
Policy on Inside Information and Securities Dealing

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Table of Contents

1. Introduction	P. 3
2. Handling of Inside Information	P. 3
3. Insider Dealing	P. 4
4. Securities Dealing	P. 5
5. Disclosure Obligation	P. 5
6. Internal Controls	P. 5
Appendix – Examples of Possible Inside Information	P. 7

1. Introduction

- 1.1 In this Policy the Group means HK Electric Investments and HK Electric Investments Limited (the “**Company**”) and its subsidiaries, and the Trustee-Manager means HK Electric Investments Manager Limited (in its capacity as the trustee-manager of HK Electric Investments).
- 1.2 The Group’s reputation, integrity and honesty are of the highest priority and directors and employees are required to observe both the form and the spirit of the rules contained in this Policy and to conduct themselves appropriately in order to maintain the good reputation of the Group.
- 1.3 This Policy applies to all directors and employees of the Group and directors of the Trustee-Manager who shall also observe any additional local and/or business units’ policies, rules, regulations, requirements and guidelines to which they may be subject from time to time¹.
- 1.4 Non-compliance with this Policy may lead to disciplinary action and, where applicable, result in termination of employment and/or personal civil or criminal sanctions including fines or imprisonment.
- 1.5 If any director or employee has questions regarding this Policy, the Group Legal Counsel and Company Secretary should be contacted.

2. Handling of Inside Information

- 2.1 Inside information means specific information that:
 - (a) is about the Company, the Trustee-Manager, the holder of Share Stapled Units issued by HK Electric Investments and the Company and the Company’s officer, or the listed securities of HK Electric Investments and the Company or their derivatives; and
 - (b) is not generally known to those who are accustomed or would be likely to deal in the listed securities of HK Electric Investments and the Company but would, if generally known to them be likely to materially affect the price of the listed securities.
- 2.2 Such information may include, without limitation, those listed in the Appendix hereto.

¹ All directors and employees of the Group who have or may have access to inside information of Power Assets Holdings Limited during their course of provision of support services by the Group to Power Assets Holdings Limited shall also observe any additional local and/or business units’ policies, rules, regulations, requirements and guidelines of Power Assets Holdings Limited to which they may be subject from time to time.

- 2.3 Inside information for the purpose of this Policy may come into a director's or an employee's possession as a result of his/her position or employment with the Group, or from other sources, and can concern the Group or any company with which the Group may or may not have any connection.
- 2.4 Unless and until any inside information is announced, strict confidentiality of the information must be maintained by all responsible parties, and the confidentiality and internal control measures set out in this Policy must be followed.

3. Insider Dealing

- 3.1 **It is illegal for any person to deal, counsel or procure another person to deal in any securities of HK Electric Investments and the Company whilst in possession of inside information, or to disclose such information to another person who may make use of such information for the purpose of dealing in such securities, in circumstances which constitute "insider dealing" under the applicable laws or regulations.**
- 3.2 A person will be regarded as having engaged in "dealing" in the securities of HK Electric Investments and the Company if he/she sells, purchases, exchanges, subscribes for or underwrites the relevant listed securities and/or their derivatives, whether as principal or agent, makes or offers to make an agreement with another person, or induces or attempts to induce another person to do the same. The term "securities" is broadly defined to include shares, debentures, bonds, notes, options, rights, interests, certificates of interest or participation in certificates, or property whether in the form of an instrument or otherwise. The definition of "derivatives" of any listed securities is also very wide and includes rights, options, interests, instruments or certificates of interest or participation in such securities; contracts for securing, increasing profit or avoiding loss related to them; and warrants to subscribe for them.
- 3.3 A director or an employee may come into possession of inside information in relation to other listed companies as a result of their position or employment with the Group or from other sources, and dealing in the securities of those companies will also be regarded as "insider dealing".
- 3.4 Violation of the applicable laws may result in personal civil or criminal sanctions including fines or imprisonment. All directors and employees must therefore conduct themselves in compliance with all applicable insider dealing (or its equivalent) laws, rules, codes and regulations wherever the Group conducts business.
- 3.5 Directors and employees should take into account all the circumstances in determining whether a piece of information may constitute inside information. If they are in doubt whether the information would potentially constitute inside information, they should take a prudent approach and treat the information as inside information and refrain from any activities which may constitute insider dealing.

4. Securities Dealing

- 4.1 Whilst all directors and employees are absolutely prohibited at all times from dealing in any of the securities of HK Electric Investments and the Company when they are in possession of inside information, directors and certain management team members or employees must also abide by the Model Code for Dealings in Securities by Directors contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and/or subject to specific additional compliance requirements as are communicated to them individually from time to time by the Group Legal Counsel and Company Secretary (including but not limited to obtaining written pre-clearance from designated director(s) or member(s) of management team prior to any dealing of any such securities).

5. Disclosure Obligation

- 5.1 The Company and the Trustee-Manager are obliged to observe and comply with the continuing obligations in respect of inside information disclosure and securities dealings under the Securities and Futures Ordinance (the “**SFO**”), the Listing Rules and other applicable laws and regulations.
- 5.2 Pursuant to these obligations, the Company and the Trustee-Manager are required to disclose any inside information as soon as is reasonably practicable after such information has, or ought to have, come to their knowledge, unless one of the prescribed “safe harbours” applies.
- 5.3 Under the SFO, officers of the Company are required to take all reasonable measures from time to time to ensure that proper safeguard exists to prevent any breach of disclosure obligations. While all matters of a material nature would generally be escalated to the management through the regular reporting channel (such as management meetings) and ad hoc transaction reporting, the officers and the heads of all business units should remain vigilant at all times for matters that are or may fall within the definition of inside information, and ensure that such matters are promptly identified and reported to the management in a timely manner for disclosure consideration.

