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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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This circular is for information purposes only and is being provided to you solely for the purpose of considering the resolutions to be voted upon at the SGM to be held on Tuesday, 24 November 2015. This circular does not constitute an offer to issue or sell or an invitation of an offer to acquire, purchase or subscribe for securities in Hong Kong, the United States or any other jurisdiction, nor is it intended to invite any such offer or invitation. Securities may not be offered or sold in the United States absent registration or an exemption from registration under the U.S. Securities Act. The securities described herein have not been and will not be registered under the U.S. Securities Act.

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Cheung Kong Infrastructure Holdings Limited
長江基建集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1038)

(1) PROPOSED MERGER OF THE COMPANY AND POWER ASSETS HOLDINGS LIMITED INVOLVING A SHARE EXCHANGE OFFER TO THE SCHEME SHAREHOLDERS OF POWER ASSETS HOLDINGS LIMITED FOR THE CANCELLATION OF ALL THE SCHEME SHARES BY WAY OF A SCHEME OF ARRANGEMENT

(2) PROPOSED CHANGE OF COMPANY NAME

(3) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

(4) PROPOSED INCREASE IN MAXIMUM NUMBER OF DIRECTORS

AND

(5) PROPOSED AMENDMENTS TO BYE-LAWS

Financial Adviser to the Company and the Offeror

HSBC

Independent Financial Adviser to the Board, the Offeror Board, the Independent Board Committee and the Independent Shareholders

Anglo Chinese Corporate Finance, Limited 英高

A letter from the Board to the Shareholders is set out on pages 1 to 29 of this circular. A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders in relation to the Proposal is set out on page 30 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Board, the Offeror Board, the Independent Board Committee and the Independent Shareholders in relation to the Proposal is set out on pages 31 to 64 of this circular.

A notice convening the SGM to be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Tuesday, 24 November 2015 at 11:30 a.m. is set out on pages SGM-1 to SGM-4 of this circular. A form of proxy is also enclosed. Whether or not you are able to attend the SGM or any adjournment thereof in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit it at the Company's principal place of business at 12th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

20 October 2015

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Latest time for lodging transfers of Shares to qualify for the entitlement to attend and vote at the SGM	4:30 p.m. on Wednesday, 18 November 2015
Closure of the register of members of the Company for determining the entitlement to attend and vote at the SGM	from Thursday, 19 November 2015 to Tuesday, 24 November 2015 (both days inclusive)
Latest time for lodging forms of proxy in respect of the SGM	11:30 a.m. on Sunday, 22 November 2015
Record date for determining the entitlement to attend and vote at the SGM	Tuesday, 24 November 2015
Trading halt in the Shares on the Stock Exchange(1)	from 9:00 a.m. on Tuesday, 24 November 2015
SGM	11:30 a.m. on Tuesday, 24 November 2015
Announcement of the results of the SGM published on the Stock Exchange's website	after 4:15 p.m. on Tuesday, 24 November 2015
Resumption of trading in the Shares on the Stock Exchange(1)	9:00 a.m. on Wednesday, 25 November 2015
Register of members of the Company re-opens on	Wednesday, 25 November 2015
Trading halt in the Shares on the Stock Exchange(2)	from 9:00 a.m. on Monday, 14 December 2015
Resumption of trading in the Shares on the Stock Exchange(2)	9:00 a.m. on Tuesday, 15 December 2015
Last day of dealings in the Shares on a cum entitlement basis to the Special Dividend	Monday, 28 December 2015
First day of dealings in the Shares on an ex entitlement basis to the Special Dividend	Tuesday, 29 December 2015
Latest time for lodging transfers of Shares to qualify for the entitlement to the Special Dividend	4:30 p.m. on Wednesday, 30 December 2015

Closure of the register of members of the Company for determining the entitlement to the Special Dividend	from Thursday, 31 December 2015 to Monday, 4 January 2016 (both days inclusive)
Register of members of the Company re-opens on	Tuesday, 5 January 2016
Record time for the Special Dividend[(3)]	8:50 a.m. on Tuesday, 5 January 2016
First day of dealings in Shares issued to Scheme Shareholders pursuant to the Scheme on the Stock Exchange	9:00 a.m. on Tuesday, 5 January 2016
First day of odd lot matching facility for all Shareholders	Tuesday, 5 January 2016
Payment date for the Special Dividend[(3)]	Wednesday, 20 January 2016
Last day of odd lot matching facility for all Shareholders	Friday, 4 March 2016

Shareholders should note that the dates and times specified in the above timetable are subject to change. Further announcement(s) will be made in the event that there is any change to the above timetable.

Please refer to *"Letter from the Board – Proposed Change in Board Lot Size"* for the expected timetable in relation to the proposed change in the board lot size of the Shares.

Notes:

(1) Trading in the Shares on the Stock Exchange will be halted from 9:00 a.m. on Tuesday, 24 November 2015 pending the publication of an announcement of the results of the SGM and an announcement of the results of the PAH Court Meeting and the PAH General Meeting. Trading in the Shares is expected to resume at 9:00 a.m. on the trading day following the announcements of those results.

(2) Trading in the Shares on the Stock Exchange will be halted from 9:00 a.m. on Monday, 14 December 2015 pending the publication of an announcement of the results of the PAH Court Hearing. The expected timing of the resumption of trading in the Shares is indicated in the above table, but if the announcement of the results of the PAH Court Hearing is published between noon and 12:30 p.m. on Monday, 14 December 2015, trading in the Shares will resume at 1:00 p.m. on the same day instead of 9:00 a.m. on Tuesday, 15 December 2015.

(3) The payment of the Special Dividend will be conditional upon (a) the Special Dividend Resolution being passed by PAH Shareholders at the PAH General Meeting and (b) the Scheme having become effective.

(4) All times and dates in this circular refer to Hong Kong times and dates unless otherwise indicated.

Cheung Kong Infrastructure Holdings Limited
長江基建集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 1038)

Board of Directors

Executive Directors

LI Tzar Kuoi, Victor *(Chairman)*
FOK Kin Ning, Canning *(Deputy Chairman)*
CHOW WOO Mo Fong, Susan*
Frank John SIXT
KAM Hing Lam *(Group Managing Director)*
IP Tak Chuen, Edmond *(Deputy Chairman)*
Andrew John HUNTER *(Deputy Managing Director)*
CHAN Loi Shun *(Chief Financial Officer)*

* *also alternate to FOK Kin Ning, Canning and Frank John SIXT*

Independent Non-executive Directors
CHEONG Ying Chew, Henry
KWOK Eva Lee
SNG Sow-mei alias POON Sow Mei
Colin Stevens RUSSEL
LAN Hong Tsung, David
Barrie COOK

Alternate Directors
MAN Ka Keung, Simon *(alternate to IP Tak Chuen, Edmond)*
Eirene YEUNG *(alternate to KAM Hing Lam)*

Non-executive Directors
LEE Pui Ling, Angelina
George Colin MAGNUS

Company Secretary
Eirene YEUNG

Registered Office
Clarendon House
Church Street
Hamilton HM11
Bermuda

Principal Place of Business
12th Floor
Cheung Kong Center
2 Queen's Road Central
Hong Kong

20 October 2015

To the Shareholders

Dear Sir or Madam,

(1) Proposed Merger of the Company and Power Assets Holdings Limited involving a Share Exchange Offer to the Scheme Shareholders of Power Assets Holdings Limited for the Cancellation of all the Scheme Shares by way of a Scheme of Arrangement

(2) Proposed Change of Company Name

(3) Proposed Increase in Authorised Share Capital

(4) Proposed Increase in Maximum Number of Directors

and

(5) Proposed Amendments to Bye-laws

1. INTRODUCTION

On 8 September 2015, the respective boards of directors of the Company, the Offeror (a wholly-owned subsidiary of the Company), PAH and CKH Holdings jointly announced that, on the same date, the Board and the Offeror Board requested the PAH Board to put forward the Proposal to the Scheme Shareholders regarding the proposed merger of the Company and PAH by way of the Scheme. On 7 October 2015, the respective boards of directors of the Company, the Offeror, PAH and CKH Holdings jointly announced the new proposed Cancellation Consideration payable to the Scheme Shareholders.

The Scheme involves the proposed cancellation of all of the Scheme Shares, in consideration for which each Scheme Shareholder (other than the Non-Qualifying PAH Overseas Shareholders) will receive new Shares in the share exchange ratio of 1.066 Shares for every one Scheme Share held as at the Scheme Record Time, and the subsequent issue of new PAH Shares to the Offeror.

On completion of the Proposal, (a) PAH will become an indirect wholly-owned subsidiary of the Company, (b) the listing of the PAH Shares on the Stock Exchange will be withdrawn and (c) the Company will cease to be a subsidiary of CKH Holdings, which will remain as the controlling shareholder of the Company immediately following completion of the Proposal and will hold (through its wholly-owned subsidiaries) approximately 48.76% of the Shares then in issue.

The Proposal constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and, as certain Scheme Shareholders are connected persons of the Company, it also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Proposal is therefore subject to the approval of the Independent Shareholders at a general meeting of the Company.

The Company and the Offeror have appointed HSBC as their financial adviser in connection with the Proposal. CKH Holdings has appointed Goldman Sachs as its financial adviser in connection with the Proposal.

The Independent Board Committee (comprising all the independent non-executive Directors) has been established to advise the Independent Shareholders, and Anglo Chinese has been appointed as the independent financial adviser to advise the Board, the Offeror Board, the Independent Board Committee and the Independent Shareholders, in relation to the Proposal. The text of the letter from the Independent Board Committee is set out on page 30 of this circular and the text of the letter from the Independent Financial Adviser is set out on pages 31 to 64 of this circular.

In addition, the Company will propose at the SGM resolutions to approve the Change of Company Name and the Increase in Authorised Share Capital, which will take effect following completion of the Proposal, the Increase in Maximum Number of Directors and the Amendments to Bye-laws.

The purpose of this circular is to provide you with further information regarding the Proposal, the Change of Company Name, the Increase in Authorised Share Capital, the Increase in Maximum Number of Directors and the Amendments to Bye-laws and to give you notice of the SGM.

If you are also a PAH Shareholder, this circular is not, and should not be construed to be, a solicitation or request for votes or proxies in respect of the securities of PAH. The Scheme Document has been despatched to the PAH Shareholders for such purposes on the same date as this circular. A copy of the Scheme Document is set out in *"Appendix VII – Scheme Document"* for reference purposes only.

2. OBJECTIVES AND BENEFITS OF THE PROPOSAL

The Proposal is intended to deliver value to the shareholders of both the Company and PAH. For the Company, as the listed company holding the merged businesses, the Proposal would equip it with a stronger balance sheet and significant cash balance to capture global opportunities for the Enlarged Group in the broader infrastructure sectors, including both power and non-power sectors. For PAH, the Proposal would enable the Scheme Shareholders to exchange their PAH Shares for new Shares in the Company, which has a proven track record of earnings and dividend growth, and allow them to remain invested in the enhanced infrastructure platform that will be created. From 2010 to 2014, the Company's dividend per Share grew at a compound annual growth rate of approximately 10.7%.

Immediately following completion of the Proposal, CKH Holdings will remain as the controlling shareholder of the Company, with a shareholding of approximately 48.76%. The resulting significantly larger public float of Shares, both in terms of percentage and the number of Shares, should enhance the liquidity of the Shares.

The Proposal would allow the shareholders of both the Company and PAH to participate in the future growth of the merged businesses. Upon completion of the Proposal, the Enlarged Group will be in a stronger competitive position and shareholders of both the Company and PAH would benefit as a result of the following:

(a) Enhanced size and scale

The Proposal will create a world class, diversified infrastructure investment platform that is significantly enhanced in terms of size and scale over the existing individual businesses of the Company and PAH. It will control a wide range of businesses in the areas of energy infrastructure, transportation infrastructure, water infrastructure, waste management and other infrastructure related businesses. The unified platform will have a clear investment mandate and will unite the investor base currently split between the Company and PAH.

Following completion of the Proposal, seven projects[*Note*] in which both the Company and PAH have ownership interests are expected to become consolidated in the Company's financial statements (please refer to the table set out under "*Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group – (2) Accounting for entities co-owned by CKI and Power Assets and Purchase Price*

Allocation Adjustments" in Appendix IV for further details). The Company's larger size and scale will better position it to achieve diversification within its portfolio across different infrastructure sectors and geographies.

Currently, the long-term credit ratings for both the Company and PAH are "A-" from Standard & Poor's. Following completion of the Proposal and subject to the confirmation of the rating agency, the Company is expected to maintain its current credit rating. The stronger balance sheet and significant cash balance will enable the Company to better compete for infrastructure projects given the capital intensive nature of the infrastructure industry.

(b) Expanded business focus and investment mandate

PAH's business consists solely of investments in the power infrastructure sector. The Company focuses its business on the non-power infrastructure sector, while also having a number of co-investments with PAH in power projects. The successful implementation of the Proposal will provide the merged businesses with enhanced flexibility to invest across the whole infrastructure sector (both power and non-power), thereby allowing the capture of a broader range of opportunities which meet the Enlarged Group's return requirements.

Upon completion of the Proposal, it is expected that the Company will be deconsolidated from the financial statements of CKH Holdings. As a result, the Company would have greater flexibility to make independent capital allocation decisions without having regard to the impact on CKH Holdings' consolidated financial position.

(c) Increased transparency in the Company's financial performance

As at 30 June 2015, there were 11 projects*(Note)* in which both the Company and PAH had ownership interests. The total net assets of those projects attributable to each of the Company and PAH represented approximately 62.6% of the Adjusted Total Assets of the Company and 66.9% of the Adjusted Total Assets of PAH.

The results of operations of seven of the 11 projects*(Note)* are expected to become consolidated into the financial statements of the Company following completion of the Proposal, which would provide investors in the Company with greater transparency over the Company's financial performance. In addition, management expertise at the

Note: Subsequent to the issue of the Announcement, on 2 October 2015, PAH announced the formation of a 50:50 joint venture between the PAH Group and the Group, and a conditional agreement entered into by the joint venture group to acquire interests in the Iberwind group which is principally engaged in the business of generating electricity from wind in Portugal. Completion of the acquisition is conditional upon the satisfaction of a number of conditions (including examination or clearance by competition authorities and the obtaining of waivers from certain financing banks). For further details, please refer to PAH's announcement dated 2 October 2015. As at the Latest Practicable Date, the acquisition had not yet become unconditional.

Each of the PAH Group and the Group may, in the ordinary course of its business, either on its own or together in joint venture, enter into agreements from time to time relating to the acquisition or establishment of further or other infrastructure projects.

company level will be consolidated so that it can be efficiently deployed against the combined asset base. On the other hand, each of these projects is already operated on a day-to-day basis by the management teams of the respective projects. As a result, it is expected that the Proposal will carry minimal integration risks.

(d) Seek to continue to grow the Company's dividend year-on-year

The Proposal will optimise the balance sheet of the Enlarged Group and, subject to the passing of the relevant ordinary resolution by the PAH Shareholders at the PAH General Meeting, allow the Enlarged Group to immediately reward Shareholders (including the holders of the Shares issued pursuant to the Scheme) with a special dividend following completion of the Proposal as well as seeking to continue to grow its dividends year-on-year. This is consistent with the Company's long-term proven track record of expanding its business while growing its dividends year-on-year. Historical dividends per Share grew at a compound annual growth rate of approximately 9.0% over the period between 2000 and 2014 and approximately 10.7% over the period between 2010 and 2014, respectively.

Please see "– *Proposed Dividend Arrangement*" below for further details.

3. TERMS OF THE PROPOSAL

The Offeror (which is a wholly-owned subsidiary of the Company) has made the Proposal to the Scheme Shareholders, on the terms and conditions as set out in the Scheme Document. The Proposal is subject to the Takeovers Code. A summary of the key terms and conditions of the Proposal is set out below. Please refer to *"Appendix VII – Scheme Document"*, which sets out a copy of the Scheme Document for reference purposes only, for further details.

3.1 Summary of the Proposal

Under the Proposal, it is proposed that on the Scheme Effective Date:

(a) the share capital of PAH will be reduced by cancelling and extinguishing the Scheme Shares (being all the PAH Shares in issue as at the Scheme Record Time other than those held or beneficially owned by the Relevant Subsidiaries);

(b) subject to and immediately upon such reduction of capital taking effect, the share capital of PAH will be increased to its former amount by the creation of such number of new PAH Shares as is equal to the number of Scheme Shares cancelled;

(c) PAH will apply all credit arising in its books of account as a result of such capital reduction in paying up the newly created PAH Shares, which will be allotted and issued, credited as fully paid, to the Offeror (which is a wholly-owned subsidiary of the Company); and

(d) in consideration for the cancellation and extinguishment of the Scheme Shares, the Scheme Shareholders (other than the Non-Qualifying PAH Overseas Shareholders) will receive new Shares (which will rank *pari passu* with each other and with all other Shares then in issue) to be issued, credited as fully paid, in the following ratio, based on the holding of Scheme Shares as at the Scheme Record Time:

For every one Scheme Share held . . . . 1.066 Shares

On completion of the Proposal, PAH will become an indirect wholly-owned subsidiary of the Company and the listing of the PAH Shares on the Stock Exchange will be withdrawn.

3.2 Total Consideration under the Proposal

As at the Latest Practicable Date, 2,134,261,654 PAH Shares were in issue, of which 829,599,612 PAH Shares (representing approximately 38.87% of the PAH Shares in issue) were held or beneficially owned by wholly-owned subsidiaries of the Company, and the remaining 1,304,662,042 PAH Shares (representing approximately 61.13% of the PAH Shares in issue) were held by the Scheme Shareholders.

Pursuant to the Scheme, upon the Scheme becoming effective, all the Scheme Shares will be cancelled and extinguished and the Scheme Shareholders (other than the Non-Qualifying PAH Overseas Shareholders) will receive new Shares to be issued, credited as fully paid, in the ratio of 1.066 Shares for every one Scheme Share held as at the Scheme Record Time.

The above share exchange ratio was determined by the Company and the Offeror based on the average closing prices of the Shares and the PAH Shares on the Stock Exchange for the 30 trading days up to (and including) 4 September 2015 (which was prior to the publication of the Announcement on 8 September 2015), without any premium or discount.

3.3 Conditions Precedent to the Proposal

The Scheme will become effective and binding on PAH and all Scheme Shareholders upon, and completion of the Proposal is subject to, the fulfilment (or, where relevant, waiver) of the following conditions precedent:

(a) the Scheme being approved by the Disinterested PAH Shareholders representing at least 75% of the voting rights of Disinterested PAH Shareholders present and voting, in person or by proxy, at the PAH Court Meeting, with votes cast against the Scheme at the PAH Court Meeting not exceeding 10% of the total voting rights attached to all disinterested shares of PAH (as respectively defined in Note 6 to Rule 2 of the Takeovers Code and Division 2 of Part 13 of the Companies Ordinance);

(b) the passing of a special resolution by the PAH Shareholders at the PAH General Meeting to approve (1) the Scheme and (2) the implementation of the Scheme, including, in particular, the reduction of the issued share capital of PAH by cancelling and extinguishing the Scheme Shares and the issue of the new PAH Shares to the Offeror;

(c) the passing of an ordinary resolution by the Independent Shareholders at a special general meeting of the Company to approve the Proposal and all transactions contemplated thereunder;

(d) the Scheme, with or without modification, being sanctioned and the proposed reduction of capital provided for in the Scheme being confirmed by the Court, and an office copy of the Court order together with the minute and a return that comply with subsections (2) and (3) of section 230 of the Companies Ordinance respectively being registered by the Companies Registrar;

(e) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares to be issued as consideration under the Scheme on the Main Board and such approval not having been revoked prior to the Scheme becoming effective;

(f) all applicable filings, notices and waivers required in connection with the Proposal and its implementation from or with any competent governmental or regulatory body being made, and if applicable, any waiting periods under any applicable antitrust or similar laws and regulations having expired or terminated; and

(g) all other Authorisations which may be required in connection with the Proposal under any existing contractual arrangements, including loan and other finance documentation, or regulatory requirements having been obtained and all regulatory filing obligations having been complied with.

The Offeror reserves the right to waive the conditions precedent in paragraphs (f) and (g) above in whole or in part and either generally or in respect of any particular matter. The other conditions precedent cannot be waived in any event. As at the Latest Practicable Date, none of the conditions precedent to the Proposal had been fulfilled (or, where relevant, waived).

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror will only be able to invoke any or all of the above conditions precedent as a basis for not proceeding with the Proposal if the circumstances which give rise to a right to invoke any such condition(s) precedent are of material significance to the Offeror in the context of the Proposal.

It is currently expected that subject to the fulfilment (or, where relevant, waiver) of the conditions precedent in paragraphs (a) to (g) above, the Scheme will become effective on Tuesday, 5 January 2016. If the Scheme has not become effective by Thursday, 31 March 2016 (or such later date as the Offeror may agree and as allowed by the Court), the Scheme will lapse and the Proposal will not proceed. An announcement will be made by the Company to advise Shareholders whether the Scheme has become effective and of the Scheme Effective Date.

