are considered and reviewed and the appropriate action is to be taken if required.

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 Group Finance Division, working with each division, is responsible for arranging appropriate insurance coverage for the Trustee-Manager and the Trust Group.

The Company entered into an agreement dated 14 January 2014 with Power Assets for sharing of support services, pursuant to which with effect from the Listing Date, the Company share the relevant financial and accounting, treasury and internal audit services with Power Assets to support internal control functions outlined above.

Code of Conduct

The Trustee-Manager and the Group recognise 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, posted on the Company's intranet for reference by 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 are required to adhere to the standards set out in the Code of Conduct.



The Trustee-Manager and the Group prohibit 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 Trustee-Manager's and 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 Trustee-Manager and the Group. It is the responsibility of all Directors and employees who have access to and in control of the Trustee-Manager's and the Group's information to provide adequate safeguard to prevent any abuse or misuse of that information. The use of inside information to secure personal advantage is strictly prohibited.

The Trustee-Manager and the Group promote 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.

Sustainability Reporting

The Trustee-Manager and the Group are firmly committed to sustainable development and consider sustainability reporting to be one of the important platforms for stakeholder engagement. The Trust Group's Sustainability Report 2014 sets out its approach, commitments and strategy to sustainability, including corporate social responsibility, highlights its key achievements in 2014 with regard to its environmental, social, safety and economic performance, outlines its plans and targets for the future in regard to Holders of Share Stapled Units, the Group's customers, employees, business partners and community, and the environment, and addresses other concerns and comments raised by its stakeholders on its sustainability performance and reporting.

The Trust Group's Sustainability Report 2014 is available on the Company's website at www.hkei.hk.

External Auditor

Independence

KPMG, the external auditor, have confirmed that they have been, for the year ended 31 December 2014, independent of the Trustee-Manager, the Trust Group and the Group in accordance with the independence requirements of the HKICPA.

Rotation of Engagement Partner

KPMG adopt a policy of rotating the engagement partner servicing their client companies in accordance with the requirements under the HKICPA's Code of Ethics for Professional Accountants.

Reporting Responsibility

The reporting responsibilities of KPMG are stated in the Independent Auditor's Reports on pages 53 and 116 of the Annual Report.

Remuneration

An analysis of the fees of KPMG is shown in note 9 to the consolidated financial statements of the Trust and the Company on page 74 of the Annual Report and note 4 to the financial statements of the Trustee-Manager on page 123 of the Annual Report.

Re-appointment

A resolution for re-appointment of KPMG as auditor of the Trust, the Trustee-Manager and the Company will be proposed at the forthcoming annual general meeting. There has been no change in auditor since the respective dates of incorporation of the Trustee-Manager and the Company and the date of constitution of the Trust.

Holders of Share Stapled Units

The Trustee-Manager and the Company have established a range of communication channels between themselves and Holders of Share Stapled Units and investors. These include the annual general meeting, the annual and interim reports, notices, letters, announcements and circulars, material results highlights published in newspapers, news releases, the Company's website at www.hkei.hk and meetings with investors and analysts. All Holders of Share Stapled Units have the opportunity to put questions to the Boards at general meetings, and at other times by e-mailing or writing to the Company. The Boards have adopted a communication policy which provided a framework to promote effective communication with Holders of Share Stapled Units. The policy is available on the website of the Company.

Holders of Share Stapled Units 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 Trustee-Manager and the Company.

The Trustee-Manager and the Company handle registration of Share Stapled Units and related matters for Holders of Share Stapled Units through Computershare Hong Kong Investor Services Limited, the share stapled units registrar, whose contact details are set out on page 128 of the Annual Report.

Pursuant to the Company's articles of association, any two or more shareholders of the Company (or a shareholder of the Company if such shareholder is a recognised clearing house or its nominees) may requisition for the convening of an extraordinary general meeting, provided that such requisitionists hold as at the date of deposit of the requisition not less than, for as long as the Trust Deed remains in force, 5% or, thereafter, one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. The requisition stating the objects of the meeting should be signed by the requisitionists and deposited at the principal office of the Company in Hong Kong. Pursuant to the Trust Deed, the Trustee-Manager may (and the Trustee-Manager shall at the request in writing of registered holders of units of the Trust holding not less than 5% of the units (as a component of the Share Stapled Units) of the Trust for the time being in issue and outstanding) at any time convene an extraordinary general meeting of registered holders of units at such time or place in Hong Kong. The registered holders of units of the Trust and shareholders of the Company can also refer to the detailed requirements and procedures as set forth in the relevant sections of the Trust Deed and the articles of association of the Company when making any requisitions or proposals for transaction at the general meetings of the Trust and the Company.