6. Internal Controls

- 6.1 Preventing inside information from leakage is key to preventing insider dealing.
- 6.2 Whilst employees are bound by the Information Security Policy, additional precautions, including those set out below, should be taken by employees in possession of inside information in relation to the Group to guard against any possible mishandling of such information which may constitute insider dealing and/or result in a breach of the SFO and/or the Listing Rules:

- (a) **Identification by a code** – a project should be identified by a code without the names of the concerned parties before public announcement;
 - (b) **“Need to know” basis** – dissemination of information should be absolutely limited to the core members within the Group who are responsible for or involved in the project and the professional advisers who advise on the project and owe the Group a duty of confidentiality;
 - (c) **Disclosure to external parties** – Group companies/entities should promptly enter into a written confidentiality agreement with external parties prior to provision of any confidential or inside information to such external parties;
 - (d) **Audit trail** – a clear record documenting the distribution of the information including the identity of the recipients and the time of dispatch should be kept. Notes and records should also be kept for any discussion or meeting concerning the assessment of whether certain information constitutes inside information;
 - (e) **Meetings with or enquiries from securities analysts and the press** – directors and employees should be wary of any possible disclosure of unpublished inside information about the Group when meeting with fund managers, securities analysts or the press. Employees of the Group should alert Mr. Chan Loi Shun, Executive Director, or Mr. Wong Kim Man, Chief Financial Officer, in handling requests for meeting or information from fund managers or securities analysts, and request the Public Affairs Department for assistance in handling those from the press. Any materials which may contain inside information should be vetted by the Group Legal Counsel and Company Secretary prior to its release at any meetings, and briefings and discussions at such meetings should be properly recorded. If any inside information is inadvertently disclosed, the Group Legal Counsel and Company Secretary should be consulted immediately;
 - (f) **Leaks and inadvertent disclosures** – should an employee become aware of any leaks or inadvertent disclosure of any inside information, the Group Legal Counsel and Company Secretary should be consulted immediately; and
 - (g) **Release of inside information** – for dissemination of potential inside information through channels other than the electronic publication system prescribed under the Listing Rules, such as the press or posting on the corporate website, such information should be vetted by the Group Legal Counsel and Company Secretary prior to the release.
- 6.3 Employees should be alert and vigilant with respect to any insider dealing committed or suspected to have been committed within the office or in relation to any of the securities of HK Electric Investments and the Company and should report, on a confidential basis, to the Chief Executive Officer, the Group Legal Counsel and Company Secretary and/or the Head of Internal Audit if they should become aware of any such insider dealing or suspected insider dealing or any leakage of inside information in relation to any such securities.

APPENDIX

Examples of Possible Inside Information

The following are examples of possible inside information concerning a listed company, as contained in the “Guidelines on Disclosure of Inside Information” issued by the Securities and Futures Commission:-

- Changes in performance, or the expectation of the performance, of the business;
- Changes in financial condition, e.g. cashflow crisis, credit crunch;
- Changes in control and control agreements;
- Changes in directors and (if applicable) supervisors;
- Changes in directors’ service contracts;
- Changes in auditors or any other information related to the auditors’ activity;
- Changes in the share capital, e.g. new share placing, bonus issue, rights issue, share split, share consolidation and capital reduction;
- Issue of debt securities, convertible instruments, options or warrants to acquire or subscribe for securities;
- Takeovers and mergers;
- Purchase or disposal of equity interests or other major assets or business operations;
- Formation of a joint venture;
- Restructurings, reorganizations and spin-offs that have an effect on the corporation’s assets, liabilities, financial position or profits and losses;
- Decisions concerning buy-back programmes or transactions in other listed financial instruments;
- Changes to the memorandum and articles (or equivalent constitutional documents);
- Filing of winding up petitions, the issuing of winding up orders or the appointment of provisional receivers or liquidators;
- Legal disputes and proceedings;
- Revocation or cancellation of credit lines by one or more banks;
- Changes in value of assets (including advances, loans, debts or other forms of financial assistance);
- Insolvency of relevant debtors;
- Reduction of real properties’ values;
- Physical destruction of uninsured goods;
- New licenses, patents, registered trademarks;

- Decrease or increase in value of financial instruments in portfolio which include financial assets or liabilities arising from futures contracts, derivatives, warrants, swaps protective hedges, credit default swaps;
- Decrease in value of patents or rights or intangible assets due to market innovation;
- Receiving acquisition bids for relevant assets;
- Innovative products or processes;
- Changes in expected earnings or losses;
- Orders received from customers, their cancellation or important changes;
- Withdrawal from or entry into new core business areas;
- Changes in the investment policy;
- Changes in the accounting policy;
- Ex-dividend date, changes in dividend payment date and amount of dividend; changes in dividend policy;
- Pledge of the corporation's shares by controlling shareholders;
- Changes in a matter which was the subject of a previous announcement; or
- Changes in general external development (e.g. foreign currency rates, market prices of commodities, changes in a taxation regime) which have a substantial impact on the corporation.