

CORPORATE GOVERNANCE

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 six months ended 30 June 2017, except as noted hereunder.

The Company does not have a nomination committee as provided for in code provision A.5. 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 having regard to the Group's Board Diversity Policy. 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 Group is committed to achieving and maintaining standards of openness, probity and accountability. In line with this commitment and in compliance with the Corporate Governance Code, the Audit Committee has reviewed the procedures for reporting possible improprieties in financial reporting, internal control or other matters. In addition, the Company has established the policy on handling of inside information and securities dealing for compliance by the Company's employees.

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.

As at 30 June 2017, the Board consists of a total of eleven Directors, comprising six Executive Directors, one Non-executive Director and four Independent Non-executive Directors. All Directors are required to retire from office by rotation and are subject to re-election by shareholders at the annual general meeting once every three years pursuant to the articles of association of the Company.

The positions of the Chairman and the Chief Executive Officer are held by separate individuals. 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. In addition to board meetings, the Chairman schedules two meetings annually with Non-executive Directors without the presence of Executive Directors. 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 Board meets at least four times a year. Additional board meetings will be held when warranted. 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.

The Company Secretary of the Company supports the Board by ensuring good information flow within the Board and that board policy and procedures are followed. The Company Secretary is responsible for ensuring that the Board is briefed on all legislative, regulatory and corporate governance developments and that the Board has regard to them when making decisions. The Company Secretary is also directly responsible for the Group's compliance with all obligations of the Listing Rules, Codes on Takeovers and Mergers and Share Buy-backs, Companies Ordinance, Securities and Futures Ordinance and other related laws, rules and regulations.

Model Code for Securities Transactions by Directors

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 six months ended 30 June 2017.

CORPORATE GOVERNANCE *(Continued)*

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.

Changes of Information of Directors

The changes in the information of Directors since the publication of the annual report 2016 and up to 1 August 2017 (the latest practicable date prior to the printing of this interim report) are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

Name of Director

Li Tzar Kuoi, Victor
Ceased to be a member of the Commission on Strategic Development of the Hong Kong Special Administrative Region

Ip Yuk-keung, Albert
Ceased to be a Research Fellow of the Institute for Financial Economics at Singapore Management University

Appointed as a Member of College of Business International Advisory Board at City University of Hong Kong

Inducted as a Beta Gamma Sigma Honoree at The Hong Kong University of Science and Technology (“HKUST”)

Appointed as an Advisory Council Member of the HKUST Business School

Wu Ting Yuk, Anthony
Appointed as an Honorary Professor of Peking Union Medical College Hospital

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Risk Management and Internal Control

The Board has overall responsibility for evaluating and determining the nature and extent of the risks they are willing to take in achieving the Group’s strategic objectives, overseeing the risk management and internal control systems including reviewing their effectiveness through the Audit Committee to ensure appropriate and effective risk management and internal control systems are in place.

The Group's internal audit function, which is shared with that of HK Electric Investments Limited, an associate of the Company, 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.

Remuneration Committee

The Remuneration Committee comprises three members, two of whom are Independent Non-executive Directors. It is chaired by Mr. Wong Chung Hin and the other members are Mr. Fok Kin Ning, Canning and Mr. Ralph Raymond Shea.

The Remuneration Committee reports directly to the Board of Directors and its 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. The terms of reference of the Remuneration Committee are published on the Company's website and the website of Hong Kong Exchanges and Clearing Limited ("HKEX").

Audit Committee

The Audit Committee comprises three Independent Non-executive Directors. It is chaired by Mr. Wong Chung Hin and the other members are Mr. Ip Yuk-keung, Albert and Mr. Ralph Raymond Shea.

The Audit Committee reports directly to the Board of Directors and its principal responsibilities include the review of the Group's financial reporting system and the systems of internal control and risk management, the interim and annual financial statements, and corporate and compliance issues. The Audit Committee also meets regularly with the Company's external auditor to discuss the audit process and accounting issues. The terms of reference of the Audit Committee are published on the Company's website and HKEX's website.

CORPORATE GOVERNANCE *(Continued)*

Communication with 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, 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.

The Board has adopted a communication policy which provided a framework to promote effective communication with shareholders.

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

As at 30 June 2017, the interests or short positions of the Directors and chief executives 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 executives 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	Approximate % of Shareholding
Tsai Chao Chung, Charles	Beneficial owner	Personal	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	Approximate % of Issued Share Stapled Units
Li Tzar Kuoi, Victor	Interest of controlled corporations	Corporate	7,870,000 (Note 1)	0.08%
Fok Kin Ning, Canning	Interest of controlled corporation	Corporate	2,000,000 (Note 2)	0.02%
Tsai Chao Chung, Charles	Beneficial owner	Personal	880	≈0%

Notes:

- (1) Such share stapled units of HK Electric Investments and HK Electric Investments Limited ("HKEI") comprise:
- (a) 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
- (b) 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.
- (2) Such share stapled units of HKEI are held by a company which is equally owned by Mr. Fok Kin Ning, Canning and his wife.

Save as disclosed above, as at 30 June 2017, none of the Directors or chief executives 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.

CORPORATE GOVERNANCE *(Continued)*

Interests and Short Positions of Shareholders

As at 30 June 2017, 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 <i>(Note 1)</i>	8.75%
Venniton Development Inc.	Beneficial owner	197,597,511 <i>(Note 1)</i>	9.26%
Univest Equity S.A.	Beneficial owner	279,011,102 <i>(Note 1)</i>	13.07%
Monitor Equities S.A.	Beneficial owner & interest of controlled corporation	287,211,674 <i>(Note 1)</i>	13.46%
Hyford Limited	Interest of controlled corporations	829,599,612 <i>(Note 2)</i>	38.87%
CK Infrastructure Holdings Limited <i>(formerly known as Cheung Kong Infrastructure Holdings Limited)</i>	Interest of controlled corporations	829,599,612 <i>(Note 2)</i>	38.87%
Hutchison Infrastructure Holdings Limited	Interest of controlled corporations	829,599,612 <i>(Note 3)</i>	38.87%
Hutchison International Limited	Interest of controlled corporations	829,599,612 <i>(Note 3)</i>	38.87%
Hutchison Whampoa Limited	Interest of controlled corporations	829,599,612 <i>(Note 3)</i>	38.87%
Cheung Kong (Holdings) Limited	Interest of controlled corporations	829,599,612 <i>(Note 4)</i>	38.87%
CK Hutchison Global Investments Limited	Interest of controlled corporations	829,599,612 <i>(Note 4)</i>	38.87%
CK Hutchison Holdings Limited	Interest of controlled corporations	829,599,612 <i>(Note 4)</i>	38.87%

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	148,817,800 (Note 5)	6.97%
The Capital Group Companies, Inc.	Investment Manager	148,817,800 (Note 5)	6.97%

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) *CK 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 shares 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) *CK Hutchison Holdings Limited ("CKH Holdings") is deemed to be interested in the 829,599,612 shares of the Company as referred to in Note (3) above as it holds more than one-third of the issued shares of Cheung Kong (Holdings) Limited and CK Hutchison Global Investments Limited respectively, each of which in turn holds more than one-third of the issued shares of HWL.*
- (5) *Capital Research and Management Company ("CRMC") is a wholly-owned subsidiary of The Capital Group Companies, Inc. ("CGCI"). As such, the interests of CRMC are notified by CGCI and are duplicated in the same 148,817,800 shares of the Company notified by CGCI.*

Save as disclosed above, as at 30 June 2017, 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, or as otherwise notified to the Company and the Stock Exchange.