2014 Annual General Meeting

The annual general meeting is a main channel of communication between Directors and Holders of Share Stapled Units. The 2014 annual general meeting was held on 16 May 2014.

The notice of meeting, the annual report and the circular containing information on the proposed resolutions were sent to Holders of Share Stapled Units on 11 April 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

Committees and the Remuneration Committee respectively were available at the meeting to answer questions from the Holders of Share Stapled Units. 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 Holders of Share Stapled Units during the meeting. Computershare Hong Kong Investor Services Limited, the share stapled units registrar, was appointed as scrutineer to monitor and count the poll votes cast at the meeting. The resolutions proposed were passed by Holders of Share Stapled Units at the meeting and the percentage of votes cast in favour of each of them is set out below:

Ordinary Resolutions

- Audited Financial Statements of the Trustee-Manager and the Company, the Combined Reports of the Directors, and the Independent Auditor's Reports for the period ended 31 December 2013 (99.9997%);
- Election of Mr. Fok Kin Ning, Canning (99.8751%), Mr. Tso Kai Sum (99.8835%), Mr. Wan Chi Tin (99.8868%), Mr. Ronald Joseph Arculli (96.4429%), Mr. Chan Loi Shun (96.3319%), Mr. Cheng Cho Ying, Francis (96.3319%), Mrs. Chow Woo Mo Fong, Susan (96.3316%), Mr. Fong Chi Wai, Alex (99.9990%), Mr. Lee Lan Yee, Francis (99.9990%), Mr. George Colin Magnus (99.9989%), Mr. Donald Jeffrey Roberts (99.9990%) and Mr. Yuen Sui See (96.3318%) as Directors;
- Appointment/re-appointment of KPMG as auditor of the Trust, the Trustee-Manager and the Company and authorisation of Directors of the Trustee-Manager and the Company to fix auditor's remuneration (99.9776%); and
- General mandate to Directors of the Trustee-Manager and the Company to allot, issue and deal with additional Share Stapled Units (88.2023%).

The results of the poll, which included the number of Share Stapled Units 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.hkei.hk. 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 Holders of Share Stapled Units, press releases and other necessary announcements are uploaded onto the Company's website.

COMBINED CORPORATE GOVERNANCE REPORT

Trust Deed, Memorandum and Articles of Association

The Trust Deed constituting the Trust was entered into between the Trustee-Manager and the Company on 1 January 2014. There was no change to the Trust Deed during the year ended 31 December 2014.

On 1 January 2014, the Trustee-Manager adopted a new set of memorandum and articles of association and the Company restated and amended its memorandum and articles of association in substitution for and to the exclusion of the memorandum and articles of association of the Company since its incorporation. Save as disclosed above, no changes were made to the memorandum and articles of association of each of the Trustee-Manager and the Company during the year ended 31 December 2014.

The current versions of the Trust Deed, the memorandum and articles of association of each of the Trustee-Manager and the Company are available on the Company's website and the HKEx's website.

Key Dates

Announcement of 2014 interim results	21 July 2014
Payment of 2014 interim distribution (HK16.53 cents per Share Stapled Unit)	15 August 2014
Announcement of annual results for the year ended 31 December 2014	10 February 2015
Record date for 2014 final distribution	27 February 2015
Payment of 2014 final distribution (HK19.89 cents per Share Stapled Unit)	10 March 2015
Closure of registers (annual general meeting)	11 May 2015 to 14 May 2015 (both days inclusive)
2015 annual general meeting	14 May 2015

Interests and Short Positions of Holders of Share Stapled Units

As at 31 December 2014, Holders of Share Stapled Units (other than Directors or chief executives of the Trustee-Manager and the Company) who had interests or short positions in the SSUs or underlying SSUs of the Trust and the Company which would fall to be disclosed 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 Trustee-Manager, the Company and the Stock Exchange were as follows:

Substantial Holders of Share Stapled Units Long Positions in Share Stapled Units

Name	Capacity	Number of SSUs Held	Approximate % of Issued SSUs
Power Assets Holdings Limited	Interest of controlled corporation	4,409,300,000 (Note 1)	49.90%
Hyford Limited	Interest of controlled corporations	4,707,370,218 (Notes 1 and 2)	53.27%
Cheung Kong Infrastructure (BVI) Limited	Interest of controlled corporations	4,707,370,218 (Note 2)	53.27%
Cheung Kong Infrastructure Holdings Limited	Interest of controlled corporations	4,707,370,218 (Note 2)	53.27%
Hutchison Infrastructure Holdings Limited	Interest of controlled corporations	4,707,370,218 (Note 3)	53.27%
Hutchison International Limited	Interest of controlled corporations	4,707,370,218 (Note 3)	53.27%
Hutchison Whampoa Limited	Interest of controlled corporations	4,707,370,218 (Note 3)	53.27%
Cheung Kong (Holdings) Limited	Interest of controlled corporations	4,707,370,218 (Note 4)	53.27%
Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust	Trustee	4,707,370,218 (Note 5)	53.27%
Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust	Trustee & beneficiary of a trust	4,707,370,218 (Note 6)	53.27%
Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust	Trustee & beneficiary of a trust	4,707,370,218 (Note 6)	53.27%
Li Ka-shing	Founder of discretionary trusts & interest of controlled corporations	4,715,240,218 (Notes 6 and 7)	53.36%



Other Persons

Long Positions in Share Stapled Units

Name	Capacity	Number of SSUs Held	Approximate % of Issued SSUs
State Grid Corporation of China	Interest of controlled corporation	1,767,240,000 (Note 8)	20.00%
State Grid International Development Co., Limited	Interest of controlled corporation	1,767,240,000 (Note 8)	20.00%
State Grid International Development Limited	Beneficial owner	1,767,240,000 (Note 8)	20.00%

Notes:

- (1) Hyford Limited is deemed to be interested in 4,707,370,218 SSUs which interests are duplicated in the 4,409,300,000 SSUs in which Power Assets is interested, as Hyford Limited is entitled to exercise or control the exercise of more than one-third of the issued shares of Power Assets through its direct and indirect wholly-owned subsidiaries.
- (2) CKI is deemed to be interested in the 4,707,370,218 SSUs as referred to in Note (1) above as it holds more than one-third of the issued share capital of Cheung Kong Infrastructure (BVI) Limited, which holds more than one-third of the issued share capital of Hyford Limited. Its interests are duplicated in the interest of HWL in HKEI described in Note (3) below.
- (3) HWL is deemed to be interested in the 4,707,370,218 SSUs 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) CKH is deemed to be interested in the 4,707,370,218 SSUs 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 SSUs 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 SSUs 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) Li Ka Shing Foundation Limited ("LKSF") and a wholly-owned subsidiary of Li Ka Shing (Overseas) Foundation ("LKSOFF") hold a total of 7,870,000 SSUs. By virtue of the terms of the constituent documents of LKSF and LKSOFF, Mr. Li Ka-shing 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 and LKSOFF respectively.
- (8) State Grid International Development Limited is a direct wholly-owned subsidiary of State Grid International Development Co., Limited and an indirect wholly-owned subsidiary of State Grid Corporation of China ("State Grid"), and the interests of State Grid International Development Limited and State Grid International Development Co., Limited of 1,767,240,000 SSUs each are duplicated in the 1,767,240,000 SSUs held by State Grid.

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

Public Float

According to information that is available to the Trustee-Manager and the Company and within the knowledge of the Directors, the percentage of the Share Stapled Units which are in the hands of the public exceeds 25% of the total number of issued Share Stapled Units.

Disclosure under the Trust Deed

Pursuant to the Trust Deed, the Trustee-Manager Board confirms that:

- (i) the charges paid and payable out of the trust property of the Trust to the Trustee-Manager for the period from the Listing Date to 31 December 2014 are in accordance with the Trust Deed;
- (ii) the connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or obtained from independent third parties, with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Holders of Share Stapled Units as a whole; and

(iii) it is not aware of any violation of duties of the Trustee-Manager which would have a material adverse effect on the business of the Trust or on the interests of all Holders of Share Staped Units as a whole.

Non-Competition Deed

As disclosed in the prospectus dated 16 January 2014 issued by HKEI, in order to maintain a clear delineation of the business of the Group and the business of the Power Assets group and to minimise any potential conflicts of interest that may arise from the future development of the Group and the Power Assets group, the Company and Power Assets entered into a non-competition deed on 14 January 2014 (the "Non-Competition Deed") pursuant to which Power Assets agreed to the Company that save for the exceptions provided therein, Power Assets would not, and it would procure that none of its members would carry on, or be engaged in or interested in the business of generation, transmission, distribution and supply of electricity in Hong Kong. The Non-Competition Deed came into effect on the Listing Date.

Power Assets has provided the Company with a written confirmation in respect of compliance by the Power Assets group with the terms of the Non-Competition Deed during the period from the Listing Date to 31 December 2014 and its consent to the inclusion of such confirmation in the Annual Report. A committee comprising all Independent Non-executive Directors has been formed with the responsibility to overseeing compliance by the Power Assets group with the Non-Competition Deed, and the committee has confirmed its view that Power Assets complied with the terms of the Deed during the period under review.