3.4 Rights Attaching to the Shares

The Shares to be issued pursuant to the Scheme as the Cancellation Consideration will, when issued, be credited as fully paid, free from all liens, charges and encumbrances, and will rank *pari passu* with all other Shares then in issue. Holders of such Shares will be entitled to receive all dividends and other distributions of the Company if the record time for determining the entitlement to such dividends and distributions falls at or after the time at which the Scheme becomes effective. As such, holders of Shares to be issued pursuant to the Scheme will be entitled to receive the Special Dividend referred to in *"– Proposed Dividend Arrangement"* below if it is paid.

The Company will make an application to the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued pursuant to the Scheme on the Main Board.

3.5 Fractional Entitlements to the Shares under the Scheme

Fractions of Shares will not be allotted to the Scheme Shareholders under the Scheme. The fractional entitlements of the Scheme Shareholders to Shares under the Scheme will be aggregated (and, if necessary, rounded down to the nearest whole number of Shares) and allotted to the Selected Person, who will sell the resulting Shares on the market as soon as reasonably practicable after the Scheme becoming effective. The proceeds of sale of such fractional entitlements (net of expenses and taxes) will be paid to the Scheme Shareholders concerned according to their respective attributable entitlements thereto.

3.6 Non-Qualifying PAH Overseas Shareholders

The making of the Proposal to certain PAH Shareholders may be subject to the laws of jurisdictions other than Hong Kong.

The Scheme provides that, subject to the requirements of the Takeovers Code, if the law of any relevant jurisdiction precludes an offer of the Shares, or precludes it except after compliance by the Company with conditions with which the Company is unable to comply or which the Company regards as unduly onerous, no Shares will be issued to the relevant Non-Qualifying PAH Overseas Shareholders.

In such case, the Shares which would otherwise have been allotted to the relevant Non-Qualifying PAH Overseas Shareholders under the Scheme will be allotted to the Selected Person, who will sell such Shares on the market as soon as reasonably practicable after the Scheme becomes effective.

The aggregate proceeds of such sale (net of expenses and taxes) will be paid to the relevant Non-Qualifying PAH Overseas Shareholders (*pro rata* to their shareholdings in PAH as at the Scheme Record Time) in Hong Kong dollars in full satisfaction of their rights to the relevant Shares pursuant to the Scheme, provided that if the amount that a Non-Qualifying PAH Overseas Shareholder would be entitled to receive is less than HK$50, such sum will be retained for the benefit of the Company.

The Scheme Document (a copy of which is set out in *"Appendix VII – Scheme Document"* for reference purposes only) contains further information regarding the treatment of PAH Overseas Shareholders, including, but not limited to, US shareholders. This circular is not an offer of securities for sale in the United States. The Shares to be issued in connection with the Scheme will not be, and are not required to be, registered under the Securities Act or the securities laws of any state of the United States and will be issued in reliance upon the exemption from the registration requirements of the Securities Act provided by section 3(a)(10) of the Securities Act and available exemptions from such state law registration requirements.

3.7 Holders of PAH ADSs

Upon the Scheme becoming effective, the Scheme Shares underlying the PAH ADSs will be cancelled and extinguished together with all other Scheme Shares in consideration for the Cancellation Consideration. As the PAH ADSs are governed by the PAH ADS Deposit Agreement (which is governed by the laws of the State of New York) and not Hong Kong law, the terms of the Proposal do not provide for the cancellation of the PAH ADSs.

As at the Latest Practicable Date, there were 2,834,432 PAH ADSs outstanding. Each PAH ADS represents one PAH Share.

4. EFFECTS OF THE PROPOSAL ON THE SHAREHOLDING STRUCTURE OF PAH AND THE COMPANY

4.1 Shareholding Structure of PAH

As at the Latest Practicable Date, there were 2,134,261,654 PAH Shares in issue (including the PAH Shares underlying the PAH ADSs) and there were no options, derivatives, warrants or other securities issued by PAH which are convertible or exchangeable into PAH Shares.

The table below sets out the shareholding structure of PAH (a) as at the Latest Practicable Date and (b) immediately following completion of the Proposal, assuming that there is no other change in the shareholding of PAH after the Latest Practicable Date:

	As at the Latest Practicable Date		Immediately following completion of the Proposal	
	Number of PAH Shares	*%*	*Number of PAH Shares*	*%*
Offeror(1)	–	–	1,304,662,042	61.13
Offeror Concert Parties				
PAH Shares held not subject to the Scheme				
– Relevant Subsidiaries(1)	829,599,612	38.87	829,599,612	38.87
	829,599,612	**38.87**	**2,134,261,654**	**100.00**
PAH Shares held subject to the Scheme				
– Mr. Li Tzar Kuoi, Victor(2)	151,000	0.01	–	–
– Mr. Kam Hing Lam(3)	100,000	0.00	–	–
– Mrs. Lee Pui Ling, Angelina(4)	8,800	0.00	–	–
– Ms. Eirene Yeung(5)	62,749	0.00	–	–
– HSBC group(6)	–	–	–	–
– Goldman Sachs group(7)	–	–	–	–
– Other Offeror Concert Parties(8)	28,500	0.00	–	–
	351,049	**0.02**	**–**	**–**
Aggregate number of PAH Shares held by the Offeror and Offeror Concert Parties(6)(7)(8)	**829,950,661**	**38.89**	**2,134,261,654**	**100.00**
Aggregate number of PAH Shares held by Disinterested PAH Shareholders	**1,304,310,993**	**61.11**	**–**	**–**
Total	**2,134,261,654**	**100.00**	**2,134,261,654**	**100.00**
Total number of Scheme Shares	**1,304,662,042**	**61.13**	**–**	**–**

Notes:

(1) The Offeror and the Relevant Subsidiaries are wholly-owned subsidiaries of the Company.

(2) Such 151,000 PAH Shares were held as Mr. Li Tzar Kuoi, Victor's family interest (being PAH Shares held by his wife). Mr. Li Tzar Kuoi, Victor, who is an executive Director, an executive CKH Holdings Director and an Offeror Director, and his wife are presumed to be acting in concert with the Offeror in relation to PAH under the Takeovers Code.

(3) Such 100,000 PAH Shares were held as Mr. Kam Hing Lam's family interest (being PAH Shares held by his son). Mr. Kam Hing Lam, who is an executive Director, an executive CKH Holdings Director and an Offeror Director, and his son are presumed to be acting in concert with the Offeror in relation to PAH under the Takeovers Code.

(4) Mrs. Lee Pui Ling, Angelina, who is a non-executive Director, is presumed to be acting in concert with the Offeror in relation to PAH under the Takeovers Code.

(5) Such 62,749 PAH Shares were held as Ms. Eirene Yeung's family interest (being PAH Shares held by her mother). Ms. Eirene Yeung, who is an alternate Director, and her mother are presumed to be acting in concert with the Offeror in relation to PAH under the Takeovers Code.

(6) HSBC is the financial adviser to the Company and the Offeror in relation to the Proposal. Accordingly, HSBC and relevant members of the HSBC group which hold PAH Shares are presumed to be acting in concert with the Company and the Offeror in relation to PAH in accordance with class (5) of the definition of "acting in concert" under the Takeovers Code (except in respect of PAH Shares held by exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code, and also excluding PAH Shares of non-discretionary investment clients of the HSBC group).

(7) Goldman Sachs is the financial adviser to CKH Holdings in relation to the Proposal. Accordingly, Goldman Sachs and relevant members of the Goldman Sachs group which hold PAH Shares are presumed to be acting in concert with the Company and the Offeror in relation to PAH in accordance with class (5) of the definition of "acting in concert" under the Takeovers Code (except in respect of PAH Shares held by exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code, and also excluding PAH Shares of non-discretionary investment clients of the Goldman Sachs group).

(8) Such 28,500 PAH Shares were held by a pension fund of the Group, which is presumed to be acting in concert with the Offeror in relation to PAH in accordance with class (3) of the definition of "acting in concert" under the Takeovers Code.

Following completion of the Proposal, the Group will hold 100% of the PAH Shares in issue, of which approximately 61.13% will be held by the Offeror and approximately 38.87% will be held or beneficially owned by the Relevant Subsidiaries.

4.2 Shareholding Structure of the Company

As at the Latest Practicable Date, there were 2,519,610,945 Shares in issue and there were no options, derivatives, warrants or other securities issued by the Company which are convertible or exchangeable into Shares.

The table below sets out the shareholding structure of the Company (a) as at the Latest Practicable Date and (b) immediately following completion of the Proposal, assuming that there is no other change in the shareholding of the Company after the Latest Practicable Date:

	As at the Latest Practicable Date		Shares to be issued under the Scheme	Immediately following completion of the Proposal[8]	
	Number of Shares	*%*		*Number of Shares*	*%*
CKH Holdings[1]	1,906,681,945	75.67	–	1,906,681,945	48.76
Mr. Li Tzar Kuoi, Victor[2][3]	5,428,000	0.22	160,966	5,588,966	0.14
Mr. Kam Hing Lam[4]	100,000	0.00	106,600	206,600	0.01
Mrs. Lee Pui Ling, Angelina[5]	–	–	9,380	9,380	0.00
Ms Eirene Yeung[6]	–	–	66,890	66,890	0.00
Mr. Tsai Chao Chung, Charles[7]	6,000	0.00	4,287	10,287	0.00
	1,912,215,945	75.89	348,123	1,912,564,068	48.91
Other Shareholders	607,395,000	24.11	–	607,395,000	15.53
Other PAH Shareholders	–	–	1,390,421,613	1,390,421,613	35.56
Total	**2,519,610,945**	**100.00**	**1,390,769,736**	**3,910,380,681**	**100.00**

Notes:

(1) Such 1,906,681,945 Shares were held by Hutchison Infrastructure Holdings Limited, a subsidiary of Hutchison Whampoa Limited. CKH Holdings is deemed to be interested in such 1,906,681,945 Shares as CKH Holdings holds more than one-third of the issued share capital of each of Cheung Kong (Holdings) Limited and CK Global Investments Limited, and certain subsidiaries of Cheung Kong (Holdings) Limited and CK Global Investments Limited hold more than one-third of the issued share capital of Hutchison Whampoa Limited.

(2) 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 the trustees of DT1 and 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 held a total of 5,428,000 Shares.

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 interested in the Shares 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 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 Director and a discretionary beneficiary of each of DT1 and DT2, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to Shares held by TUT1 as trustee of UT1 under the SFO.

(3) Based on the share exchange ratio of 1.066 new Shares for every one Scheme Share and the 151,000 PAH Shares which were held as Mr. Li Tzar Kuoi, Victor's family interest as at the Latest Practicable Date, a total of 160,966 Shares will be issued under the Scheme in respect of such interest of Mr. Li Tzar Kuoi, Victor if the Scheme becomes effective.

(4) As at the Latest Practicable Date, Mr. Kam Hing Lam was interested in 100,000 Shares. Based on the share exchange ratio of 1.066 new Shares for every one Scheme Share and the 100,000 PAH Shares which were held as Mr. Kam Hing Lam's family interest as at the Latest Practicable Date, a total of 106,600 Shares will be issued under the Scheme in respect of such interest of Mr. Kam Hing Lam if the Scheme becomes effective.

(5) Based on the share exchange ratio of 1.066 new Shares for every one Scheme Share and the 8,800 PAH Shares in which Mrs. Lee Pui Ling, Angelina was interested as at the Latest Practicable Date, a total of 9,380 Shares will be issued under the Scheme in respect of such interest of Mrs. Lee Pui Ling, Angelina if the Scheme becomes effective.

(6) Based on the share exchange ratio of 1.066 new Shares for every one Scheme Share and the 62,749 PAH Shares which were held as Ms. Eirene Yeung's family interest as at the Latest Practicable Date, a total of 66,890 Shares will be issued under the Scheme in respect of such interest of Ms. Eirene Yeung if the Scheme becomes effective.

(7) As at the Latest Practicable Date, 6,000 Shares were held as Mr. Tsai Chao Chung, Charles' family interest (being Shares held by his wife). Based on the share exchange ratio of 1.066 new Shares for every one Scheme Share and the 4,022 PAH Shares in which Mr. Tsai Chao Chung, Charles was interested as at the Latest Practicable Date, a total of 4,287 Shares will be issued under the Scheme in respect of such interest of Mr. Tsai Chao Chung, Charles if the Scheme becomes effective.

(8) The number of Shares to be issued to the relevant parties under the Proposal may be subject to change due to possible rounding down of the actual number of Shares to be issued as a result of exclusion of their respective fractional entitlements under the Scheme (if any).

Following completion of the Proposal, CKH Holdings' shareholding in the Company will be diluted as a result of the issue of the new Shares representing the Cancellation Consideration. CKH Holdings will remain as the controlling shareholder of the Company under the Listing Rules and will hold (through its wholly-owned subsidiaries) approximately 48.76% in the Company immediately following completion of the Proposal. However, the Company will cease to be a subsidiary of CKH Holdings and it is expected that its results will cease to be consolidated in CKH Holdings' financial statements.

4.3 Simplified Group Structure

The simplified group structure of the Group and the PAH Group prior to and following completion of the Proposal is set out in *"Appendix I – Simplified Group Structure"*.

5. FINANCIAL INFORMATION OF PAH AND THE COMPANY

5.1 Financial Information of PAH

Set out below are the audited net profits of PAH based on the audited consolidated financial statements of PAH for the two years ended 31 December 2014, and the unaudited net profits of PAH based on the unaudited consolidated financial statements of PAH for the six months ended 30 June 2015, each of which was prepared in accordance with generally accepted accounting principles in Hong Kong:

	For the year ended 31 December		For the six months ended 30 June
	2013	**2014**	**2015**
	(audited)	*(audited)*	*(unaudited)*
Profit before taxation	HK$11,591 million	HK$61,098 million[(1)]	HK$3,222 million
Profit after taxation and Scheme of Control transfers	HK$11,165 million	HK$61,005 million[(1)]	HK$3,237 million

Note:

(1) Includes one-time gain of HK$52,928 million arising from the spin-off of the Hong Kong electricity business by PAH.

As at 30 June 2015, the unaudited net asset value of PAH, based on the unaudited consolidated financial statements of PAH for the six months ended 30 June 2015, was HK$121,472 million.

Please refer to "*Appendix III – Financial Information of the PAH Group*" for further details.

5.2 Financial Information of the Company

Set out below are the audited net profits of the Company based on the audited consolidated financial statements of the Company for the two years ended 31 December 2014, and the unaudited net profits of the Company based on the unaudited consolidated financial statements of the Company for the six months ended 30 June 2015, each of which was prepared in accordance with generally accepted accounting principles in Hong Kong:

	For the year ended 31 December		For the six months ended 30 June
	2013	**2014**	**2015**
	(audited)	*(audited)*	*(unaudited)*
Profit before taxation	HK$12,254 million	HK$32,346 million(1)	HK$5,517 million
Profit after taxation	HK$12,312 million	HK$32,320 million(1)	HK$5,506 million

Note:

(1) Includes share of one-time gain of approximately HK$19 billion arising from the spin-off of the Hong Kong electricity business by PAH.

As at 30 June 2015, the unaudited net asset value of the Company, based on the unaudited consolidated financial statements of the Company for the six months ended 30 June 2015, was HK$107,414 million.

Please refer to "*Appendix II – Financial Information of the Group*" for further details.

5.3 Financial Effects of the Proposal

The consideration for implementing the Scheme will be satisfied by way of issuance of Shares. Accordingly, there is no requirement for financing the consideration in respect of the Scheme.

Upon the Scheme becoming effective, PAH will become a wholly-owned subsidiary of the Company and the results of PAH and its subsidiaries will be consolidated with those of the Group.

Set out in *"Appendix IV – Unaudited Pro Forma Financial Information of the Enlarged Group"* is the unaudited pro forma financial information of the Enlarged Group which illustrates how the financial information of the Group might be affected by completion of the Proposal.

6. PROPOSED DIVIDEND ARRANGEMENT

6.1 Special Dividend

The Board intends to declare, on a conditional basis, the Special Dividend to all Shareholders whose names appear in the register of members of the Company as at the Dividend Record Time on the Scheme Effective Date (including the holders of Shares issued pursuant to the Scheme) on the following basis:

For each Share held .... HK$7.50 in cash

The payment of the Special Dividend will be conditional upon the satisfaction of both of the following conditions:

(a) the passing of an ordinary resolution by the PAH Shareholders at the PAH General Meeting to agree to the payment by the Company of the Special Dividend (namely, the Special Dividend Resolution); and

(b) the Scheme having become effective.

The Proposal is not conditional upon the payment of the Special Dividend becoming unconditional. Therefore, if the Special Dividend Resolution referred to in paragraph (a) above is not passed but the Scheme becomes effective, the Proposal will be completed but the Special Dividend will not be paid to the Shareholders.

While the passing of the Special Dividend Resolution is not required by law or regulation or the Bye-laws for the Special Dividend to be paid by the Company, and the Company and PAH have historically sought to reinvest in their businesses and not disburse cash by way of special dividends, the Company has agreed to make the payment of the Special Dividend subject to the passing of such resolution so as to afford the PAH Shareholders the ability to determine whether the Enlarged Group should retain or distribute the cash represented by the proposed Special Dividend.

The Company has informed PAH that it will procure the Relevant Subsidiaries to voluntarily abstain from voting on the Special Dividend Resolution at the PAH General Meeting. Accordingly, the Special Dividend Resolution will only be voted on by the Scheme Shareholders present and voting, in person or by proxy, at the PAH General Meeting (except in relation to those PAH Shares which each of Mr. Li Tzar Kuoi, Victor, Mr. Kam Hing Lam, Mrs. Lee Pui Ling, Angelina, Ms. Eirene Yeung and Mr. Tsai Chao Chung, Charles (a director of PAH) holds or is interested in, as each of them has indicated that he/she or his/her associates (as the case may be) will voluntarily abstain from voting those PAH Shares in respect of the Special Dividend Resolution).

If the conditions to the payment of the Special Dividend are satisfied, the Selected Person will receive the Special Dividend in respect of the Shares which are allotted to it representing (i) the aggregated fractional entitlements of the Scheme Shareholders to Shares under the Scheme and (ii) the Shares which would otherwise have been allotted to the Non-Qualifying PAH Overseas Shareholders under the Scheme. The Selected Person will pay such Scheme Shareholders their attributable entitlements to the Special Dividend as soon as practicable after the payment date for the Special Dividend.

It is expected that the Special Dividend, if the payment becomes unconditional, will be paid on Wednesday, 20 January 2016.

6.2 Expected Dividend for the Financial Year Ending 2015 and Thereafter

If the Scheme becomes effective and assuming an existing Shareholder continues to hold its existing Shares or an existing PAH Shareholder continues to hold the Shares issued pursuant to the Scheme (as the case may be) and subject to business conditions and the maintenance of the Company's strong investment grade rating, it is expected that:

(a) in respect of the financial year ending 31 December 2015, the total dividends to be received by such Shareholder or such PAH Shareholder on its Shares and, as applicable, PAH Shares (excluding the Special Dividend, if it is paid) will be more than the total dividends that such shareholder would have received on its existing Shares or its existing PAH Shares (as the case may be) in respect of the financial year ended 31 December 2014; and

(b) in respect of the financial year ending 31 December 2016, the total dividends to be received by such Shareholder or such PAH Shareholder on its Shares will be more than the total dividends that such shareholder would have received on its Shares and, as applicable, PAH Shares in respect of the financial year ending 31 December 2015 (excluding the Special Dividend, if it is paid).

Thereafter, subject to business conditions and maintenance of the Company's strong investment grade rating, the Company will seek to continue to increase its dividends year-on-year consistent with its business profile.

7. BOARD FOLLOWING COMPLETION OF THE PROPOSAL

To ensure continuity of the current strong management teams of the Company and PAH which have extensive experience in the power and infrastructure sectors, it is proposed that on completion of the Proposal, the Board will comprise all of the existing Directors and directors of PAH and the composition of the Board will be as follows:

Executive Directors
Mr. Li Tzar Kuoi, Victor *(Chairman)*
Mr. Kam Hing Lam *(Group Managing Director)*
Mr. Fok Kin Ning, Canning *(Deputy Chairman)*
Mr. Ip Tak Chuen, Edmond *(Deputy Chairman)*
Mr. Andrew John Hunter *(Deputy Managing Director)*
Mr. Chan Loi Shun *(Chief Financial Officer)*
Mrs. Chow Woo Mo Fong, Susan
Mr. Neil Douglas McGee
Mr. Frank John Sixt
Mr. Wan Chi Tin
Mr. Tsai Chao Chung, Charles

Independent Non-executive Directors
Mrs. Sng Sow-mei alias Poon Sow Mei
Mr. Ralph Raymond Shea
Mr. Cheong Ying Chew, Henry
Mrs. Kwok Eva Lee
Mr. Lan Hong Tsung, David
Mr. Colin Stevens Russel
Mr. Wong Chung Hin
Mr. Barrie Cook
Mr. Wu Ting Yuk, Anthony
Mr. Ip Yuk-keung, Albert

Alternate Directors
Mr. Man Ka Keung, Simon
(alternate to Mr. Ip Tak Chuen, Edmond)
Ms. Eirene Yeung
(alternate to Mr. Kam Hing Lam)

Non-executive Directors
Mr. George Colin Magnus
Mrs. Lee Pui Ling, Angelina

The proposed change in the composition of the Board is subject to the passing of an ordinary resolution by the Shareholders at the SGM to approve the Increase in Maximum Number of Directors, further details of which are set out in "– *Proposed Increase in Maximum Number of Directors*" below.

