

# CORPORATE GOVERNANCE

## 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.

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.

The Trust and the Company have complied with the applicable code provisions in the Corporate Governance Code throughout the six months ended 30 June 2016, except as noted hereunder.

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.

Neither the Trustee-Manager nor the Company has a nomination committee as provided for in code provision A.5. At present, 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 having regard to the Group's board diversity policy. 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.

## CORPORATE GOVERNANCE *(Continued)*

The Trust 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 Trustee-Manager Audit Committee and the Company Audit Committee have reviewed the procedures for reporting possible improprieties in financial reporting, internal control or other matters. In addition, the Trustee-Manager and the Company have established a policy relating to inside information and securities dealing for compliance by all employees of the Group.

### **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.

As at 30 June 2016, each of the Boards consisted of a total of eighteen Directors, comprising six Executive Directors, six Non-executive Directors and six Independent Non-executive Directors. All Directors are required to retire from office by rotation and are subject to re-election at the annual general meeting once every three years pursuant to the Trust Deed and the articles of association of the Company.

The positions of the Chairman and the Chief Executive Officer of the Company are held by separate individuals. The Trustee-Manager does not appoint a Chief Executive Officer due to its specific and limited role to administer the Trust. 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. 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 Company Board for all Group operations.

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

### **Model Code for Securities Transactions by Directors**

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 six months ended 30 June 2016.

Senior managers, 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 and its securities are also required to comply with the Model Code.

## CORPORATE GOVERNANCE *(Continued)*

### Change of Information of Directors

The change in the information of Directors since the publication of the 2015 annual report and up to 2 August 2016 (the latest practicable date prior to the printing of this interim report) is set out below pursuant to Rule 13.51B(1) of the Listing Rules:

#### Name of Director

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Fok Kin Ning, Canning  
Ceased to act as the Alternate Director to Mrs. Chow Woo Mo Fong, Susan of Hutchison Telecommunications Hong Kong Holdings Limited

Wan Chi Tin  
Appointed as a member of the Audit Committee of The University of Hong Kong

Ceased to be a Council Member of the Hong Kong Institution of Engineers

Chow Woo Mo Fong, Susan  
(Alternate Director to Fok Kin Ning, Canning)  
Retired as an Executive Director and Group Deputy Managing Director of CK Hutchison Holdings Limited

Act as adviser and consultant to CK Hutchison Holdings Limited

Retired as an Executive Director and ceased to act as the Alternate Director to Mr. Frank John Sixt of Cheung Kong Infrastructure Holdings Limited

Retired as a Non-executive Director of Hutchison Telecommunications Hong Kong Holdings Limited

Resigned as a Director of Hutchison Whampoa Limited

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.

## Internal Control

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.

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.

## Remuneration Committee of the Company

The Remuneration Committee of the Company comprises three members, two of whom are Independent Non-executive Directors. It is chaired by Mr. Donald Jeffrey Roberts and the other members are Mr. Fok Kin Ning, Canning and Mr. Fong Chi Wai, Alex.

The Remuneration Committee reports directly to the Company Board 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 HKEX's website.

## **CORPORATE GOVERNANCE** *(Continued)*

### **Trustee-Manager Audit Committee and Company Audit Committee**

Each of the Trustee-Manager Audit Committee and the Company Audit Committee comprises two Independent Non-executive Directors and one Non-executive Director. It is chaired by Mr. Donald Jeffrey Roberts and the other members are Mr. Ronald Joseph Arculli and Mr. Lee Lan Yee, Francis.

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 Audit Committees also meet regularly with the external auditor to discuss the audit process and accounting issues. The terms of reference of the Trustee-Manager Audit Committee and the Company Audit Committee are published on the Company's website and the HKEX's website.

### **Communication with 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, results highlights published in newspapers, news releases, the Company's website at [www.hkei.hk](http://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.

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.

The Boards have adopted a communication policy which provided a framework to promote effective communication with Holders of Share Stapled Units.

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

As at 30 June 2016, the interests or short positions of the Directors and chief executive 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	Approximate % of Issued SSUs
Li Tzar Kuoi, Victor	Interest of controlled corporations	Corporate	7,870,000 (Note)	0.08%
Fok Kin Ning, Canning	Interest of controlled corporation	Corporate	2,000,000	0.02%
Donald Jeffrey Roberts	Interest of controlled corporation	Corporate	74,000	≈0%
Ronald Joseph Arculli	Interest of controlled corporation	Corporate	502	≈0%

Note:

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.

## CORPORATE GOVERNANCE *(Continued)*

Save as disclosed above, as at 30 June 2016, none of the Directors or chief executive 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.

### Interests and Short Positions of Holders of Share Stapled Units

As at 30 June 2016, Holders of Share Stapled Units (other than Directors or chief executive 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	2,948,966,418 <i>(Note 1)</i>	33.37%
Hyford Limited	Interest of controlled corporations	2,948,966,418 <i>(Notes 1 and 2)</i>	33.37%
Cheung Kong Infrastructure (BVI) Limited	Interest of controlled corporations	2,948,966,418 <i>(Note 2)</i>	33.37%
Cheung Kong Infrastructure Holdings Limited	Interest of controlled corporations	2,948,966,418 <i>(Note 2)</i>	33.37%
Hutchison Infrastructure Holdings Limited	Interest of controlled corporations	2,948,966,418 <i>(Note 3)</i>	33.37%
Hutchison International Limited	Interest of controlled corporations	2,948,966,418 <i>(Note 3)</i>	33.37%
Hutchison Whampoa Limited	Interest of controlled corporations	2,948,966,418 <i>(Note 3)</i>	33.37%
Cheung Kong (Holdings) Limited	Interest of controlled corporations	2,948,966,418 <i>(Note 4)</i>	33.37%
CK Hutchison Global Investments Limited	Interest of controlled corporations	2,948,966,418 <i>(Note 4)</i>	33.37%
CK Hutchison Holdings Limited	Interest of controlled corporations	2,948,966,418 <i>(Note 4)</i>	33.37%

## 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 corporations	1,855,602,000 (Note 5)	21.00%
State Grid International Development Co., Limited	Interest of controlled corporation	1,855,602,000 (Note 5)	21.00%
State Grid International Development Limited	Beneficial owner	1,855,602,000 (Note 5)	21.00%
Qatar Investment Authority	Interest of controlled corporation	1,758,403,800	19.90%

#### Notes:

- (1) *Power Assets is deemed to be interested in 2,948,966,418 SSUs which are beneficially owned by its direct wholly-owned subsidiary, Quickview Limited. Hyford Limited is deemed to be interested in 2,948,966,418 SSUs which interests are duplicated in the 2,948,966,418 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 2,948,966,418 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 Hutchison Whampoa Limited ("HWL") in HKEI described in Note (3) below.*
- (3) *HWL is deemed to be interested in the 2,948,966,418 SSUs 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) *CKH Holdings is deemed to be interested in the 2,948,966,418 SSUs 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) *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 1,855,602,000 SSUs each are duplicated in the 1,855,602,000 SSUs held by State Grid.*

Save as disclosed above, as at 30 June 2016, there was no other person (other than Directors or chief executive 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, or as otherwise notified to the Trustee-Manager, the Company and the Stock Exchange.