Conflict of Interests

The Trustee-Manager and the Company have implemented the following measures to deal with potential conflict of interest issue between (1) the Trust; and (2) any unitholder holding 30% or more of the units in issue, or any Director or shareholder of the Trustee-Manager holding 30% or more of the issued shares in the Trustee-Manager:

- (i) If a Director has a conflict of interest in a matter to be considered by the Trustee-Manager Board or the Company Board which the relevant board has determined to be material, the matter will be dealt with by a physical board meeting instead of a circulating written resolution and independent non-executive directors who, and whose associates, have no material interest in the transaction must be present at that board meeting;
- (ii) Pursuant to clause 2.6 of the Trust Deed and article 90 of the articles of association of the Trustee-Manager, a Director of the Trustee-Manager must give priority to the interest of all the registered holders of units as a whole over the interest of the Company in the event of a conflict between the interest of all the registered holders of units as a whole and the interest of the Company;
- (iii) Potential connected transactions between the Power Assets group and the Group and the existing continuing connected transactions (other than those qualifying for an exemption) are reviewed and reported annually by the Independent Non-executive Directors and auditor of the Company;
- (iv) The Company Audit Committee reviews the implementation of the Non-Competition Deed to ascertain that the terms of the deed have been complied with. The review will include an examination of supporting documents and such other information deemed necessary by the Audit Committee to ensure the enforcement of the deed;
- (v) The Independent Non-executive Directors will review on annual basis compliance by Power Assets with the terms of the Non-Competition Deed and will disclose in the annual report in respect of compliance by the Power Assets group with the terms of the Non-Competition Deed; and
- (vi) The Trustee-Manager Audit Committee and the Company Audit Committee comprising majority of Independent Non-executive Directors regularly review the internal control systems and internal audit reports of the Trustee-Manager and the Company.



Continuing Connected Transaction during 2014

On-sale of Gas from Power Assets

HK Electric as purchaser and Power Assets as vendor entered into a gas on-sale agreement dated 14 January 2014 (the "Gas On-sale Agreement"), pursuant to which Power Assets would on-sell to HK Electric all of the natural gas supplied under the gas sale contract between Power Assets and Guangdong Dapeng LNG Company Limited dated 30 April 2004 (the "Dapeng Gas Supply Contract"), with all costs and expenses pass-through to HK Electric. The Gas On-sale Agreement was for a term commencing on the Listing Date and until the expiry of the term of the Dapeng Gas Supply Contract on 27 September 2031 (subject to extension by Power Assets for 12 months for the sole purpose of its recovery of any natural gas paid for but not yet delivered during the initial term), but would automatically terminate upon completion of the novation of the Dapeng Gas Supply Contract by Power Assets to HK Electric. The annual caps for volume of gas supplied under the Gas On-sale Agreement were 17.2 million GJ for each of 2014 to 2026, 14.3 million GJ for 2027, 11.6 million GJ for each of 2028 to 2030 and 5.7 million GJ for 2031.

On 1 April 2014, Power Assets, HK Electric and Guangdong Dapeng entered into a novation deed for the novation of the Dapeng Gas Supply Contract by Power Assets to HK Electric, and the Gas On-sale Agreement automatically terminated on the same date.

Power Assets holds approximately 49.9% of the issued Share Stapled Units and therefore the transactions under the Gas On-sale Agreement were continuing connected transactions of the Company under the Listing Rules. The Trustee-Manager and the Company had applied for, and the Stock Exchange had granted to the Trustee-Manager and the Company, a waiver from strict compliance with (1) the announcement and the approval of independent Holders of Share Stapled Units requirements under the Listing Rules in respect of the Gas On-sale Agreement, and

(2) the requirement for setting of annual caps in monetary value for transactions under the Gas On-sale Agreement, so that the annual caps for transactions under the Gas On-sale Agreement would be expressed as fixed quanta, being the maximum expected transaction volumes of natural gas to be purchased. Such waiver was automatically terminated on the novation of the Dapeng Gas Supply Contract on 1 April 2014.

The aggregate volume of natural gas attributable to the Gas On-sale Agreement for the year ended 31 December 2014 subject to annual review requirements under the Listing Rules was 3,082,725 GJ.

All the Independent Non-executive Directors have reviewed the continuing connected transactions in the 2014 financial year and confirmed that those transactions under the Gas On-sale Agreement had been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Holders of Share Stapled Units as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the auditor of the Trust and the Group 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 Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA. The auditor have issued an unqualified letter to the Boards 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 Boards, (ii) were not, in all material respects, in accordance with the relevant agreement governing such transactions, and (iii) had exceeded the annual cap volume of gas for the 2014 financial year.