8. PROPOSED CHANGE IN BOARD LOT SIZE

8.1 Proposed Change in Board Lot Size

The Company proposes that, following completion of the Proposal, the board lot size for trading in Shares on the Stock Exchange will be 500 Shares (which is different from the current board lot size of 1,000 Shares). This would align with the current board lot size for PAH, which is 500 PAH Shares. The Board is of the view that the smaller board lot size will result in the board lot value of Shares being smaller than its current board lot value and could therefore improve the liquidity of the Shares. The adoption of such different board lot size will not result in any change in the relative rights of the Shareholders. Since the existing board lot size of Shares is an integral multiple of the proposed new board lot size, no Shareholder who currently does not hold an odd lot of Shares will hold an odd lot of Shares as a result of the adoption of the different board lot size.

Shareholders should note that the board lot size for trading in Shares on the Stock Exchange will only be changed from 1,000 Shares to 500 Shares if the Proposal is completed. Accordingly, if the Scheme does not become effective and the Proposal is not completed, the board lot size for trading in Shares on the Stock Exchange will remain as 1,000 Shares.

8.2 Expected Timetable for Change in Board Lot Size

The expected timetable for the change in board lot size is set out below:

Earliest time for free exchange of existing share certificates in board lots of 1,000 Shares each for new share certificates in board lots of 500 Shares each	9:00 a.m. on Tuesday, 5 January 2016
Last day for trading of the Shares in board lots of 1,000 Shares in the original counter	Monday, 18 January 2016
Effective date of the change in board lot size from 1,000 Shares to 500 Shares	Tuesday, 19 January 2016
Original counter for trading in the Shares in board lots of 1,000 Shares each becomes counter for trading in the Shares in board lots of 500 Shares each	9:00 a.m. on Tuesday, 19 January 2016
Temporary counter for trading in the Shares in board lots of 1,000 Shares each opens	9:00 a.m. on Tuesday, 19 January 2016
Parallel trading in the Shares (in board lots of 1,000 Shares each and board lots of 500 Shares each) starts	9:00 a.m. on Tuesday, 19 January 2016

Temporary counter for trading in the Shares in board lots of 1,000 Shares each closes	4:00 p.m. on Thursday, 11 February 2016
Parallel trading in the Shares (in board lots of 1,000 Shares each and board lots of 500 Shares each) ends	4:00 p.m. on Thursday, 11 February 2016
Latest time for free exchange of existing share certificates in board lots of 1,000 Shares each for new share certificates in board lots of 500 Shares each	4:30 p.m. on Monday, 15 February 2016

Shareholders should note that the dates and times specified in the above timetable and in this section headed "– *Proposed Change in Board Lot Size*" are subject to change. Further announcement(s) will be made by the Company in the event that there is any change to the above timetable.

8.3 Free Exchange of Share Certificates

Subject to completion of the Proposal, Shareholders may submit their existing share certificate(s) in board lots of 1,000 Shares each to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, in exchange for new share certificates in board lots of 500 Shares each free of charge during the period from 9:00 a.m., Tuesday, 5 January 2016 to 4:30 p.m., Monday, 15 February 2016 (both days inclusive). The exchange of share certificates after such period ends will be accepted only on payment of a fee of HK$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each new share certificate in board lots of 500 Shares each issued or each existing share certificate submitted, whichever number of share certificate involved is higher. It is expected that the new share certificates will be available for collection from the Company's branch share registrar by Shareholders within 10 business days after delivery of the existing share certificates to the Company's branch share registrar for exchange purpose.

With effect from Tuesday, 19 January 2016, all new share certificates issued will represent Shares trading in board lots of 500 Shares. All existing share certificates issued representing Shares trading in board lots of 1,000 Shares will become share certificates representing Shares trading in board lots of 500 Shares and will continue to be good evidence of legal title to such Shares and be valid for transfer, delivery and settlement purposes. The new share certificates will have the same format and colour as the existing share certificates.

8.4 Arrangements Relating to the Sale of Odd Lots of Shares

In order to assist Shareholders to sell any odd lots of Shares if they so wish, the Company has appointed Fulbright Securities Limited and One China Securities Limited (the "**Odd Lot Traders**") to provide, on a best efforts basis, a service to match the sale and purchase of odd lots of Shares (the "**Matching Service**") during the period of 60 calendar days commencing from (and including) the Scheme Effective Date (which is expected to be Tuesday, 5 January 2016) (the "**Matching Period**").

In the event of successful matching, no brokerage will be charged by the Odd Lot Traders for the odd lots of Shares sold as the Company has agreed to absorb this cost as part of the appointment of the Odd Lot Traders. The opening of trading accounts with the Odd Lot Traders for the purpose of the Matching Service is subject to satisfactory completion of requisite account opening procedures.

Any Shareholder wishing to make use of the Matching Service may contact the following persons during the Matching Period:

Fulbright Securities Limited
33rd Floor, Cosco Tower
Grand Millennium Plaza
No. 183 Queen's Road Central
Hong Kong
Attention: Mr. Yu Kam Tong
Telephone Number: +852 2805 0727

One China Securities Limited
2nd Floor, Cheong K. Building
86 Des Voeux Road Central
Hong Kong
Attention: Mr. Marco Ko
Telephone Number: +852 3188 2676

Shareholders who have brokerage accounts and who wish to sell any odd lots of Shares may also approach and inform their brokers that the Odd Lot Traders will, on a best efforts basis during the Matching Period, provide liquidity for odd lots of Shares. Shareholders selling odd lots of Shares through their brokers to the Odd Lot Traders will be responsible for all fees (if any) payable to their brokers, but no additional brokerage will be payable by them to the Odd Lot Traders.

You should note that the successful matching of odd lots of Shares and the provision of liquidity referred to above are not guaranteed. You are advised to consult your own professional advisers if you are in doubt about any of these arrangements.

9. PROPOSED CHANGE OF COMPANY NAME

9.1 Proposed Change of Company Name

In connection with the Proposal, the Board proposes to change the English name of the Company from "Cheung Kong Infrastructure Holdings Limited" to "CK Infrastructure Assets (Holdings) Limited" and to adopt "長江基建實業(集團)有限公司" as the Company's secondary name on completion of the Proposal. The stock short name of the Company will be changed consequently.

The Change of Company Name is to signify the merger of the Company and PAH.

9.2 Conditions of the Change of Company Name

The Change of Company Name will be conditional upon:

(a) the passing of a special resolution by the Shareholders at the SGM to approve the Change of Company Name;

(b) the approval of the proposed new name of the Company by the Registrar of Companies in Bermuda; and

(c) the Scheme having become effective.

Upon satisfaction of the above conditions, the Change of Company Name will become effective on the date on which the Registrar of Companies in Bermuda enters the new English name in place of the existing name and enters the secondary name of the Company in the register of companies. Upon the Change of Company Name becoming effective, the Company will comply with the necessary filing procedures in Hong Kong.

9.3 Effect of the Change of Company Name

The Change of Company Name does not affect any of the rights of the existing Shareholders. All share certificates of the Company in issue bearing the existing name of the Company will, after the Change of Company Name, continue to be evidence of title and valid for all purposes (including for the purposes of trading, settlement, registration and delivery). There will not be any arrangement for the exchange of the share certificates of the Company under its existing name for new share certificates under the new name of the Company. Share certificates of the Company which are issued after the Change of Company Name having become effective will be in the new name of the Company. The Shares will be traded on the Stock Exchange in the new stock short name after the Change of Company Name has become effective.

Shareholders who exchange their share certificates for new share certificates in board lots of 500 Shares each (as referred to in "– *Proposed Change in Board Lot Size – Free Exchange of Share Certificates*" above) after the Change of Company Name becomes effective will receive new share certificates under the new name of the Company.

Further announcements concerning the effective date of the Change of Company Name and the date on which the Shares will commence to be traded under the new stock short name on the Stock Exchange will be made by the Company in due course.

10. PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The current authorised share capital of the Company is HK$4,000,000,000 divided into 4,000,000,000 Shares, of which 2,519,610,945 Shares were in issue as at the Latest Practicable Date. As detailed in "– *Effects of the Proposal on the Shareholding Structure of PAH and the Company – Shareholding Structure of the Company*" above, assuming there is no other change in the shareholding of the Company after the Latest Practicable Date, there will be 3,910,380,681 Shares in issue immediately following the issue of new Shares as the Cancellation Consideration pursuant to the Scheme on completion of the Proposal.

In order to provide the Company with greater flexibility for future fund raising activities and other corporate purposes, the Board proposes to increase the authorised share capital of the Company from HK$4,000,000,000 divided into 4,000,000,000 Shares to HK$8,000,000,000 divided into 8,000,000,000 Shares by the creation of an additional 4,000,000,000 Shares, which will rank *pari passu* in all respects with the existing Shares.

The Increase in Authorised Share Capital will be conditional upon:

(a) the passing of an ordinary resolution by the Shareholders at the SGM to approve the Increase in Authorised Share Capital; and

(b) the Scheme having become effective.

11. PROPOSED INCREASE IN MAXIMUM NUMBER OF DIRECTORS

Pursuant to Section 91 of the Companies Act 1981 of Bermuda, Shareholders may at a general meeting of the Company determine a maximum number of Directors and, if such a maximum number has been determined, Shareholders may at a general meeting of the Company authorise the Directors to elect or appoint on their behalf additional Directors up to such maximum. Bye-law 86(2) of the Bye-laws provides that Directors shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board but so that the number of Directors so appointed shall not exceed any maximum number determined by Shareholders from time to time.

Pursuant to an ordinary resolution passed at the statutory meeting of Shareholders held on 29 May 1996, the maximum number of Directors was set at 20. As detailed in "– *Board Following Completion of the Proposal*" above, it is proposed that the Board will comprise over 20 Directors on completion of the Proposal. In order to comply with Bye-law 86(2) of the Bye-laws and to provide the Board with more flexibility, an ordinary resolution will be proposed at the SGM to increase the maximum number of Directors from 20 to 30 for purposes of Bye-law 86(2).

12. PROPOSED AMENDMENTS TO BYE-LAWS

In order to avoid any conflict or contradiction between the maximum number of Directors to be determined at the SGM and the second sentence in Bye-law 86(1) of the Bye-laws, which provides that there shall be no maximum number of Directors, a special resolution will be proposed at the SGM to approve amendments to the Bye-laws by deleting the second sentence in Bye-law 86(1) and replacing it with "Unless otherwise determined by an ordinary resolution of the Members in general meeting, there shall be no maximum number of Directors."

13. LISTING RULES IMPLICATIONS FOR THE COMPANY

The Proposal constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and will be subject to the approval of the Shareholders at the SGM pursuant to Chapter 14 of the Listing Rules. Such approval will need to be obtained from the Independent Shareholders as the Proposal also constitutes a connected transaction for the Company as described below.

As at the Latest Practicable Date, the following connected persons of the Company held or were interested in certain Scheme Shares and the issue of Shares pursuant to the Scheme by the Company to such persons as the Cancellation Consideration constitutes a connected transaction for the Company, which is subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Name	**Relationship with the Company**	**Number of Scheme Shares held or interested in as at the Latest Practicable Date**[1]
Mr. Li Tzar Kuoi, Victor	Chairman and Executive Director	151,000
Mr. Kam Hing Lam	Group Managing Director and Executive Director	100,000
Mrs. Lee Pui Ling, Angelina	Non-executive Director	8,800
Ms. Eirene Yeung	Alternate Director and Company Secretary	62,749
	Total	**322,549**

Note:

(1) See the notes to the shareholding table in *"Effects of the Proposal on the Shareholding Structure of PAH and the Company – Shareholding Structure of PAH"* above for further details.

To the best of the knowledge, information and belief of the Directors, save for the above connected persons of the Company, the Scheme Shareholders are third parties independent of the Company and its connected persons.

So far as the Directors are able to ascertain after making reasonable enquiries, the total original purchase cost of the Scheme Shares which the above connected persons of the Company held or were interested in was approximately HK$10.4 million.

14. WITHDRAWAL OF LISTING OF PAH SHARES UPON SCHEME BECOMING EFFECTIVE

14.1 Listing Status of the PAH Shares

Upon the Scheme becoming effective, all the Scheme Shares will be cancelled. An application will be made by PAH to the Stock Exchange for the voluntary withdrawal of the listing of the PAH Shares on the Stock Exchange immediately following the Scheme becoming effective, in accordance with Rule 6.15(2) of the Listing Rules.

14.2 Event of Lapse of the Proposal or Failure to Obtain Approval for the Proposal

The listing of the PAH Shares on the Stock Exchange will not be withdrawn if the Proposal is not approved, lapses or does not become unconditional for any reason. Under the relevant restrictions of the Takeovers Code relating to the making of subsequent offers, if the Proposal does not become unconditional or is withdrawn or lapses, neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Proposal is withdrawn or lapses, announce an offer or possible offer for PAH, except with the consent of the Executive.

The Company, the Offeror and PAH have agreed that (a) if the Scheme does not proceed or is withdrawn or lapses, all costs and expenses incurred by PAH in connection with the Scheme will be borne by the Company and the listing of the PAH Shares on the Stock Exchange will not be withdrawn, and (b) if the Scheme becomes effective, all costs and expenses incurred by PAH in connection with the Scheme will be borne by the Company and PAH in equal shares. The costs and expenses for the implementation of the Scheme are estimated to be approximately HK$205 million.

15. MANDATE TO ISSUE SHARES

In connection with the Proposal, the Company will allot and issue Shares as consideration for the Proposal. Based on the share exchange ratio for the Proposal and the number of Scheme Shares in issue (being 1,304,662,042) as at the Latest Practicable Date, the number of new Shares that the Company will issue under the Proposal is 1,390,769,736 Shares, representing approximately 55.20% of the Shares in issue as at the Latest Practicable Date and approximately 35.57% of the Shares then in issue immediately following the Proposal.

The allotment and issue of the Shares under the Proposal requires the approval of the Shareholders at the SGM pursuant to Rule 13.36(1)(a) of the Listing Rules.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued pursuant to the Proposal.

16. INFORMATION ON THE GROUP AND THE PAH GROUP

16.1 Information on the Group

The principal activities of the Group are development, investment and operation of infrastructure businesses in Hong Kong, Mainland China, the United Kingdom, the Netherlands, Australia, New Zealand and Canada.

16.2 Information on the PAH Group

The principal activities of the PAH Group are investment in power and utility-related businesses in Hong Kong and overseas.

17. THE SGM AND VOTING

The Company will convene the SGM for (a) the Independent Shareholders to consider and, if thought fit, pass an ordinary resolution to approve the making of the Proposal and the issue of the Shares as contemplated under the Proposal and (b) the Shareholders to consider and, if thought fit, pass ordinary resolutions to approve the Increase in Authorised Share Capital and the Increase in Maximum Number of Directors and special resolutions to approve the Change of Company Name and the Amendments to Bye-laws.

A notice of the SGM to be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Tuesday, 24 November 2015 at 11:30 a.m. is set out on pages SGM-1 to SGM-4 of this circular.

All Shareholders who have a material interest (which is different from that of all other Shareholders) in the Proposal, and their associates, will be required to abstain from voting on the ordinary resolution referred to in (a) above at the SGM.

CKH Holdings's shareholding in the Company (being approximately 75.67% as at the Latest Practicable Date) will be entitled to be voted on the ordinary resolution referred to in (a) above at the SGM. CKH Holdings has indicated that such shareholding will be voted in favour of such resolution at the SGM.

In addition, as at the Latest Practicable Date, Mr. Kam Hing Lam, an executive Director, was interested in certain Scheme Shares (as set out in *"– Effects of the Proposal on the Shareholding Structure of PAH and the Company – Shareholding Structure of PAH"* above) and also held Shares (as set out in *"– Effects of the Proposal on the Shareholding Structure of PAH and the Company – Shareholding Structure of the Company"* above). Mr. Kam Hing Lam will abstain from voting on the ordinary resolution referred to in (a) above at the SGM.

All Shareholders will be entitled to vote on the ordinary resolutions and the special resolutions referred to in (b) above at the SGM. CKH Holdings has indicated that its shareholding in the Company will be voted in favour of such resolutions at the SGM.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy to the principal place of business of the Company at 12th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong as soon as practicable and in any event no later than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish.

18. RECOMMENDATIONS

18.1 Recommendations in relation to the Proposal

(a) Recommendation from the Directors (other than those on the Independent Board Committee)

Having taken into account the objectives and reasons for, and the benefits of, the Proposal and its effects as set out in this circular, the Directors (other than the independent non-executive Directors, whose views are set out in *"Letter from the Independent Board Committee"*) consider that (i) the terms of the Proposal are fair and reasonable and (ii) the making of the Proposal and the issue of the Shares as contemplated under the Proposal are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors (other than the independent non-executive Directors, whose views are set out in *"Letter from the Independent Board Committee"*) recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the making of the Proposal and the issue of Shares as contemplated under the Proposal.

Each of Mr. Li Tzar Kuoi, Victor, Mr. Kam Hing Lam and Mrs. Lee Pui Ling, Angelina, who hold or are interested in the PAH Shares as described in *"Effects of the Proposal on the Shareholding Structure of PAH and the Company – Shareholding Structure of PAH"* above, abstained from voting on the relevant board resolutions of the Company for the approval of such transactions.

(b) Recommendation from the Independent Board Committee

The Independent Board Committee (comprising all of the independent non-executive Directors, namely Mr. Cheong Ying Chew, Henry, Mrs. Kwok Eva Lee, Mrs. Sng Sow-mei alias Poon Sow Mei, Mr. Colin Stevens Russel, Mr. Lan Hong Tsung, David and Mr. Barrie Cook) has been established to advise the Independent Shareholders in relation to the Proposal.

The Independent Board Committee, having considered (a) the objectives and reasons for, and the benefits of, the Proposal and its effects as set out in this circular and (b) the terms of the Proposal and having taken into account the advice of the Independent Financial Adviser, and in particular, the factors, reasons and recommendations set out in "*Letter from the Independent Financial Adviser*" in this circular, considers that the terms of the Proposal are fair and reasonable so far as the

Independent Shareholders are concerned and the making of the Proposal and the issue of Shares as contemplated under the Proposal are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends that the Independent Shareholders vote in favour of the ordinary resolution to be proposed at the SGM to approve the making of the Proposal and the issue of Shares as contemplated under the Proposal.

(c) Recommendation from the Independent Financial Adviser

Anglo Chinese has been engaged as the independent financial adviser to the Board and the Offeror Board pursuant to Rule 2.4 of the Takeovers Code, and to the Independent Board Committee and the Independent Shareholders pursuant to Rule 14A.45 of the Listing Rules, in relation to the Proposal. The text of the letter of advice from the Independent Financial Adviser is set out on pages 31 to 64 of this circular.

In the letter from the Independent Financial Adviser set out in this circular, the Independent Financial Adviser stated that having taken into account the factors and considerations set out in the letter of advice in relation to the Proposal, it is of the opinion that, while the Proposal may not be in the ordinary and usual course of business of the Group, the terms of the Proposal are fair and reasonable and are on normal commercial terms. Further, taking into account the benefits that are expected to arise on the fulfilment of the objectives of the Proposal, the Independent Financial Adviser considers that the Proposal is in the interests of the Company and the Shareholders as a whole and the Offeror, and accordingly advises the Independent Board Committee to recommend the Independent Shareholders to vote in favour of, and the Independent Financial Adviser also advises the Independent Shareholders to vote in favour of, the ordinary resolution to be proposed at the SGM to approve the Proposal and the issue of Shares as contemplated under the Proposal.

18.2 Recommendation in relation to the Change of Company Name

The Directors consider the Change of Company Name following completion of the Proposal to be in the interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of the special resolution to be proposed at the SGM to approve the Change of Company Name.

18.3 Recommendation in relation to the Increase in Authorised Share Capital

The Directors consider the Increase in Authorised Share Capital following completion of the Proposal to be in the interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Increase in Authorised Share Capital.

18.4 Recommendation in relation to the Increase in Maximum Number of Directors

The Directors consider the Increase in Maximum Number of Directors to be in the interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Increase in Maximum Number of Directors.

18.5 Recommendation in relation to the Amendments to Bye-laws

The Directors consider the Amendments to Bye-laws to be in the interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of the special resolution to be proposed at the SGM to approve the Amendments to Bye-laws.

19. FURTHER INFORMATION

You are urged to read carefully (1) the letter from the Independent Board Committee set out on page 30 of this circular, (2) the letter from the Independent Financial Adviser set out on pages 31 to 64 of this circular and (3) the Appendices. In addition, a form of proxy for the SGM is enclosed with this circular.

In addition to the documents available for inspection as set out in *"Appendix V – General Information"*, each of the Company and PAH has published its annual and interim reports, corporate announcements and other corporate communications on their websites at **www.cki.com.hk** and **www.powerassets.com**, respectively, and on the Stock Exchange's website at **www.hkexnews.hk**. Information published by the Company and PAH on the Stock Exchange's website can be found on such website by reference to their respective stock codes or stock names.

You should rely only on the information contained in this circular in order to vote your Shares at the SGM. None of the Company, the Offeror, PAH, HSBC, the Independent Financial Adviser, any of their respective directors, officers, employees, agents, affiliates or advisers or any other person involved in the Proposal or the Scheme has authorised anyone to provide you with information that is different from what is contained in this circular. Unless otherwise stated, no assumption should be made that the information contained in this circular is accurate as at any date other than the Latest Practicable Date.

Yours faithfully,
For and on behalf of the Board of
Cheung Kong Infrastructure Holdings Limited
LI Tzar Kuoi, Victor
Chairman

Cheung Kong Infrastructure Holdings Limited
長江基建集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 1038)

20 October 2015

To the Independent Shareholders

**Proposed Merger of
the Company and Power Assets Holdings Limited
involving a Share Exchange Offer to
the Scheme Shareholders of Power Assets Holdings Limited
for the Cancellation of all the Scheme Shares
by way of a Scheme of Arrangement**

We refer to the circular of Cheung Kong Infrastructure Holdings Limited dated 20 October 2015 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to give a recommendation to the Independent Shareholders in relation to the Proposal.

Having considered (a) the objectives and reasons for, and the benefits of, the Proposal and its effects as set out in the Circular and (b) the terms of the Proposal and having taken into account the advice of the Independent Financial Adviser, and in particular, the factors, reasons and recommendations set out in the letter from the Independent Financial Adviser, we consider that the terms of the Proposal are fair and reasonable so far as the Independent Shareholders are concerned and the making of the Proposal and the issue of Shares as contemplated under the Proposal are in the interests of the Company and the Shareholders as a whole. We therefore recommend that you vote in favour of the ordinary resolution to be proposed at the SGM to approve the Proposal and the issue of Shares as contemplated under the Proposal.

We draw the attention of the Independent Shareholders to (1) the letter from the Board set out on pages 1 to 29 of the Circular and (2) the letter from the Independent Financial Adviser, which sets out the factors and reasons taken into account in arriving at its advice to the Independent Board Committee and the Independent Shareholders, on pages 31 to 64 of the Circular.

Yours faithfully,

CHEONG Ying Chew, Henry
KWOK Eva Lee
SNG Sow-mei alias POON Sow Mei
Colin Stevens RUSSEL
LAN Hong Tsung, David
Barrie COOK
Independent Board Committee

The following is the text of a letter of advice from Anglo Chinese, the Independent Financial Adviser appointed to advise the Board, the Offeror Board, the Independent Board Committee and the Independent Shareholders in relation to the Proposal, which has been prepared for the purpose of incorporation into this circular.

ANGLO CHINESE
CORPORATE FINANCE, LIMITED
www.anglochinesegroup.com

40th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong

The Board, the Independent Board Committee
and the Independent Shareholders of
Cheung Kong Infrastructure Holdings Limited
and The Offeror Board

20 October 2015

Dear Sirs

The Proposed Merger of Cheung Kong Infrastructure Holdings Limited ("CKI") and Power Assets Holdings Limited ("PAH") Involving a Share Exchange Offer to the Scheme Shareholders of Power Assets Holdings Limited for the Cancellation of all the Scheme Shares by way of a Scheme of Arrangement

INTRODUCTION

Prior to the joint announcement relating to the Proposal dated 8 September 2015 (the "Joint Announcement"), Anglo Chinese was engaged by CKI to provide independent advice to the Board and the Offeror Board as to whether the Proposal is in the interests of the respective shareholders of CKI and the Offeror and the substance of our advice was set out in the Joint Announcement. Anglo Chinese advised that having taken into account among others, the terms of the Scheme and the anticipated benefits expected to arise from the objectives of the Proposal, it considered the Proposal to be in the interests of the shareholders of CKI and the Offeror. On 7 October 2015 a further announcement was made in respect of amendment to the terms of the Proposal in relation to the exchange ratio and the proposed special dividend. The advice to the Board and the Offeror Board is incorporated within this letter.

We also refer to our appointment as the independent financial adviser to the Independent Board Committee in relation to the connected transaction that arises as a result of the issue of Shares to certain connected persons of CKI pursuant to the Proposal. Expressions used in this letter have the same meaning as defined in the circular dated 20 October 2015 (the "Circular") of which this letter forms part, unless the context requires otherwise.

As certain directors of CKI or their associates hold certain Scheme Shares, it is expected that the Scheme Shareholders will include certain connected persons of CKI. The issue of new Shares pursuant to the Scheme by CKI to the connected persons of CKI as the

Cancellation Consideration will constitute a connected transaction for CKI, which is subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to advise to the Independent Shareholders on whether or not the connected transaction arising from the Proposal is fair and reasonable and as to voting in connection to the Proposal. We have been appointed to advise the Independent Board Committee and the Independent Shareholders accordingly.

In formulating our opinion and recommendation, we have reviewed sufficient and relevant information and documents supplied to us by CKI and the opinions expressed by, and the representations of the Directors, including those set out in this Circular and the Scheme Document.

We have relied on the accuracy of the information, facts and representations and the opinions expressed by CKI and the Directors referred to in this Circular. We have assumed that the information, facts, representations and opinions were true at the time they were made and continue to be true at the date of this Circular and the Scheme Document, and will continue to be true up to the time of the completion of the Proposal. Independent Shareholders will be informed as soon as practicable if we become aware of any material change to such information. We consider that we have reviewed sufficient information to reach the conclusions set out in this letter and have no reason to believe any of the information provided to us by the Directors is inaccurate or that any material information has been omitted or withheld from the information supplied or the opinions expressed in this Circular. We have also assumed that all statements of belief, opinion and intention of the Directors as set out in the Joint Announcement and this Circular were reasonably made after due and careful inquiry. We have also sought and obtained confirmation from CKI that no material facts have been omitted from the information provided to us. We have not, however, carried out any independent verification of the information provided to us by the Directors, nor have we conducted any form of independent in-depth investigation into the business and affairs or the prospects of the Group or the PAH Group.

Apart from normal professional fees for our services to CKI in connection with the engagement described above, no arrangement exists whereby we will receive any fees or benefits from CKI, its subsidiaries, directors, chief executive, substantial shareholders or any associates of any of them.

SUMMARY OF THE PROPOSAL

Terms of the Proposal

Under the Proposal, the Offeror is making a conditional share exchange offer to the Scheme Shareholders for the cancellation of all the Scheme Shares (which will be all the PAH Shares in issue other than those held or beneficially owned by the Relevant Subsidiaries), in exchange for Shares to be issued credited as fully paid in the following ratio, based on the holding of Scheme Shares as at the Scheme Record Time:

For every one Scheme Share held: 1.066 Shares

The above share exchange ratio was determined by CKI and the Offeror based on the average closing prices of the Shares and the PAH Shares on the Stock Exchange for the 30 trading days up to (and including) 4 September 2015 (which was prior to the publication of the Announcement on 8 September 2015), without any premium or discount.

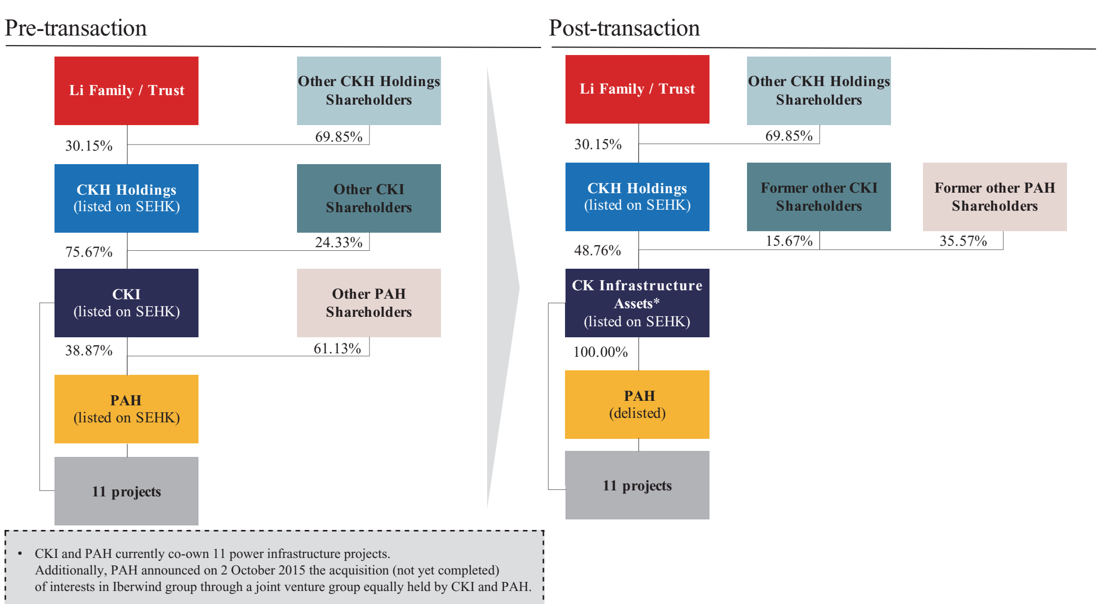
The consideration for the Proposal will be satisfied by CKI issuing new Shares to the Scheme Shareholders, other than the Non-Qualifying PAH Overseas Shareholders, if any (as further described in the Circular).

Conditions Precedent to the Proposal

The Proposal is subject to a number of conditions precedent, including, among other things, (a) the approval of the Proposal by the Independent Shareholders; (b) the approval of the Scheme by the Disinterested PAH Shareholders; and (c) the sanctioning of the Scheme by the Court.

Subject to the fulfilment (or, where relevant, the waiver) of the conditions precedent to the Proposal, it is currently expected that the Proposal will be completed by early 2016.

Set out below is an overview of the transaction:



Note: Total may not add up due to rounding

Note:* The Board proposes to change the company name of CKI to CK Infrastructure Assets (Holdings) Limited ("CK Infrastructure Assets") on completion of the Proposal to signify the merger of CKI and PAH.

Further details of the shareholding structure of CKI before and after the completion of the proposal are set out on pages 11 to 13 of this Circular. The Shareholders are also referred to the letter from the Board which includes further details of the Proposal.

BASIS OF OPINION AND FACTORS TAKEN INTO CONSIDERATION

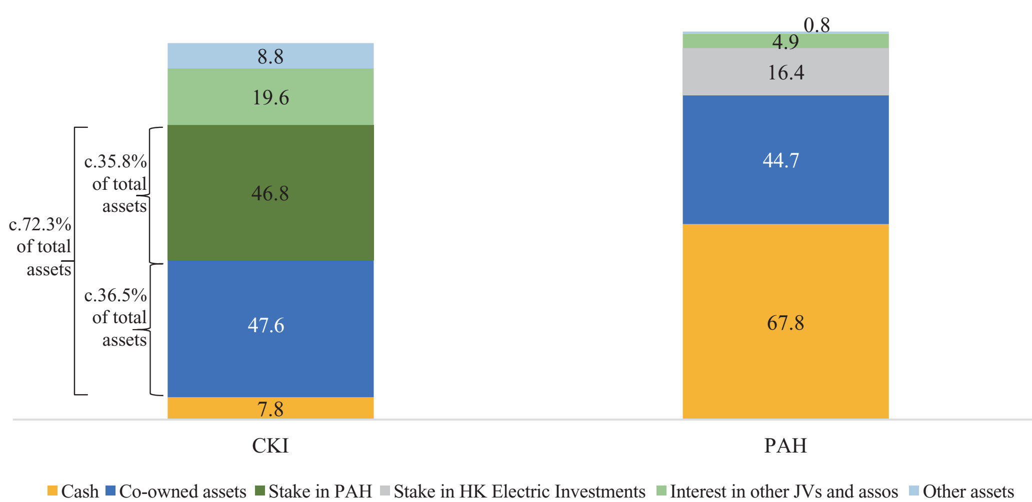
Comparison of CKI and PAH

PAH is a global investor in power and utility related businesses, with interests in electricity generation, transmission and distribution, renewable energy and gas distribution. CKI has a wider mandate than PAH with diversified investments in energy, infrastructure, transportation infrastructure, waste management and infrastructure related businesses.

At the 30 June 2015 PAH had total of assets of HK$134,555 million of which its interest in HK Electric Investments and HK Electric Investments Limited represented HK$16,413 million, and cash and bank deposits accounted to HK$67,796 million.

At 30 June 2015, CKI had total assets of HK$130,563 million, of which approximately 35.8% were represented by its interest in PAH and approximately 36.5% by assets co-owned with PAH. Set out below is an illustration of the comparisons of CKI's and PAH's respective asset bases as at 30 June 2015.

Composition of CKI's and PAH's respective asset base as at 30 June 2015 (HK$ billion)



Excluding the cash component, the great majority of PAH's assets are co-owned with CKI. Set out below are the co-owned investments together with the percentage interest held respectively by CKI and PAH.

Assets	Location	Classification of investment as at the Latest Practicable Date	Percentage interests held by CKI	Percentage interests held by PAH
UK Power Networks Holdings Limited	United Kingdom	Joint Venture	40.0%	40.0%
Northern Gas Networks Holdings Limited	United Kingdom	Joint Venture	47.1%	41.3%
Wales and West Gas Networks (Holdings) Limited	United Kingdom	Joint Venture	30.0%	30.0%
Seabank Power Limited	United Kingdom	Joint Venture	25.0%	25.0%
SA Power Networks	Australia	Associate	23.1%	27.9%
Victoria Power Networks Pty Limited	Australia	Associate	23.1%	27.9%
Australian Gas Networks Limited	Australia	Joint Venture	45.0%	27.5%
Transmission General Holdings (Australia) Pty Limited	Australia	Joint Venture	50.0%	50.0%
Dutch Enviro Energy Holdings B.V.	Netherlands	Joint Venture	35.0%	20.0%
Wellington Electricity Distribution Network Limited	New Zealand	Joint Venture	50.0%	50.0%
Canadian Power Holdings Inc.	Canada	Joint Venture	50.0%	50.0%

PAH owns 33.37% of HK Electric Investments and HK Electric Investments Limited which is listed on the Stock Exchange and based on the closing price on 7 September 2015 of the shares held by PAH, this investment was valued at HK$15.9 billion. In addition it has the following investments which are not co-owned with CKI.

Assets	Classification of investment	Percentage interest held by PAH
Guangdong Zhuhai Jinwan Power Company Limited	Joint Venture	45%
Guangdong Zhuhai Power Station Company Limited	Joint Venture	45%
Huaneng Hongkong Electric Dali Wind Power Company Limited	Associate	45%
Huaneng Laoting Wind Power Company Limited	Associate	45%
Ratchaburi Power Company Limited	Associate	25%
Secan Limited	Associate	20%

The investments above are all engaged in the activity of power generation in the PRC except Ratchaburi Power Company Limited which operates in Thailand and Secan Limited which is engaged in property development in Hong Kong.

The investments co-owned with CKI, and the other joint ventures and associates listed above form substantially all PAH's activities in the power sector. The greater portion of these are co-owned with CKI. Accordingly there is significant duplication in the assets held by CKI both through its interest in PAH and through the assets co-owned with PAH.

For the past five years till to the Latest Practicable Date, the Shares have outperformed PAH Shares as illustrated below:

The stronger share price performance of the Shares when compared with PAH Shares for the past five years may be attributable to the higher earnings growth rate displayed by CKI compared with PAH over the last five financial years, as shown below.

CKI, in HKD millions	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**2010-2014 CAGR**
Reported profit attributable to CKI Shareholders	5,028	7,745	9,427	11,639	31,782	
Less: Gain on disposal of an associate	–	(145)	–	–	(12)	
Less: Gain on disposal of a joint venture	–	–	(2)	(111)	–	
Less: Gain on disposal of a subsidiary	–	(96)	–	–	(2,236)	
Less: One-off gain to CKI from PAH's spin-off of its Hong Kong electricity business	–	–	–	–	(19,557)	
Less: Changes in fair values of investment properties	(12)	(20)	(32)	(30)	(37)	
Normalised profit attributable to CKI Shareholders	**5,016**	**7,484**	**9,393**	**11,498**	**9,940**	**18.6%**

PAH, in HKD millions	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**2010-2014 CAGR**
Reported profit attributable to PAH Shareholders	7,194	9,075	9,729	11,165	61,005	
Less: Gain on disposal of a subsidiary	–	–	–	–	(52,928)	
Normalised profit attributable to PAH Shareholders	**7,194**	**9,075**	**9,729**	**11,165**	**8,077**	**2.9%**

In respect of the five financial years ended 31 December 2014, the ordinary dividends paid by CKI and PAH have been as follows:

	2010	2011	2012	2013	2014
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
CKI	1.330	1.530	1.660	1.860	2.000
PAH	2.110	2.320	2.450	2.550	2.680

The compound annual growth of dividend per share for the above period for CKI and PAH was 10.7% and 6.2% respectively.

After deducting the one-time gain arising from the spin-off of the Hong Kong electricity business, PAH's consolidated profits attributable to shareholders for the year ended 31 December 2014 dropped by 28% mainly due to the reduction of interest in the Hong Kong electricity business from 100% to 49.9% and deferred tax credits arising from the lowering of the UK corporate tax rate from 23% to 20% recorded in 2013.

Based on the last twelve months results of CKI and PAH to 30 June 2015, the normalised return on equity attributable to shareholders was 11.0% in respect of CKI and 6.8% in PAH. The return on equity for the period for PAH was affected by the assets represented by low yielding cash and bank deposits, which at 30 June 2015 amounted to HK$67,796 million.

Furthermore CKI's wider mandate for investments, which includes any form of infrastructure investment compared with PAH which invests principally in power and utility related businesses, has resulted in CKI making more investment in the last five years than PAH. Since 2010 the following investments have been made by CKI and PAH.

Major investments made by CKI and PAH since 2010

	Year of announcement	Project	Sector	Percentage interest held by CKI	Percentage interest held by PAH
Power and power-related sector investments					
1	2010	Seabank Power Limited	Power	25.0%	25.0%
2	2010	UK Power Networks Holdings Limited	Power	40.0%	40.0%
3	2012	Wales and West Gas Networks (Holdings) Limited	Gas distribution/ network	30.0%	30.0%
4	2013	Dutch Enviro Energy Holdings B.V.	Waste treatment/ energy-from-waste	35.0%	20.0%
5	2014	Australian Gas Networks Holdings Pty Limited	Gas distribution/ network	45.0%	27.5%
6	2015	Iberwind – Desenvolvimento e Projectos, S.A.*	Power	50.0%	50.0%

*Note**: The acquisition of Iberwind has not become unconditional as at the Latest Practicable Date.

	Year of announcement	Project	Sector	Percentage interest held by CKI	Percentage interest held by PAH
Non-power infrastructure sector investments					
1	2011	Northumbrian Water Group Limited	Water and sewerage	40.0%	–
2	2013	Enviro Waste Services Limited	Waste management	100.0%	–
3	2014	Park'N Fly	Car park facilities	50.0%	–
4	2015	Eversholt Rail Group	Rolling stock leasing	50.0%	–

In addition to CKI's focus on non-power infrastructure investment, CKI has also had the opportunity to co-invest in large scale power projects with PAH. The cash resources available to the Enlarged Group will enable the Enlarged Group to seek further investment in accordance with its broader investment policies. Although the two groups are already large participants in the infrastructure sector on the bases of their respective market capitalisations, the combined group will represent a more formidable investor in investment opportunities that may arise.

Relative share prices

The share exchange ratio was determined by CKI and the Offeror based on the average closing prices of CKI Shares and PAH Shares for the 30 trading days up to and including 4 September 2015, without any premium or discount. The average closing prices of CKI Shares and PAH Shares for the 30 trading days up to and including 4 September 2015 were as follows:

CKI Share	HK$65.65
PAH Share	HK$69.98

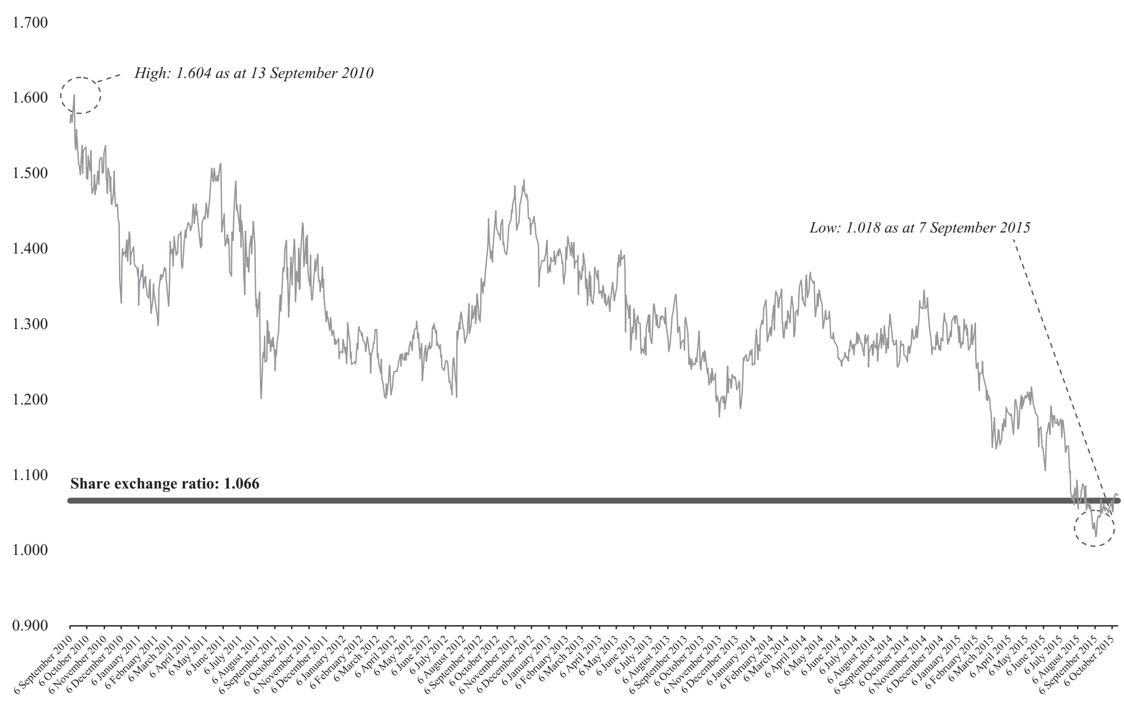
Accordingly the share exchange ratio is as follows:

For every one Scheme Share held	1.066 CKI Shares

Upon the Scheme becoming effective, the resultant share capital of CKI based on the issued share capital of CKI and PAH on the Latest Practicable Date would be split as follows between the CKI Shareholders and the Scheme Shareholders:

	Shares	**As a % of total**
No. of CKI Shares held by CKI Shareholders	2,519,610,945	64.4%
No. of CKI Shares to be issued to Scheme Shareholders	1,390,769,736	35.6%
Enlarged share capital of CKI	3,910,380,681	100.0%

The prices of CKI Shares and PAH Shares vary from day to day and set out in the chart below is the share exchange ratio that would have applied using the same basis without any premium or discount, based on the closing prices of CKI Shares and PAH Shares over the period of past five years up to the Latest Practicable Date. The chart illustrates the relative values of CKI Shares and PAH Shares over the abovementioned period.



Source: Bloomberg

Analysis of the share exchange ratio

Set out below are the share exchange ratios based on the simple average closing prices and the volume-weighted average closing prices ("VWAP") of each of the CKI Shares and PAH Shares for periods of five, ten, twenty, thirty, sixty and one hundred and eighty days up to and including 4 September 2015.

	Share exchange ratios based on	
	simple average of closing prices	**VWAP[(1)]**
Five days	1.040	1.041
Ten days	1.049	1.053
Twenty days	1.062	1.064
Thirty days	1.066	1.068
Sixty days	1.110	1.108
One hundred and eighty days	1.179	1.181

Source: Bloomberg

Note:

1. VWAP is calculated by dividing the total value traded (sum of price times trade size) by the total volume (sum of trade sizes), taking into account every qualifying transaction (a qualifying transaction is either an automatch direct business transaction or an auction transaction)

As shown above, the CKI Shares have been out performing PAH Shares which has resulted in an exchange ratio based on the closing prices of both shares narrowing from 1.179 CKI Shares for each PAH Share to close to parity over the six months prior to the Joint Announcement, which therefore results in less dilution for existing CKI Shareholders. The proposed exchange ratio which gives rise to approximately 36% of the enlarged share capital of CKI following the completion of the Proposal being issued to PAH Shareholders other than CKI closely reflects the average of the relative contribution of the interests to be acquired under the Proposal, while using the simple average based on the closing prices of CKI Shares and PAH Shares six months prior to the Joint Announcement would have resulted approximately 38% of the enlarged share capital of CKI being issued to PAH Shareholders other than CKI.

Contribution comparison (CKI versus 61.13% of PAH)

As confirmation of this approach and prior to the Joint Announcement, analyses were made of the relative contribution to the merged entities that would have resulted from the portion of PAH to be acquired compared with that made by CKI on the basis of the last twelve months performances of CKI and PAH up to 30 June 2015 based on the audited consolidated income statements and consolidated financial positions of CKI and PAH for year ended 31 December 2014, and their respective unaudited consolidated income statements and financial statements for the six months ended 30 June 2014 and 2015. In respect of the earnings contribution made by CKI for the last twelve months ended 30 June 2015, the one-time gain of HK$2,236 million on the disposal by CKI in August 2014 of its entire interests in Cheung Kong Infrastructure Holdings (Malaysian) Limited, amongst other adjustments, has been excluded. We have not included the comparative group turnover of CKI and PAH as owing to the fact that many of the assets held by both companies are joint ventures or associate companies, the turnover of which is not consolidated in the accounts of either company. Turnover is therefore not considered to be a meaningful figure for either CKI or PAH. Accordingly, we have calculated the normalised earnings based on the abovementioned adjustments and illustrated in the contribution analysis of CKI and PAH for our analysis purposes:

For the last twelve months ended 30 June 2015:

In HK$ millions	**CKI**		**61.13% of PAH**	
	Amount	**Share**	**Amount**	**Share**
Market capitalisation as at 30 June 2015	151,681	62.2%	92,240	37.8%
Book net asset value as at 30 June 2015	107,414	59.1%	74,255	40.9%
Total assets as at 30 June 2015	130,563	61.4%	82,253	38.6%
Normalised earnings (as profit attributable to shareholders) ended 30 June 2015	10,906	68.4%	5,031	31.6%
Normalised EBITDA ended 30 June 2015	12,499	72.6%	4,726	27.4%
Average (normalised)		**64.7%**		**35.3%**

Sources: the published financial reports of CKI and PAH and Anglo Chinese analysis

The average contribution on the above bases made by CKI is approximately 64.7% for the last twelve months ended 30 June 2015 on the adjusted basis taking into account the non-recurring contribution to profits attributable to the CKI Shareholders during the period as described above whereas the proposed share exchange ratio reflects an approximately 64% contribution by CKI. The share exchange ratio arising from the Proposal is closely in line with the average contribution analysis set out above.

To arrive at the normalised last twelve months earnings ended 30 June 2015 for CKI, we have made adjustments for (1) HK$34 million gain from disposal of a joint venture; (2) HK$2,236 million gain from disposal of CKI Holdings (Malaysian); (3) HK$37 million gain from changes in fair values of investment properties and (4) HK$297 million losses from CKI and share of Power Assets' disposal of its stake in HK Electric Investments and HK Electric Investments Limited. For PAH, we have adjusted for the HK$532 million loss on disposal of its stake in HK Electric Investments and HK Electric Investments Limited.

As a further confirmation of our approach above, we have also made similar analyses based on the results of CKI and PAH for the financial year ended 31 December 2014. Adjustments for the non-recurring impact on profits attributable to the CKI Shareholders and PAH Shareholders comprised primarily of the gain arising from PAH's separate listing of its Hong Kong electricity business and in the case of CKI the gain on disposal of its entire interest in Cheung Kong Infrastructure Holdings (Malaysian) Limited. Based on the abovementioned adjustments illustrated below is the contribution analysis of CKI and PAH:

For the financial year ended 31 December 2014 ("FY14"):

In HK$ millions	**CKI**		**61.13% of PAH**	
	Amount	**Share**	**Amount**	**Share**
Market capitalisation as at 31 December 2014	140,034	58.8%	98,176	41.2%
Book net asset value as at 31 December 2014	101,746	57.5%	75,243	42.5%
Total assets as at 31 December 2014	126,070	60.2%	83,304	39.8%
Normalised earnings (as profit attributable to shareholders) for FY14	9,940	66.8%	4,937	33.2%
Normalised EBITDA for FY14	11,594	70.9%	4,754	29.1%
Average (normalised)		**62.8%**		**37.2%**

Sources: the published financial reports of CKI and PAH and Anglo Chinese analysis

The average contribution on the above bases made by CKI is approximately 62.8% on the adjusted basis taking into account the non-recurring contribution to profits attributable to CKI Shareholders and PAH Shareholders during the financial year ended 31 December 2014. This is closely similar to the analysis above in respect of the trailing twelve months ended 30 June 2015. Details on the normalisation adjustments made to the earnings of CKI and PAH for the financial year ended 31 December 2014, are illustrated earlier in this letter.

Comparable companies' analysis

In forming our opinion on the fairness and reasonableness of the comparison, we have reviewed comparable listed companies (the "Comparable Companies") which are principally engaged in either (1) generating and distributing electricity through the burning of fossil fuels such as coal, petroleum and natural gas, and through nuclear energy; (2) generating and distributing electricity from a renewable source including companies that produce solar, water, wind and geothermal electricity; (3) distributors of gas to end consumers (but excludes providers of natural gas as a commodity); (4) companies providing water to end consumers, including water treatment plants; and (5) utility companies with significant presence in more than one utility. All Comparable Companies have a market capitalisation of at least US$15 billion (equivalent to approximately HK$116.7 billion at the exchange rate of US$1 to HK$7.78) as at the date of the Joint Announcement. Based on the above criteria, we have identified 32 Comparable Companies, which to the best of our knowledge is an exhaustive list providing a relevant benchmark for the purpose of assessing the Proposal. We have considered the commonly adopted comparable approaches used in determining a company's value, namely the price-to-earnings ratio ("PER") and the price-to-book ratio ("P/B").

Company name	Ticker	Market capitalisation as at the date of Joint Announcement	Immediately prior to the publication of the Joint Announcement		As at the Latest Practicable Date		Principal businesses	Geographical locations
		(US$ billion)	*PER (times)*	*P/B (times)*	*PER (times)*	*P/B (times)*		
Listed globally								
National Grid plc	NG LN Equity	49.43	15.86	2.77	17.16	2.99	Multinational electricity and gas utility company	United Kingdom and United States of America
Duke Energy Corporation	DUK US Equity	47.74	16.75	1.19	18.03	1.28	Electricity and gas utility company	United States of America and Canada
NextEra Energy, Inc.	NEE US Equity	43.89	17.24	2.00	18.80	2.19	Electric utility company	United States of America and Canada
Enel S.p.A.	ENEL IM Equity	42.53	66.30	1.13	68.33	1.17	Electric utility company	Worldwide
Engie	ENGI FP Equity	42.00	43.49	0.73	42.69	0.72	Multinational electric utility company	France
Iberdrola SA	IBE SM Equity	41.52	15.74	0.96	16.66	1.02	Multinational electric utility company	Spain, Scotland, United States of America and Brazil
Dominion Resources Inc. (Virginia)	D US Equity	40.84	19.32	3.21	20.92	3.48	Electricity and gas utility company	United States of America
Southern Company	SO US Equity	38.79	15.43	1.89	16.84	2.06	Electric utility company	United States of America
Électricité de France S.A.	EDF FP Equity	37.33	12.94	0.91	12.73	0.90	Electric utility company	France
American Electric Power	AEP US Equity	26.53	14.43	1.48	16.12	1.65	Electric utility company	United States of America
Exelon Corporation	EXC US Equity	26.10	11.01	1.09	11.47	1.14	Electric utility company	United States of America

Company name	Ticker	Market capitalisation as at the date of Joint Announcement	Immediately prior to the publication of the Joint Announcement		As at the Latest Practicable Date		Principal businesses	Geographical locations
		(US$ billion)	*PER (times)*	*P/B (times)*	*PER (times)*	*P/B (times)*		
Korea Electric Power Corporation	015760 KS Equity	24.85	6.51	0.53	7.23	0.59	Electric utility company	South Korea
PG&E Corporation	PCG US Equity	23.86	12.11	1.43	13.75	1.62	Electricity and gas utility company	United States of America
Sempra Energy	SRE US Equity	23.01	17.77	1.95	19.32	2.12	Gas utility company	United States of America
SSE plc	SSE LN Equity	22.56	26.37	2.38	28.10	2.54	Electricity, gas utility and telecommunication company	The United Kingdom and The Republic of Ireland
China National Nuclear Power Co. Ltd.	601985 CH Equity	22.43	40.58	4.77	48.23	5.67	Electric utility company	PRC
Endesa, S.A.	ELE SM Equity	22.33	49.79	2.19	52.28	2.29	Electricity, gas utility and telecommunication company	Countries in Europe
E.ON SE	EOAN GR Equity	21.86	N.A.	0.70	N.A.	0.69	Electricity and gas utility company	Countries in Europe and United States of America
PPL Corporation	PPL US Equity	20.02	12.46	2.00	14.35	2.30	Electricity and gas utility company	United States of America
Public Service Enterprise Group	PEG US Equity	19.78	13.31	1.53	15.04	1.73	Electricity and gas utility company	United States of America
Gas Natural SDG SA	GAS SM Equity	19.66	13.64	1.20	15.10	1.33	Electricity and gas utility company	Spain, Italy, Mexico, Colombia, Argentina, Puerto Rico, Moldova and Morocco

Company name	Ticker	Market capitalisation as at the date of Joint Announcement	Immediately prior to the publication of the Joint Announcement		As at the Latest Practicable Date		Principal businesses	Geographical locations
		(US$ billion)	*PER (times)*	*P/B (times)*	*PER (times)*	*P/B (times)*		
Edison International	EIX US Equity	18.85	12.34	1.64	13.94	1.85	Electric utility company	United States of America
Centrica plc	CNA LN Equity	18.32	N.A.	3.71	N.A.	3.78	Electricity and gas utility company	United Kingdom, The Republic of Ireland and United States of America
Consolidated Edison Inc.	ED US Equity	18.26	15.14	1.39	16.53	1.52	Electric, gas and steam utility company	United States of America
Saudi Electricity Company	SECO AB Equity	18.24	76.76	1.14	84.05	1.25	Electric utility company	The Kingdom of Saudi Arabia
Zhejiang Zheneng Electric Power Co. Ltd.	600023 CH Equity	17.46	16.34	2.22	16.22	2.21	Electric utility company	PRC
Snam S.p.A.	SRG IM Equity	17.16	12.52	2.17	12.97	2.29	Natural gas infrastructure company	Italy
Xcel Energy Inc.	XEL US Equity	16.78	16.60	1.61	18.49	1.79	Electricity and gas utility company	United States of America
	Average	**27.93**	**22.72**	**1.78**	**24.44**	**1.93**		
	Median	**22.79**	**15.80**	**1.57**	**16.75**	**1.76**		
	Maximum	**49.43**	**76.76**	**4.77**	**84.05**	**5.67**		
	Minimum	**16.78**	**6.51**	**0.53**	**7.23**	**0.59**		
Hong Kong listed:								
CLP Holdings Limited	0002	20.89	15.82	1.84	16.85	1.96	Electric utility company	Hong Kong and PRC
The Hong Kong and China Gas Company Limited	0003	21.93	22.26	3.14	23.29	3.29	Gas, water and telecommunication company	Hong Kong and PRC

Company name	Ticker	Market capitalisation as at the date of Joint Announcement	Immediately prior to the publication of the Joint Announcement		As at the Latest Practicable Date		Principal businesses	Geographical locations
		(US$ billion)	*PER* *(times)*	*P/B* *(times)*	*PER* *(times)*	*P/B* *(times)*		
Huaneng Power International Inc.	0902	19.81	7.50	1.30	8.37	1.45	Electric utility company	PRC
CGN Power Co., Ltd	1816	17.47	14.39	2.19	17.12	2.60	Electric utility company	PRC
	Average	**20.03**	**14.99**	**2.12**	**16.41**	**2.33**		
	Median	**20.35**	**15.11**	**2.01**	**16.98**	**2.28**		
	Maximum	**21.93**	**22.26**	**3.14**	**23.29**	**3.29**		
	Minimum	**17.47**	**7.50**	**1.30**	**8.37**	**1.45**		
PAH (based on the normalised net profit attributable to the shareholders)	0006	18.62	17.53	1.19	19.76	1.34		
PAH (based on the reported net profit attributable to the shareholders without any normalisation)	0006	18.62	18.74	1.19	21.13	1.34		
CKI (based on the normalised net profit attributable to the shareholders)	1038	21.51	15.28	1.55	16.39	1.66		
CKI (based on the reported net profit attributable to the shareholders without any normalisation)	1038	21.51	12.90	1.55	13.84	1.66		

Sources: Bloomberg and the latest published financial statements of the respective comparable companies, CKI and PAH

For the purpose of the Proposal, the PAH Shares were valued at HK$69.98 (based on the average of closing prices of PAH Shares for the 30 trading days up to and including 4 September 2015) representing a PER (based on the last twelve months ended 30 June 2015) of 18.15 times and P/B ratio of 1.23 times on a normalised basis, and a PER (based on the last twelve months ended 30 June 2015) of 19.40 times and P/B ratio of 1.23 times on a reported basis (without normalisation).

Based on the closing prices of the PAH Shares as at the Latest Practicable Date, the normalised PER and P/B ratio would be 19.76 times and 1.34 times respectively, whilst the reported PER and P/B ratio would be 21.13 times and 1.34 times respectively.

The valuation on a normalised basis is within the range of the PER and P/B ratios of the comparable companies in the above table.

On the basis of the closing price of the CKI Shares of HK$70.95 as at the Latest Practicable Date and the share exchange ratio of the Proposal, the PAH Shares would be valued at HK$75.63, representing a PER of 19.61 times and P/B ratio of 1.33 times on a normalised basis, and a PER of 20.97 times and P/B ratio of 1.33 times on a reported basis.

The implied valuation of PAH based on the closing price of the CKI Shares of HK$70.95 as at the Latest Practicable Date represents a difference of 8.1% when compared to the valuation of PAH based on the proposed terms. We believe this difference, based on the price of the CKI Shares as at the Latest Practicable Date, is insignificant when assessing the proposed terms.

PRECEDENT MERGER TRANSACTIONS

Analysing recent precedent merger transactions is considered to be an appropriate way of assessing relative valuations. We have performed a search of recent merger transactions and identified two comparable successfully completed all-share transactions involving two companies listed on the Stock Exchange. The two precedents are (1) the merger of China CNR Corporation Limited ("CNR") and CSR Corporation Limited ("CSR") announced on 30 December 2014; and (2) the merger of CK Hutchison Holdings Limited ("CKH Holdings") and Hutchison Whampoa Limited ("Hutchison") announced on 9 January 2015. Our examination on the terms of the abovementioned two merger precedents is as follows:

CNR and CSR

The respective controlling shareholders of CNR and CSR were both demerged and reorganised from the former China National Railways Locomotive and Rolling Stock Industrial Corporation. CNR was listed on the Shanghai Stock Exchange in December, 2009 and on the Stock Exchange in May, 2014. CSR was listed on the Stock Exchange and Shanghai Stock Exchange in August, 2008.

Under the terms of the merger, a single exchange ratio was proposed under which CNR shareholders were offered 1.10 CSR A or H shares for each CNR A or H share.

As stated in the letter from CSR's board in its circular dated 21 January 2015, the market reference prices for CNR A shares and CNR H shares were RMB5.92 (HK$7.50[1]) and HK$7.21 respectively, and for CSR A shares and CSR H shares were RMB5.63 (HK$7.13[1]) and HK$7.32 respectively. Based on those market reference prices and the number of A shares and H shares in issue, we have calculated the weighted average price per CNR share was HK$7.45 and the weighted average price per CSR share was HK$7.16, presenting a weighted average price premium of CNR shares over CSR shares of about 3.9%. The exchange terms represent a premium of about 5.7 percentage points above the average price premium.

Under the proposed exchange rate, the percentage of shares to be held following the merger by CNR shareholders and CSR shareholders were to be as follows:

No. of CSR A and H shares to be issued to CNR A and H shareholders	13,485,758,333	49.4%
No. of CSR A and H shares held by CSR A and H shareholders	13,803,000,000	50.6%
Total no. of CSR A and H shares in issue after merger	**27,288,758,333**	**100.0%**

Note:

1. An exchange rate of HK$1.00 to RMB0.78934 was applied being the prevailing rate set by the Peoples' Bank of China on 16 January 2015

		CNR	CSR	Total	CNR's contribution	CSR's contribution
		(A) *RMB million*	*(B)* *RMB million*	*(C)* *RMB million*	*(A)/(C)*	*(B)/(C)*
1.	**Revenue**					
	– For the year ended 31 December 2013 [(1)]	96,756.1	96,525.1	193,281.2	50.1%	49.9%
	– For the ten months ended 31 October 2014 [(2)]	74,293.3	93,592.3	167,885.6	44.3%	55.7%
2.	**Profits attributable to CNR/CSR shareholders**					
	– For the year ended 31 December 2013 [(1)]	4,128.6	4,140.0	8,268.6	49.9%	50.1%
	– For the ten months ended 31 October 2014 [(2)]	4,455.9	4,545.3	9,001.2	49.5%	50.5%
3.	**Net assets value attributable to CNR/CSR shareholders**					
	– As at 31 December 2013 [(1)]	37,780.3	36,559.9	74,340.2	50.8%	49.2%
	– As at 31 October 2014 [(2)]	47,723.4	39,754.4	87,477.8	54.6%	45.4%
4.	**Market capitalisation of CNR/CSR shares as at 24 October 2014** [(3)]	**78,199.9**	**80,909.4**	**159,109.3**	**49.1%**	**50.9%**
	Proportions of shareholdings of CNR/CSR shareholders in the "Post-Merger New Company" [(4)]				**49.4%**	**50.6%**

Notes:

1. Financial information was extracted from the annual report of CSR and the prospectus of CNR dated 12 May 2014.

2. Financial information was extracted from appendices I and II of the circular of CSR dated 21 January 2015.

3. Market capitalisation was computed by the closing prices of each CNR A share, CNR H share, CSR A share and CSR H share multiplied by the outstanding CNR A shares, CNR H shares, CSR A shares and CSR H shares as at 24 October 2014 respectively. An exchange rate of RMB1 to HK$1.2683 as at 24 October 2014 was extracted from Bloomberg and adopted in the market capitalisation calculation.

4. Proportions of shareholdings of CNR/CSR shareholders in the "Post-Merger New Company" were calculated based on issued CNR shares of 12,259,780,303 as at 31 October 2014 multiplied by the exchange ratio of 1 CNR share to 1.1 CSR shares and issued CSR shares of 13,803,000,000 as at 31 October 2014 divided by aggregate number of the "Post-merger New Company's" shares of 27,288,758,333, as set out in appendix III of the circular of CSR dated 21 January 2014, assuming that completion of the merger occurred on 31 October 2014 and all CNR shareholders approve the merger and elect to exchange shares at the exchange ratio.

The above information set out in 1 to 4 and the notes was extracted from the circulars relating to the merger of CNR and CSR dated 21 January 2015 issued by CNR and CSR.

The above contributions made by CNR to the merged group on the basis of revenue, profits, net assets value and market capitalisation are broadly similar to the proportion of shareholding (49.4%) to which CNR shareholders would be entitled in the merged group. We note two exceptions, all based on the ten months figures ended 31 October 2014. On this basis, CNR would contribute 54.6% of net assets value and 44.3% of revenue compared to original CNR shareholders' 49.4% shareholding of the "Post-Merger New Company".

CKH Holdings and Hutchison

Under the terms of the merger, a single exchange ratio was proposed under which Hutchison scheme shareholders (other than the non-qualifying Hutchison overseas shareholders) were offered 0.684 CKH Holdings share for each Hutchison share.

As stated in the letter from CKH Holdings' board in its circular dated 31 March 2015, the share exchange ratio was determined based on the average closing prices of the shares of CKH Holdings and Hutchison on the Stock Exchange for the five trading days up to (and including) 7 January 2015, without any premium or discount. The average prices were HK$129.06 for CKH Holdings and HK$88.28 for Hutchison.

Under the exchange ratio, the percentage of shares to be held following the merger by the shareholders of CKH Holdings and the shareholders of Hutchison were as follows:

No. of shares held by the shareholders of CKH Holdings prior to the merger with Hutchison	2,316,164,338	61.4%
No. of shares issued to Hutchison shareholders other than CKH Holdings group	1,459,086,916	38.6%
Enlarged share capital of CKH Holdings	**3,775,251,254**	**100.0%**

		CKH Holdings	50.03% of Hutchison	Total	CKH Holdings's contribution	Hutchison's contribution
		(A)	*(B)*	*(C)*	*(A)/(C)*	*(B)/(C)*
		HK$ million	*HK$ million*	*HK$ million*		
1.	**Market Capitalisation**					
	– As at 30 June 2014	318,473	226,094	544,567	58.5%	41.5%
2.	**Book net asset value**					
	– As at 30 June 2014	378,575	209,935	588,510	64.3%	35.7%
3.	**Total assets**					
	– As at 30 June 2014	444,528	429,479	874,007	50.9%	49.1%
4.	**Earnings (attributable to shareholders)**					
	– Reported, LTM 30 June 2014	43,193	23,595	66,788	64.7%	35.3%
	– Normalised, LTM 30 June 2014	35,696	16,087	51,783	68.9%	31.1%
	Proportions of shareholdings of CKH Holdings/Hutchison shareholders				**61.4%**	**38.6%**

Notes:

1. The above financial information was extracted from the circular issued to the shareholders of CKH Holdings dated 31 March 2015.

2. LTM 30 June 2014 represents the last twelve months ended 30 June 2014.

3. Market capitalisation was computed by the closing prices of each CKH Holdings share and Hutchison share multiplied by the total outstanding CKH Holdings shares and Hutchison shares as at 30 June 2014 respectively.

4. Proportions of shareholdings of CKH Holdings and Hutchison shareholders in the table above showing the proportionate shareholding of CKH Holdings shareholders and Hutchison shareholders in the enlarged share capital of CKH Holdings.

The above contributions made by Hutchison to the merged group on the basis of market capitalisation, book net asset value, total assets and earnings are broadly similar to the proportion of shareholding (38.6%) to which Hutchison shareholders would be entitled in the merged group.

We believe that the CSR and CNR transaction and the merger of CKH Holdings and Hutchison, and their corresponding exchange terms can be analysed on the basis set out in the above precedent to be broadly in line with the terms arrived at in respect of the Proposal. All of the transactions, including the Proposal, have been structured as all-share transactions so that all affected shareholders are offered the opportunity to continue to remain invested in groups which are to be enlarged by the merger and to share equitably in the benefits of the merger.

Apart from the transactions as discussed above, we have further identified and considered several transactions which we do not consider to be applicable precedents. We have excluded transactions that were privatisation proposals with share and cash alternatives such as the privatisation and withdrawal of the listing of H shares of Zhengzhou Resources Gas Co., Ltd as set out in the composite offer and response document of China Resources Power Holdings Company Limited dated 23 November 2011, and also the privatisation and withdrawal of listing of shares of Integrated Distribution Services Group Limited as set out in the circular of Li & Fung Limited dated 14 September 2010. As the Proposal encompasses an all-share transaction with no cash alternative and is not presented as a privatisation proposal, we have excluded these transactions from our analysis.

We have also excluded the all-share transaction of the proposed merger between China Resources Power Holdings Company Limited and China Resources Gas Group Limited to form one energy group under China Resources (Holdings) Company Limited as stated in the circular of China Resources Power Holdings Company Limited dated 4 July 2013. The merger was not approved by the requisite majority of the independent shareholders of China Resources Power Holdings Company Limited. Subsequently, this proposed merger transaction lapsed as the approval by the independent shareholders was a condition precedent to this transaction. Accordingly, we disregarded this transaction. Similarly, we have excluded the share exchange transaction involving Denway Motors Limited and Guangzhou Automobile Group Co., Ltd as stated in the joint announcement of Denway Motors Limited dated 25 August 2010. At the time of the joint announcement made by both companies, Guangzhou Automobile Group Co., Ltd was not a listed company. Accordingly, we do not believe that a transaction involving a private company would be comparable to the Proposal, which involves two listed companies.

Note:

In respect of the transactions mentioned above, Anglo Chinese acted in the capacity of the financial adviser to China Resources (Holdings) Company Limited and China Resources Gas Group Limited, the valuation adviser to Guangzhou Automobile Group Co. Ltd., and the independent financial adviser to the board of Cheung Kong (Holdings) Limited and the independent board committee for Cheung Kong (Holdings) Limited.

EFFECT OF THE PROPOSAL

In respect of our role of advising the Board and the Offeror Board immediately prior to the publication of the Joint Announcement, we set out below the relevant market information in respect of CKI and PAH based on the audited consolidated results for the financial year ended 31 December 2014, and the unaudited consolidated results for the six months ended 30 June 2014 and 2015. We have further analysed the financial effects of the Proposal on CKI based on the published consolidated statements of each company for the financial year ended 31 December 2014 and those for the six months ended 30 June 2014 and 2015. Further details on the financial information of CKI and PAH is set out in Appendices II and III of this Circular.

For the twelve months ended 30 June 2015:

	CKI	PAH
Normalised profit attributable to the shareholders for the twelve months ended 30 June 2015	HK$10,906 million	HK$8,230 million
Normalised earnings per share	HK$4.33	HK$3.86
PER[(1)]	13.91 times	18.33 times
Dividend per share for the twelve months ended 30 June 2015	HK$2.08	HK$2.69
Dividend yield	3.45%	3.80%
Book value per share as at 30 June 2015	HK$42.6	HK$56.9

For the financial year ended 31 December 2014:

	CKI	PAH
Normalised profit attributable to the shareholders for the financial year ended 31 December 2014	HK$9,940 million	HK$8,077 million
Normalised earnings per share	HK$4.07	HK$3.78
PER[(2)]	14.09 times	19.88 times
Dividend per share for the financial year ended 31 December 2014	HK$2.00	HK$2.68
Dividend yield	3.48%	3.56%
Book value per share as at 31 December 2014	HK$41.7	HK$57.7

Note 1: The closing price on 30 June 2015 has been used to derive the PER

Note 2: The closing price on 31 December 2014 has been used to derive the PER

Effect on earnings per share

Based on the average of closing prices of CKI Shares and PAH Shares for the 30 trading days up to and including 4 September 2015, PAH traded at a higher price to earnings multiple than CKI. A share exchange based on the prevailing market price will therefore be earnings per Share diluting to CKI Shareholders with a corresponding earning per Share enhancement for PAH Shareholders.

For the last twelve months ended 30 June 2015:

	HK$ million
Normalised earnings attributable to the CKI Shareholders for the last twelve months ended 30 June 2015	10,906
Last twelve months normalised earnings acquired on merger with PAH	5,031
Combined normalised earnings of CKI	**15,937**
Normalised earnings per CKI Share following the Proposal	HK$4.08
Normalised earnings per CKI Share prior to the Proposal	HK$4.33
Normalised earnings per PAH Share	HK$3.86
Normalised earnings attributable to 1.066 CKI Shares	HK$4.34
Enhancement (Dilution) of normalised earnings per CKI Share	(5.84)%
Enhancement (Dilution) of normalised earnings per PAH Share	12.66%

For the financial year ended 31 December 2014:

	HK$ million
Normalised earnings attributable to the CKI Shareholders for the financial year ended 31 December 2014	9,940
Normalised earnings for the financial year ended 31 December 2014 acquired on merger with PAH	4,937
Combined normalised earnings of CKI	**14,877**
Normalised earnings per CKI Share following the Proposal	HK$3.80
Normalised earnings per CKI Share prior to the Proposal	HK$4.07
Normalised earnings per PAH Share	HK$3.78
Normalised earnings attributable to 1.066 CKI Shares	HK$4.06
Enhancement (Dilution) of normalised earnings per CKI Share	(6.62)%
Enhancement (Dilution) of normalised earnings per PAH Share	7.17%

Effect on net asset value per share

Based on the consolidated statement of financial position of CKI and PAH respectively at 30 June 2015, the pro forma impact of the merger of CKI and PAH on the proposed terms would be as follows:

As at 30 June 2015:

	(HK$)
Net asset value per CKI Share	42.6
Net asset value per PAH Share	56.9
Net asset value per CKI Share following the Proposal	63.5
Enhancement (Dilution) of net asset value per CKI Share	48.9%
Enhancement (Dilution) of net asset value per PAH Share*	18.9%

As at 31 December 2014:

	(HK$)
Net asset value per CKI Share	41.7
Net asset value per PAH Share	57.7
Net asset value per CKI Share following the Proposal	63.5
Enhancement (Dilution) of net asset value per CKI Share	52.3%
Enhancement (Dilution) of net asset value per PAH Share*	17.4%

*Note *:* The enhancement (dilution) of net asset value per PAH Share is based on the 1.066 share exchange ratio

The earnings per share dilution that the CKI Shareholders will incur is an inevitable consequence of the different price to earnings multiples of CKI and PAH as shown above. The effect of the merger on the net asset value per share for the CKI Shareholders and the PAH Shareholders is more modest. The dilution to the CKI Shareholders, although not insignificant in terms of earnings per share, should be compensated by the benefits of the Proposal that are expected to arise upon the fulfillment of the objectives set out in this Circular.

Commitment to a policy to increase dividends from year to year

If the Scheme becomes effective, CKI's strengthened balance sheet should enable it to reward the existing Shareholders, or existing PAH Shareholders who continue to hold the Shares after the Proposal, with an attractive dividend profile.

CKI intends to declare a special interim dividend of HK$7.50 per Share, conditional upon the Scheme becoming effective and the passing of an ordinary resolution by the PAH Shareholders at the PAH General Meeting to agree to the payment by CKI of the CKI Special Dividend, which will be payable to all the Shareholders (including holders of the Shares received pursuant to the Scheme) as at the Scheme Effective Date.

For each of the financial years ending 31 December 2015 and thereafter, if the Scheme becomes effective and assuming an existing Shareholder continues to hold its existing Shares or an existing PAH Shareholder continues to hold the Shares received pursuant to the Scheme, as the case may be, it is expected that the dividends to be paid by CKI to such existing Shareholder or such PAH Shareholder on its Shares (including the interim dividend declared by PAH on 23 July 2015 excluding the special interim dividend referred to above) will be more than the total dividend that such shareholder would have received on its existing Shares or its existing PAH Shares (as the case may be) in respect of the financial year ended 31 December 2014 and the financial year ending 31 December 2015, respectively.

Taking into account the interim dividends received by the Shareholders and PAH Shareholders of HK$0.60 per Share and HK$0.68 per PAH Share and the total dividends per share paid in respect of 2014 by CKI and PAH respectively, the expectation is that the final dividend to be recommended by CKI in respect of 2015 will exceed HK$1.876 per CKI Share.

Going forward, CKI intends to maintain a healthy balance sheet, proactively explore investment opportunities globally to expand its business while committing to a progressive dividend policy consistent with its business profile. Please see the section of "*6. Proposed Dividend Arrangement*" in the letter from the Board for the details of the Special Dividend. We concur with the view that the existing Shareholders continue to hold their existing Shares or existing PAH Shareholders continue to hold the Shares received pursuant to the Scheme will benefit from such dividend payment policy after the completion of the Proposal.

OBJECTIVES AND BENEFITS OF THE PROPOSAL

The Proposal is intended to deliver value to the shareholders of both CKI and PAH. For CKI, the Proposal would equip CKI with a stronger balance sheet and significant cash balance to capture opportunities for the Enlarged Group in the broader infrastructure sectors, including both power and non-power sectors. For PAH, the Proposal would enable the Scheme Shareholders to exchange their PAH Shares for new shares in CKI, which has a proven track record of earnings and dividend growth. From 2010 to 2014, CKI's dividend per Share grew at a compound annual growth rate of approximately 10.7%.

Following completion of the Proposal, CKH Holdings will remain as the largest single shareholder of CKI, with a 48.76% shareholding. The resulting significantly larger public float of the Shares should enhance the liquidity of the Shares.

The Proposal would allow the shareholders of both CKI and PAH to participate in the future growth of the Enlarged Group. Upon completion of the Proposal, CKI will be in a stronger competitive position and shareholders of both CKI and PAH would benefit as a result of the following:

Enhanced size and scale

The Proposal will strengthen CKI's position as a world class, diversified infrastructure investment platform through significantly enhancing its size and scale. It will control a wide range of businesses in the areas of energy infrastructure, transportation infrastructure, water infrastructure, waste management and other infrastructure related businesses. The Proposal will establish a single infrastructure platform under CKH Holdings with a clear investment mandate, thereby uniting the investor base which currently split between CKI and PAH.

Following completion of the Proposal, seven projects in which both CKI and PAH have ownership interests will become consolidated in CKI's financial statements. CKI's larger size and scale will better position it to achieve diversification within its portfolio across different infrastructure sectors and geographies. Although as a result of the consolidation of the assets and liabilities of previously jointly controlled investments the group debt as it would appear in the audited accounts of CKI following the completion of the Proposal would significantly increase, the debt associated with these investments does not change as a result of the Proposal.

Currently, the long-term credit ratings for both CKI and PAH are "A-" from Standard & Poor's. Following completion of the Proposal and subject to the confirmation of the rating agencies, CKI is expected to maintain its current rating. The stronger balance sheet and significant cash balance will enable CKI to better compete with other global infrastructure investors for larger investment opportunities on a standalone basis.

Furthermore, upon completion of the Proposal, the enlarged CKI group financial accounts will no longer be consolidated in CKH Holdings' consolidated accounts. As such, CKH Holdings credit rating considerations should not influence the enlarged CKI group credit rating strategy and capital allocation decisions.

Expanded business focus and investment mandate

PAH's business consists solely of investments in the power infrastructure sector. CKI focuses its business on the non-power infrastructure sector, while also having a number of co-investments with PAH in power projects. The successful implementation of the Proposal will provide the Enlarged Group with enhanced flexibility to invest across the whole infrastructure sector (both power and non-power), thereby allowing it to capture a broader range of opportunities which meet its return requirements.

Upon completion of the Proposal, CKI will be deconsolidated from the financial statements of CKH Holdings. As a result, CKI will have greater flexibility to make independent capital allocation decisions without having regard to the impact on CKH Holdings' consolidated financial position.

Increased transparency in CKI's financial performance

As at 30 June 2015, there were 11 projects (Note) in which both CKI and PAH had ownership interests. Each of these projects is operated on a day to day basis by the management teams of the respective projects. As a result, it is expected that the transaction will carry minimal integration risks. In addition, the results of operations of seven of the eleven projects will be consolidated into the financial statements of CKI following completion of the Proposal, which would provide investors in CKI with greater transparency over CKI's financial performance.

We consider that the Independent Shareholders will benefit from the implementation of the Proposal, which are expected to arise from the fulfillment of the objectives set out in this section of our letter.

FURTHER RATIONALE FOR THE PROPOSAL

In view of the abovementioned objectives of the Proposal, we have further considered the followings rationale:

Enhanced Scale

We have noted the objectives of the Proposal and upon their fulfilment we believe both Shareholders and PAH Shareholders will benefit. Infrastructure investments tend to require significant capital commitments and therefore to be competitive in the sector financial strength and size should be an advantage. Based on the closing price of CKI on 4 September 2015, the market capitalisation of CKI following the implementation of the Scheme would be approximately HK$249.9 billion. Such enlargement would on the basis of the market capitalisation of its peer group place it as the largest company in the Hang Seng Composite Utilities Index whereas previously CKI and PAH would have ranked the 3rd and 5th respectively, as at 4 September 2015. CKI and PAH also appear within a list of companies categorised under "Utilities" as classified by the Industry Classification Benchmark in Bloomberg. We note that the enlargement would place the Enlarged Group as the 10th largest company compared to CKI and PAH separately ranking 20th and 27th respectively (market capitalisations of Comparable Companies listed in the Chinese A-share markets and the Saudi Arabian market were obtained as at 2 and 3 September 2015 respectively).

Expanded Business Focus and Investment

As previously shown in the chart illustrating the performance of the price of the Shares for the past five years in the section of "Comparison of CKI and PAH", the Shares have in recent years been out-performing the shares of PAH. The broader investment mandate available to CKI which gives rise to a wider range of investment opportunities may have been a contributor to this out-performance which has also been borne out by the stronger earnings growth over the last five years shown by CKI.

Note: On 2 October 2015, PAH announced the conditional acquisition of Iberwind through a joint venture group equally owned by CKI and PAH. As at the Latest Practicable Date, such acquisition has not yet become unconditional.

Increased investment in existing assets

As can be seen from the table set out in page 34, approximately 35.8% of CKI's asset base as at 30 June 2015 is represented by its investment in PAH and a further 36.5% by assets co-owned with PAH making in total 72.3% of its total asset base. While recognizing that such co-ownership does not always represent an equal percentage equity interest, it is clear that much of CKI assets are reflected also in PAH and its co-owned assets. Bringing these assets under the ownership of a one listed company, CKI, we consider would be a logical step to simplify the structure which will eliminate the duplication of infrastructure assets held by PAH and CKI.

Further we concur with the observation that as 11 projects are co-owned by CKI and PAH and that each of these projects will continue to be managed on a day to day basis by their respective management teams, the commonly encountered risks during merger or integration should not arise in respect of these assets.

Liquidity

We set out below the average monthly turnover of CKI and PAH over the last twelve months and have calculated their relative liquidity. Liquidity has been calculated as the percentage ratio of average daily volume (shares traded) to the free float of the Shares and PAH Shares respectively.

No. of Shares not held by CKH Holdings	612,929,000
No. of Scheme Shares	1,304,662,042

	12 months	**6 months**	**3 months**	**1 month**
CKI				
Average daily volume *(shares)*	2,080,680	1,995,125	1,780,806	1,670,937
Average daily turnover *(HK$ m)*	128.0	128.2	112.2	107.5
Liquidity % of free float	0.34%	0.33%	0.29%	0.27%
PAH				
Average daily volume *(shares)*	2,789,002	3,073,869	3,290,168	3,414,652
Average daily turnover *(HK$ m)*	205.7	221.3	230.1	234.8
Liquidity % of free float	0.20%	0.23%	0.24%	0.25%

PAH with more than twice the number of shares held by the public is traded more heavily in both volume and turnover terms. However the liquidity of PAH Shares and CKI Shares is more similar varying between 0.20% and 0.34% based on the average set out above. We would expect the daily turnover of the Shares following the Proposal to increase materially because both CKI and PAH have similar percentages of free float traded on a daily basis. If such percentage repeats after the merger, the daily volume of the Shares would be approximately triple compared to CKI prior to the Proposal. Accordingly, both Shareholders and the Scheme Shareholders will benefit.

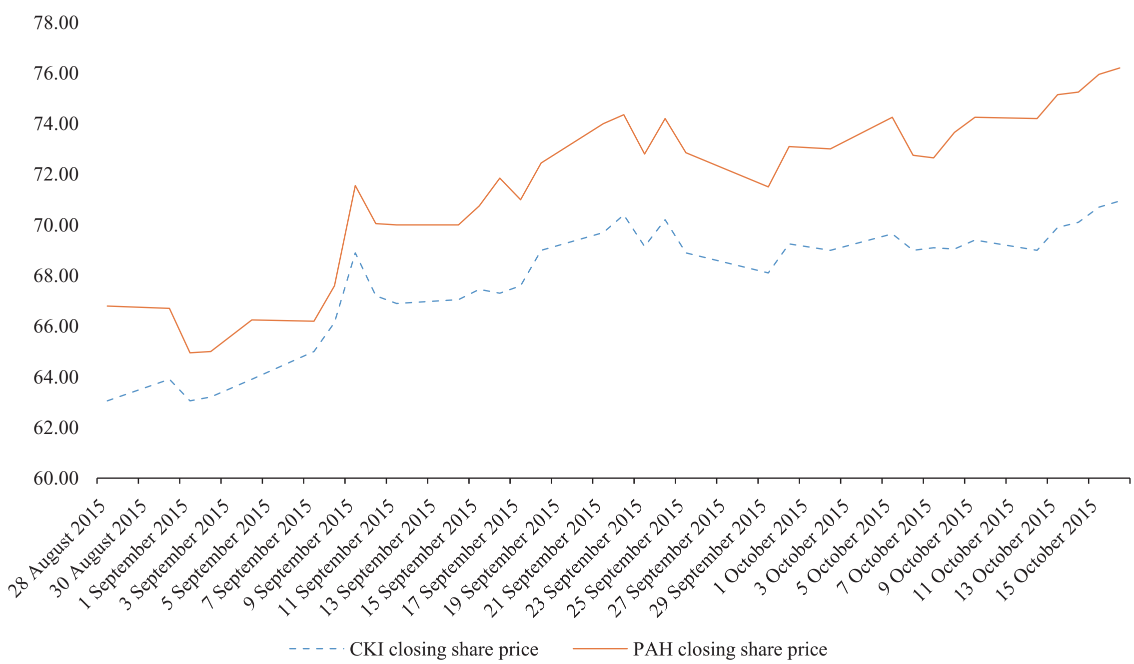
As at the Latest Practicable Date, we have also noted that while PAH is a constituent of 94 global indices, CKI is represented in only 56 indices[(1)]. We have not approached the compilers of the relevant indices, but would guess that the number of indices in which CKI is represented would increase owing to the inclusion of PAH as subsidiary and the increase of CKI's market capitalisation after the completion of the Proposal. Being a constituent of an index is often an important consideration for many institutional investors.

Note:

1. The list of indices CKI and PAH belong to are retrieved from Bloomberg.

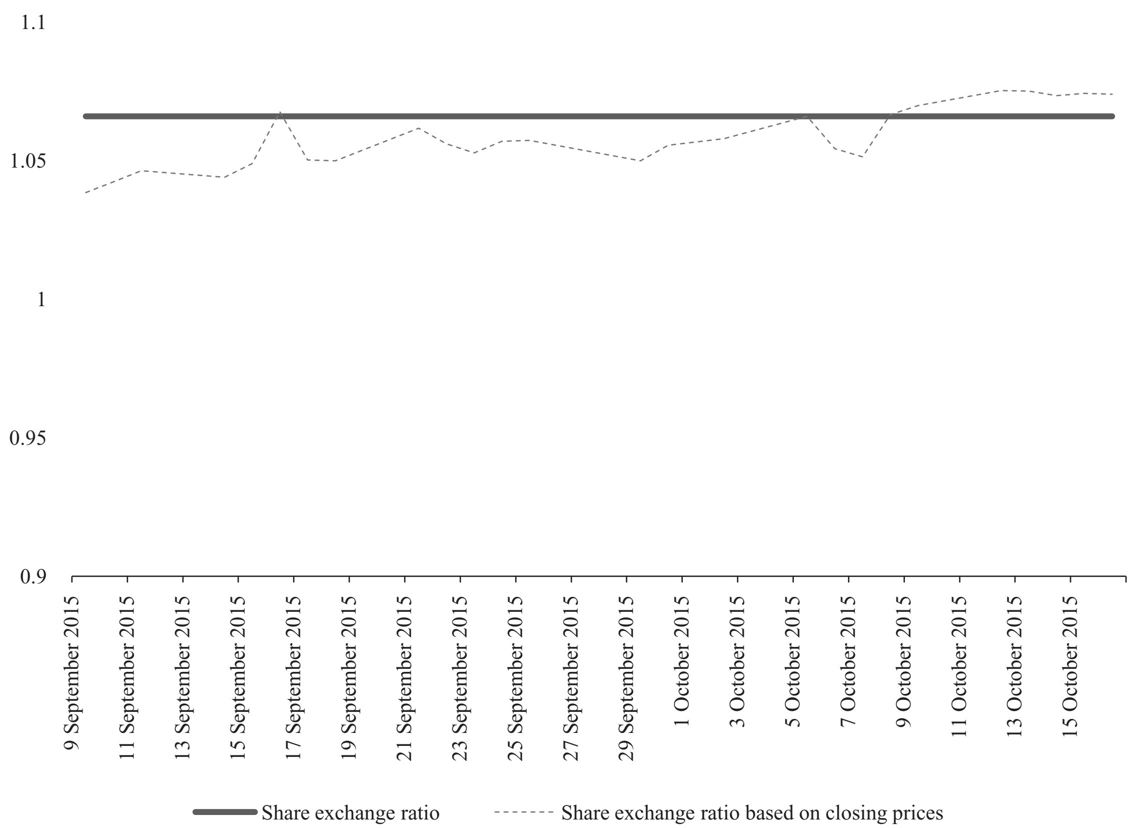
MARKET RESPONSE TO THE JOINT ANNOUNCEMENT

Set out below is a graph showing the market performance of the Shares and, following the effective date of the Proposal, the Shares and the PAH Shares commencing on 9 September 2015 being the first day on which the trading on the Stock Exchange took place following the publication of the Joint Announcement up to the Latest Practicable Date.



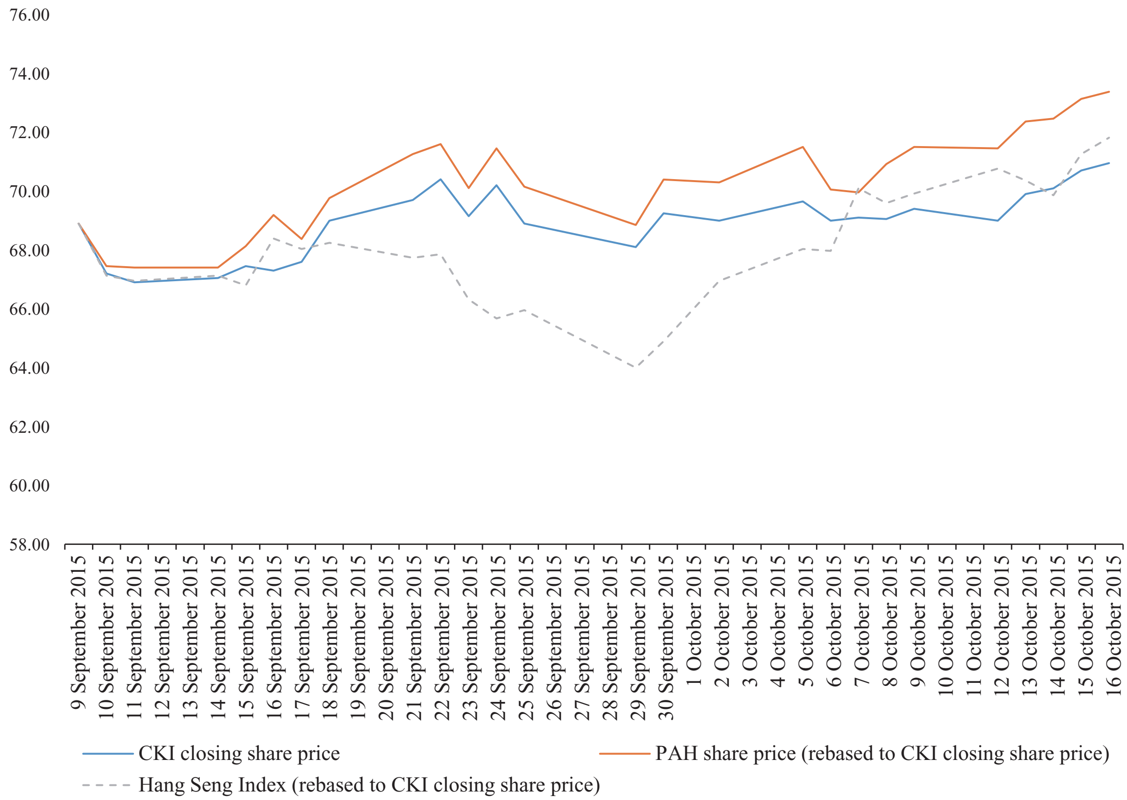
Source: Bloomberg

It will be seen that the Shares have traded between a discount of 3.96% to a premium of 8.07% to the average closing price of the Shares for the 30 trading days up to (and including) 4 September 2015. Similarly the PAH Shares have traded between a discount of 7.19% to a premium of 8.89% to the average closing price of PAH Shares for the 30 trading days up to (and including) 4 September 2015. Furthermore, the relative share prices of the companies correspond closely to the share exchange ratio under the Proposal as can be seen from the chart below.



Source: Bloomberg

Set out below is a further graph showing the performance of the Shares and the PAH Shares compared with the Hang Seng Index since 9 September 2015 and also the period following the date of the Joint Announcement until the Latest Practicable Date.



Source: Bloomberg

RECOMMENDATIONS

Having taken into account the factors and considerations set out above in relation to the Proposal, we are of the opinion that, while the Proposal may not be in the ordinary and usual course of business of the Group, the terms of the Proposal are fair and reasonable and are on normal commercial terms. Further taking into account the benefits that are expected to arise on the fulfillment of the objectives of the Proposal, we consider that the Proposal is in the interests of CKI and the Shareholders as a whole and the Offeror, and accordingly advise the Independent Board Committee to recommend that the Independent Shareholders vote in favour of and we also advise the Independent Shareholders to vote in favour of, the ordinary resolution to be proposed at the SGM to approve the Proposal and the issue of Shares as contemplated under the Proposal.

Yours faithfully,
For and on behalf of
Anglo Chinese Corporate Finance, Limited

Stephen Clark
Managing Director

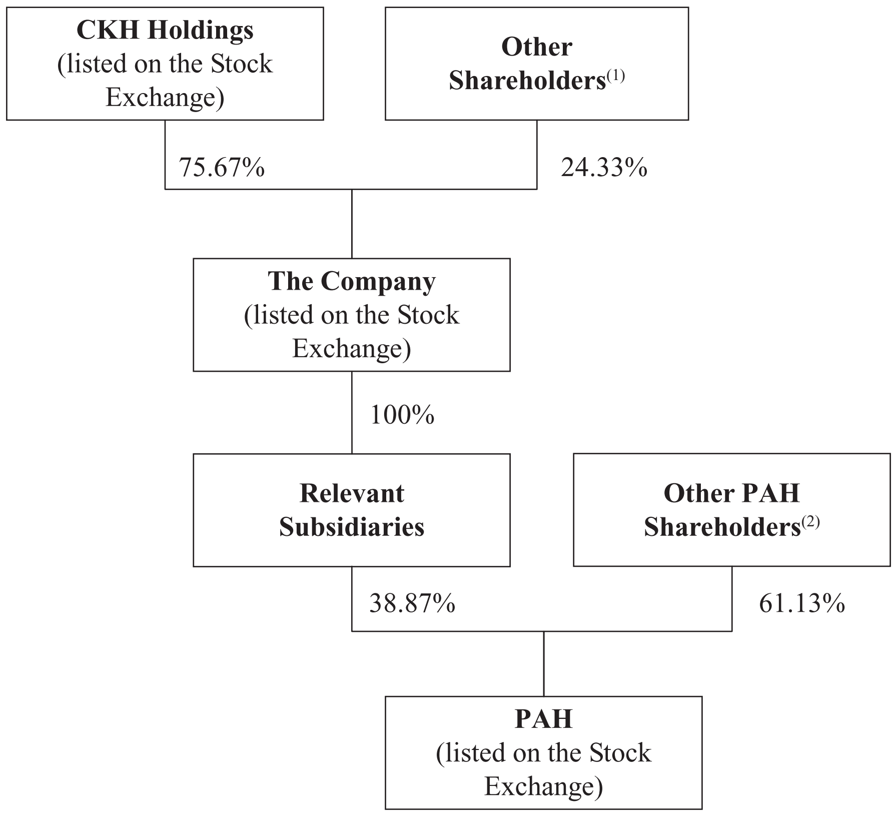
Dennis Cassidy
Director – Head of Corporate Finance

1. Mr. Stephen Clark is a licensed person registered with the SFC and as a responsible officer of Anglo Chinese to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. He has over 35 years of experience in corporate finance.

2. Mr. Dennis Cassidy is a licensed person registered with the SFC and as a responsible officer of Anglo Chinese to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. He has over 35 years of experience in corporate finance.

1. SIMPLIFIED GROUP STRUCTURE AS AT THE LATEST PRACTICABLE DATE

As at the Latest Practicable Date, the simplified group structure of the Group and the PAH Group was as follows:



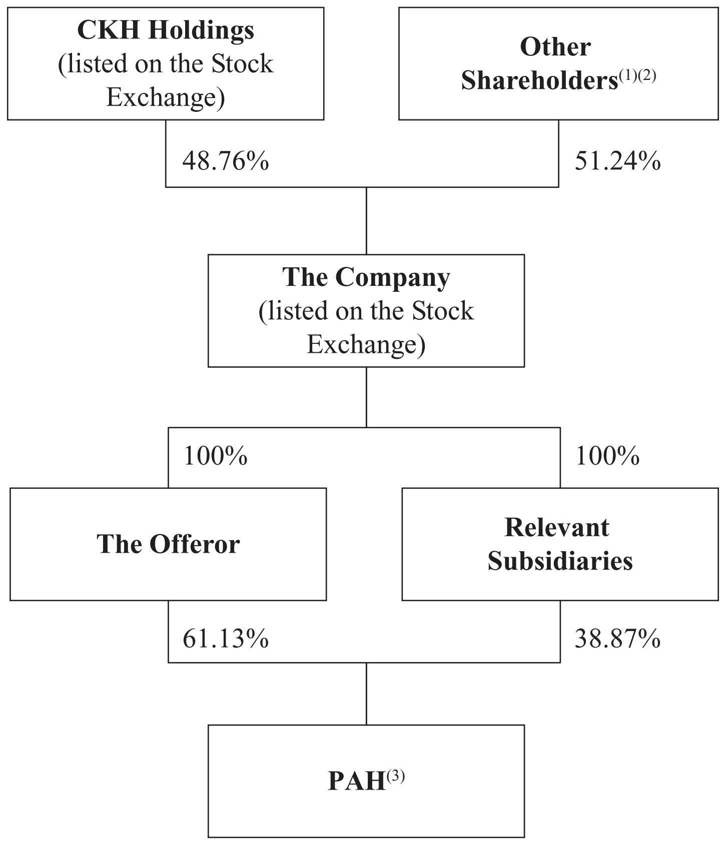
Notes:

(1) The other Shareholders include certain core connected persons of the Company (including, among others, certain Directors), who are not regarded as public Shareholders under the Listing Rules.

(2) The other PAH Shareholders include certain core connected persons of PAH (including, among others, certain PAH Directors), who are not regarded as public shareholders of PAH under the Listing Rules.

2. SIMPLIFIED GROUP STRUCTURE IMMEDIATELY FOLLOWING COMPLETION OF THE PROPOSAL

Immediately following completion of the Proposal, the simplified group structure of the Group is expected to be as follows:



Notes:

(1) The other Shareholders are expected to include certain core connected persons of the Company (including, among others, certain Directors), who are not regarded as public Shareholders under the Listing Rules.

(2) Such other Shareholders comprise (i) persons who are shown as "Other Shareholders" in the simplified group structure chart on page I-1, who are expected to own in aggregate approximately 15.67% of the Shares in issue immediately following completion of the Proposal and (ii) persons who are shown as "Other PAH Shareholders" in the simplified group structure chart on page I-1, who are expected to own in aggregate approximately 35.57% of the Shares in issue immediately following completion of the Proposal.

(3) The listing status of PAH on the Main Board will be withdrawn upon the Scheme becoming effective.

1. THREE YEAR FINANCIAL SUMMARY

The following summary financial information (i) for each of the years ended 31 December 2012, 2013 and 2014 is extracted from the consolidated financial statements of the Company for the years ended 31 December 2013 and 2014 as set forth in the annual report of the Company for the years ended 31 December 2013 and 2014 and (ii) for the six months ended 30 June 2014 and 2015 is extracted from the consolidated financial statements of the Company for the six months ended 30 June 2015 as set forth in the interim report of the Company for the six months ended 30 June 2015.

Summary Consolidated Income Statements

HK$ million	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	(restated)[(1)]			(unaudited)	
Group turnover	4,105	5,018	6,100	2,968	2,879
Share of turnover of joint ventures	17,527	19,413	22,226	10,811	11,235
Turnover	21,632	24,431	28,326	13,779	14,114
Group turnover	4,105	5,018	6,100	2,968	2,879
Other income	439	544	318	123	361
Operating costs	(3,082)	(4,538)	(4,395)	(2,100)	(1,500)
Finance costs	(732)	(765)	(906)	(410)	(405)
Exchange gain/(loss)	289	571	207	52	(106)
Gain on disposal of a subsidiary	–	–	2,236	–	–
Share of results of associates	4,290	4,741	23,156	21,170	1,374
Share of results of joint ventures	4,747	6,683	5,630	2,619	2,914
Profit before taxation	10,056	12,254	32,346	24,422	5,517
Taxation	19	58	(26)	(21)	(11)
Profit for the year/ period	10,075	12,312	32,320	24,401	5,506
Attributable to:					
Shareholders of the Company	9,427	11,639	31,782	24,119	5,253
Owners of perpetual capital securities	655	681	543	284	258
Non-controlling interests	(7)	(8)	(5)	(2)	(5)
	10,075	12,312	32,320	24,401	5,506
Earnings per share	HK$3.93	HK$4.77	HK$13.03	HK$9.89	HK$2.10

Note:

(1) The financial information in 2012 has been restated as a result of the adoption of HKFRS 11 "Joint Arrangements".

Except for (i) the spin-off of the Hong Kong electricity business of PAH in 2014 for which resulted for the Company in a share of the gain of PAH of approximately HK$19 billion, (ii) the disposal of a subsidiary of the Company in 2014 which generated for the

Company a gain of approximately HK$2 billion in 2014, (iii) the disposal of joint ventures of the Company which generated for the Company gains of approximately HK$2 million in 2012, HK$111 million in 2013 and HK$34 million in 2015, (iv) the disposal of an associate of the Company which generated the Company a gain of approximately HK$12 million in 2014 and (v) the Company's and PAH's disposals of share stapled units of HK Electric Investments and HK Electric Investments Limited in 2015 which resulted for the Company in an accounting loss and share of loss of PAH of approximately HK$297 million, no item which was exceptional because of its size, nature or incidence was recorded in the financial statements of the Group for the years ended 31 December 2012, 2013 and 2014 or the six months ended 30 June 2014 and 2015.

Summary Consolidated Statements of Financial Position

HK$ million	**As at 31 December**			**As at 30 June**
	2012	**2013**	**2014**	**2015**
	(restated)[(1)]			**(unaudited)**
Property, plant and equipment	1,477	2,408	2,452	2,385
Investment properties	238	268	305	305
Interests in associates	32,737	34,583	54,135	53,361
Interests in joint ventures	39,678	46,244	52,999	60,662
Investments in securities	6,199	4,599	3,889	2,136
Derivative financial instruments	–	42	86	177
Goodwill and intangible assets	–	2,966	2,877	2,553
Deferred tax assets	22	20	15	15
Other non-current assets	–	–	–	6
Total non-current assets	80,351	91,130	116,758	121,600
Inventories	150	215	175	216
Investment in securities	–	1,341	–	–
Derivative financial instruments	47	80	825	120
Debtors and prepayments	1,014	1,162	1,204	874
Bank balances and deposits	6,980	5,958	7,108	7,753
	8,191	8,756	9,312	8,963
Assets classified as held for sale	–	22	–	–
Total current assets	8,191	8,778	9,312	8,963
Bank and other loans	24	44	1,690	38
Derivative financial instruments	198	491	24	518
Creditors and accruals	2,972	4,413	4,749	3,840
Taxation	97	92	108	91
Total current liabilities	3,291	5,040	6,571	4,487
Net current assets	4,900	3,738	2,741	4,476
Total assets less current liabilities	85,251	94,868	119,499	126,076
Bank and other loans	11,089	12,985	16,947	17,828
Derivative financial instruments	486	416	214	303
Deferred tax liabilities	282	838	552	498
Other non-current liabilities	13	31	40	33
Total non-current liabilities	11,870	14,270	17,753	18,662
Net assets	73,381	80,598	101,746	107,414
Representing:				
Share capital	2,496	2,496	2,440	2,520
Reserves	60,467	67,689	91,296	96,889
Equity attributable to shareholders of the Company	62,963	70,185	93,736	99,409
Perpetual capital securities	10,329	10,329	7,933	7,933
Non-controlling interests	89	84	77	72
Total equity	73,381	80,598	101,746	107,414

2. CONSOLIDATED FINANCIAL STATEMENTS

The audited consolidated financial statements of the Group for the three financial years ended 31 December 2012, 2013 and 2014 are disclosed in the annual reports for the year ended 31 December 2012, 2013 and 2014, respectively. The unaudited consolidated financial statements of the Group for the six months ended 30 June 2015 are disclosed in the interim report for the six months ended 30 June 2015. All of the above financial reports have been published on the website of the Company at **www.cki.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk** and can be accessed at the website addresses below:

Annual report for the year ended 31 December 2012	**http://www.cki.com.hk/english/PDF_file/annualReport/2012/cki_ar12_full.pdf**
	http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0403/LTN201304031103.pdf
Annual report for the year ended 31 December 2013	**http://www.cki.com.hk/english/PDF_file/annualReport/2013/cki_ar13_full.pdf**
	http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0404/LTN20140404757.pdf
Annual report for the year ended 31 December 2014	**http://www.cki.com.hk/english/PDF_file/annualReport/2014/cki_ar14_full.pdf**
	http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0331/LTN20150331637.pdf
Interim report for the six months ended 30 June 2015	**http://www.cki.com.hk/english/PDF_file/interimReport/2015/2015_ir.pdf**
	http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0806/LTN20150806432.pdf

3. INDEBTEDNESS STATEMENT

As at 31 August 2015, being the latest practicable date prior to the printing of this circular for ascertaining information for inclusion in this indebtedness statement, the Enlarged Group had outstanding borrowings of approximately HK$141,038 million which comprised unsecured bank loans and other borrowings of approximately HK$139,993 million, secured bank loans of approximately HK$1,002 million, and finance lease obligations of approximately HK$43 million.

As at 31 August 2015, the Enlarged Group had contingent liabilities of approximately HK$3,132 million. The contingent liabilities comprised guarantee in respect of bank loan drawn by joint ventures of approximately HK$1,187 million, other guarantees given in respect of a joint venture of approximately HK$1,480 million, performance bonds of approximately HK$407 million, sub-contractor warranties of approximately HK$6 million and other guarantees of approximately HK$52 million.

Save as set out above and apart from intra-group liabilities, the Enlarged Group did not, as at 31 August 2015, have any mortgages, charges, debentures, bank overdrafts or loans, issued or outstanding, or authorised or otherwise created but unissued, or other similar indebtedness, finance lease commitments, hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits or guarantees or other contingent liabilities. The Directors have confirmed that there had been no material changes in the indebtedness position of the Enlarged Group since 31 August 2015 and up to the Latest Practicable Date.

4. WORKING CAPITAL

The Directors are of the opinion that, following completion of the Proposal, taking into consideration the financial resources available to the Enlarged Group, including internally generated funds and external borrowings, the Enlarged Group will have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP AND THE ENLARGED GROUP

Prior to the transactions contemplated by the Proposal, the principal activities of the Group encompass development, investment and operation of infrastructure businesses. These core businesses have been the key drivers in providing steady streams of revenue to the Group. PAH, the Company's major listed affiliate, has been a major contributor to the Group's results. Principally engaged in power related businesses, the PAH Group has interests in and participates in the management of businesses in power generation, transmission and distribution, gas distribution, and energy from waste and renewables worldwide, including Hong Kong, the United Kingdom, Australia, the PRC, New Zealand, Thailand, Canada and the Netherlands.

Prior to completion of the Proposal, expansion of the Group through acquisition is expected to continue. The Group will review potential acquisition opportunities around the world to add value to the Company's portfolio.

Going forward including for at least the current financial year, the Group is confident of the outlook for its portfolio of infrastructure investments. As at 30 June 2015, the Company had cash on hand of approximately HK$7.8 billion and a net debt to net total capital ratio of 9%. The Group is well-placed to capitalise on acquisition opportunities as they arise. Backed by its solid financial platform, the Group will continue to seek new investment opportunities that enhance its asset base and income stream. A number of potential projects in both new and existing industries and countries have been identified. The Group will continue to approach these opportunities in accordance with a stringent investment criteria, and will not hold a "must win at any price" mentality when considering the merits of potential acquisitions.

It is expected that following completion of the Proposal, the Enlarged Group will be in a stronger competitive position and shareholders of both the Company and PAH would benefit as a result of (a) enhanced size and scale, which will better position the Enlarged

Group to achieve diversification within its portfolio across different infrastructure sectors and geographies, (b) expanded business focus and investment mandate to enhance flexibility to invest across the whole infrastructure sector (both power and non-power), (c) increased transparency in the Company's financial performance and (d) the Company seeking to continue to grow the Company's dividends year-on-year.

As the consideration for implementing the Scheme will be satisfied by way of the issue of Shares, there is no requirement for financing the consideration for the Scheme on the part of the Offeror.

Following completion of the Proposal, expansion of the Enlarged Group is expected to continue through acquisition. The Enlarged Group will continue to seek new investment opportunities around the world that enhance its asset base and income stream. As always, the Enlarged Group will approach these opportunities in accordance with its stringent investment criteria, and will not hold a "must win at any price" mentality when considering the merits of potential acquisitions. As demonstrated by its track record in balancing continued growth with a comfortable gearing position, the Enlarged Group is committed to a business model which maintains a good balance between stability and growth.

Please refer to the unaudited pro forma financial information of the Enlarged Group as set out in "*Appendix IV – Unaudited Pro Forma Financial Information of the Enlarged Group*", which has been prepared for the purpose of illustrating the effect of the Proposal as if it had taken place on the respective dates stated therein.

6. MATERIAL CHANGES

The Group is a diversified infrastructure investment company with businesses in Hong Kong, the PRC, the United Kingdom, the Netherlands, Australia, New Zealand and Canada, and is exposed to potential currency fluctuations in these countries and places in which the Group operates. The results of the Group are recorded in Hong Kong dollars but its various subsidiaries, associates and joint ventures may receive revenue and incur expenses in other currencies. Any currency fluctuations on translation of the accounts of these subsidiaries, associates and joint ventures and also on the repatriation of earnings, equity investments and loans may therefore impact on the Group's financial position or potential income, asset value and liabilities, but the Group confirms that it has not entered into any speculative derivative transaction and generally hedging arrangements are in place for overseas investments as appropriate.

In January 2015, the Company issued 80,000,000 new Shares at HK$58.00 per Share (less the costs and expenses in connection with the placing and subscription) to raise new capital of HK$4.6 billion.

In April 2015, UK Rails, a 50:50 joint venture between the Company and CKH Holdings, completed the acquisition of Eversholt Rail Group, one of the three major rolling stock operating companies in the United Kingdom. The enterprise value of the transaction was approximately GBP2.5 billion.

On 23 July 2015, the Company announced its interim results for the six months ended 30 June 2015 and, on 6 August 2015, published its interim report for the six months ended 30 June 2015.

On 8 September 2015, the respective boards of directors of the Company, the Offeror, PAH and CKH Holdings jointly announced that, on the same date, the Board and the Offeror Board requested the PAH Board to put forward the Proposal to the Scheme Shareholders regarding the proposed merger of the Company and PAH by way of the Scheme.

On 8 September 2015, the Board also announced that it intends to declare, on a conditional basis, the Special Dividend of HK$5.00 per Share, the payment of which is conditional upon the satisfaction of both of the following conditions: (a) the passing of the Special Dividend Resolution at the PAH General Meeting and (b) the Scheme becoming effective. The Special Dividend, if the payment becomes unconditional, will be payable to all Shareholders (including holders of Shares received pursuant to the Scheme) as at the Dividend Record Time on the Scheme Effective Date.

On 7 October 2015, the respective boards of directors of the Company, the Offeror, PAH and CKH Holdings jointly announced that the Cancellation Consideration payable to the Scheme Shareholders under the Scheme was proposed to be 1.066 Shares for every one Scheme Share held as at the Scheme Record Time and the new proposed amount of the Special Dividend to be declared by the Board to all Shareholders as at the Dividend Record Time on the Scheme Effective Date (including the holders of Shares issued pursuant to the Scheme) was HK$7.50 per Share.

Please refer to "*Letter from the Board*" in this circular for further details of the Proposal and the Special Dividend.

Save as disclosed above, the Directors confirm that there have been no material changes in the financial or trading position or outlook of the Group since 31 December 2014, the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

7. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Please refer to "*Appendix III – Financial Information of the CKI Group and the Offeror – Management Discussion and Analysis of CKI*" in the Scheme Document set out in "*Appendix VII – Scheme Document*" for the management discussion and analysis of the Group for the three years ended 31 December 2014 and the six months ended 30 June 2015.

1. CONSOLIDATED FINANCIAL STATEMENTS

The audited consolidated financial statements of the PAH Group for the financial years ended 31 December 2012, 2013 and 2014 are disclosed in the relevant annual reports of PAH. The unaudited consolidated financial statements of the PAH Group for the six months ended 30 June 2015 are disclosed in the interim report for the six months ended 30 June 2015. All of the above financial reports have been published on the website of PAH at **www.powerassets.com** and the website of the Stock Exchange at **www.hkexnews.hk** and can be accessed at the website addresses below:

Annual report for the year ended 31 December 2012	**https://www.powerassets.com/en/InvestorRelations/Documents/AnnualReport2012_FULL.pdf** **http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0403/LTN20130403266.htm**
Annual report for the year ended 31 December 2013	**https://www.powerassets.com/en/InvestorRelations/Documents/AnnualReport2013_FULL.pdf** **http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0325/LTN20140325161.htm**
Annual report for the year ended 31 December 2014	**https://www.powerassets.com/en/InvestorRelations/Documents/AnnualReport2014_FULL.pdf** **http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0330/LTN20150330781.htm**
Interim report for the six months ended 30 June 2015	**https://www.powerassets.com/en/InvestorRelations/Documents/InterimReport2015_full.pdf** **http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0811/LTN20150811233.pdf**

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE PAH GROUP

Please refer to "*Appendix V – Financial Information of the Group – Management Discussion and Analysis of the Company*" in the Scheme Document set out in "*Appendix VII – Scheme Document*" for the management discussion and analysis of the PAH Group for the three years ended 31 December 2014 and the six months ended 30 June 2015.

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative unaudited pro forma consolidated statement of financial position, an illustrative unaudited pro forma consolidated income statement, and an illustrative unaudited pro forma consolidated statement of cash flows of the Enlarged Group (the "**Unaudited Pro Forma Financial Information**"), which have been prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below, for the purpose of illustrating the effect of the Proposal as if it had taken place on 30 June 2015 for the unaudited pro forma consolidated statement of financial position and on 1 January 2014 for the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position, financial results or cash flows of the Enlarged Group had the Proposal been completed as at 30 June 2015 and 1 January 2014 respectively or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this document.

I. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP AS AT 30 JUNE 2015

As at 30 June 2015
HK$ million

	Unaudited		Pro forma adjustments				
	CKI	Power Assets	Note 1	Note 2	Note 3	Note 4	Total
Property, plant and equipment	2,385	32	–	187,232	–	–	189,649
Investment properties	305	–	–	–	–	–	305
Interests in associates	53,361	24,248	(46,793)	(11,068)	–	–	19,748
Interests in joint ventures	60,662	41,736	–	(54,849)	–	–	47,549
Investments in securities	2,136	67	–	–	–	–	2,203
Derivative financial instruments	177	229	–	3,055	–	–	3,461
Goodwill and intangible assets	2,553	–	–	88,469	–	–	91,022
Deferred tax assets	15	–	–	2,859	–	–	2,874
Employee retirement benefit assets	–	4	–	–	–	(4)	–
Other non-current assets	6	–	–	6,813	–	4	6,823
Total non-current assets	121,600	66,316	(46,793)	222,511	–	–	363,634
Inventories	216	–	–	665	–	–	881
Derivative financial instruments	120	–	–	1,840	–	–	1,960
Debtors and prepayments	874	443	56,081	(49,969)	–	–	7,429
Bank balances and deposits	7,753	67,796	–	5,704	–	–	81,253
Total current assets	8,963	68,239	56,081	(41,760)	–	–	91,523
Bank and other loans	38	–	–	8,075	–	–	8,113
Derivative financial instruments	518	–	–	417	–	–	935
Creditors and accruals	3,840	2,849	–	15,259	205	–	22,153
Taxation	91	15	–	770	–	–	876
Total current liabilities	4,487	2,864	–	24,521	205	–	32,077
Net current assets	4,476	65,375	56,081	(66,281)	(205)	–	59,446
Total assets less current liabilities	126,076	131,691	9,288	156,230	(205)	–	423,080
Bank and other loans	17,828	9,938	–	109,605	–	–	137,371
Derivative financial instruments	303	74	–	1,996	–	–	2,373
Deferred tax liabilities	498	69	–	23,442	–	–	24,009
Other non-current liabilities	33	138	–	10,851	–	–	11,022
Total non-current liabilities	18,662	10,219	–	145,894	–	–	174,775
Net assets	107,414	121,472	9,288	10,336	(205)	–	248,305
Representing:							
Share capital	2,520	6,610	–	(5,220)	–	–	3,910
Reserves	96,889	114,862	9,288	(18,148)	(205)	–	202,686
Equity attributable to shareholders of the company	99,409	121,472	9,288	(23,368)	(205)	–	206,596
Perpetual capital securities	7,933	–	–	–	–	–	7,933
Non-controlling interests	72	–	–	33,704	–	–	33,776
Total equity	107,414	121,472	9,288	10,336	(205)	–	248,305

II. UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE ENLARGED GROUP FOR THE YEAR ENDED 31 DECEMBER 2014

For the year ended 31 December 2014
HK$ million

	Audited		Pro forma adjustments				
	CKI	Power Assets	Note 1	Note 2	Note 3	Note 4	Total
Group turnover	6,100	2,131	–	44,657	–	–	52,888
Direct costs	–	(307)	–	–	–	307	–
Operating costs	(4,395)	(941)	–	(25,505)	(205)	(307)	(31,353)
Other income	318	760	–	3,627	–	156	4,861
Finance costs	(906)	(434)	–	(8,026)	–	–	(9,366)
Exchange gain, net	207	–	–	–	–	(156)	51
Net gain on re-measurement of CKI's existing interests in Power Assets and the Entities	–	–	8,484	4,239	–	–	12,723
Gain on disposal of subsidiaries	2,236	52,928	–	–	–	–	55,164
Share of results of associates	23,156	2,252	(22,695)	(709)	–	–	2,004
Share of results of joint ventures	5,630	4,709	–	(7,842)	–	–	2,497
Profit before taxation	32,346	61,098	(14,211)	10,441	(205)	–	89,469
Taxation	(26)	(13)	–	(3,348)	–	–	(3,387)
Profit after taxation	32,320	61,085	(14,211)	7,093	(205)	–	86,082
Scheme of Control transfers to:							
Tariff Stabilisation Fund	–	(80)	–	–	–	–	(80)
Profit for the year	32,320	61,005	(14,211)	7,093	(205)	–	86,002
Attributable to:							
Shareholders of the company	31,782	61,005	(14,211)	4,239	(205)	–	82,610
Owners of perpetual capital securities	543	–	–	–	–	–	543
Non-controlling interests	(5)	–	–	2,854	–	–	2,849
	32,320	61,005	(14,211)	7,093	(205)	–	86,002

III. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP FOR THE YEAR ENDED 31 DECEMBER 2014

For the year ended 31 December 2014
HK$ million

	Audited		Pro forma adjustments		
	CKI	Power Assets	Note 2	Note 4	Total
OPERATING ACTIVITIES					
Cash from operations	2,912	602	27,822	127	31,463
Interest paid	–	(397)	–	397	–
Interest received	–	2,153	(1,240)	(913)	–
Income taxes paid	(26)	(205)	(697)	40	(888)
Tax paid for operations outside Hong Kong	–	(7)	–	7	–
Tax refunded for operations outside Hong Kong	–	47	–	(47)	–
Net cash from operating activities	2,886	2,193	25,885	(389)	30,575
INVESTING ACTIVITIES					
Purchases of property, plant and equipment	(292)	(123)	(17,826)	–	(18,241)
Disposals of property, plant and equipment	1	–	66	–	67
Customer contribution	–	–	293	–	293
Additions to intangible assets	(14)	–	(18)	–	(32)
Proceeds from disposal of subsidiaries	–	30,764	–	–	30,764
Repayment from disposed subsidiaries	–	27,445	–	–	27,445
Disposal of interest in an associate	29	–	–	–	29
Advances to associates	(5)	–	–	–	(5)
Investments in joint ventures	(4,705)	(4,451)	(5)	–	(9,161)
Return of capital from a joint venture	5	–	(5)	–	–
Advances to joint ventures	(11)	–	–	–	(11)
Acquisition of businesses	(147)	–	–	–	(147)
Purchases of securities	(1,641)	–	–	–	(1,641)
Redemption of securities	1,341	–	–	–	1,341
Loan note repayment from stapled securities	33	–	–	–	33
Dividends received from associates	2,342	1,099	(2,221)	–	1,220
Dividends received from joint ventures	2,450	1,915	(2,839)	–	1,526
Dividends received from available-for-sale equity securities	–	50	–	–	50
Increase in bank deposits with more than three months to maturity when placed	–	(11,854)	–	–	(11,854)
Capitalised interest paid	–	(2)	–	–	(2)
Interest received	116	–	437	786	1,339
Net cash (utilised in) from investing activities	(498)	44,843	(22,118)	786	23,013
Net cash before financing activities	2,388	47,036	3,767	397	53,588
FINANCING ACTIVITIES					
New bank and other loans	7,308	–	9,661	–	16,969
Repayments of bank and other loans	(113)	–	(6,325)	–	(6,438)
Finance costs paid	(900)	–	(6,783)	(397)	(8,080)
New customers' deposits	–	27	–	–	27
Repayment of customer deposits	–	(17)	–	–	(17)
Dividends paid	(4,599)	(5,485)	667	–	(9,417)
Interest paid on perpetual capital securities	(599)	–	–	–	(599)
Redemption of perpetual capital securities	(2,340)	–	–	–	(2,340)
Net cash utilised in financing activities	(1,243)	(5,475)	(2,780)	(397)	(9,895)
Net increase in cash and cash equivalents	1,145	41,561	987	–	43,693
Cash and cash equivalents at 1 January 2014	5,955	5,294	3,407	–	14,656
Effect of foreign exchange rate changes	–	(1)	36	–	35
Cash and cash equivalents at 31 December 2014	7,100	46,854	4,430	–	58,384

IV. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The consolidated financial information of Cheung Kong Infrastructure Holdings Limited ("**CKI**") and Power Assets Holdings Limited ("**Power Assets**") has been extracted from the unaudited consolidated statement of financial position as at 30 June 2015, and the audited consolidated income statement and the audited consolidated statement of cash flows of each of CKI and Power Assets for the year ended 31 December 2014, as set out in the interim reports for the six months ended 30 June 2015 and the annual reports for the year ended 31 December 2014 of CKI and Power Assets, respectively.

(1) Gain on re-measurement of CKI's existing interests in Power Assets and de-recognition of CKI's interest in Power Assets

Upon completion of the Proposal, Power Assets will become a wholly-owned subsidiary of CKI. For the purposes of this Unaudited Pro Forma Financial Information, and in accordance with Hong Kong Financial Reporting Standard 3 "Business Combinations" ("**HKFRS 3**"), the Proposal is accounted for as a business combination achieved in stages. The acquirer re-measured its previously held equity interest in the acquiree at its acquisition-date fair value and recognised the resulting gain or loss in the consolidated income statement.

The pro forma adjustments represent:

(i) the net re-measurement gain of CKI's existing interests in Power Assets of HK$8,484 million, which represents the excess of the deemed proceeds from the deemed disposal by CKI of its 38.87% interest in Power Assets of HK$56,081 million (calculated based on the 829,599,612 shares of Power Assets held by CKI and the closing price of Power Assets' shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 8 September 2015 of HK$67.6 per share) (the "**Fair Value of CKI's Existing Interests In Power Assets**"), over the aggregate amount of the carrying amounts of CKI's existing interests in Power Assets of HK$46,793 million at 30 June 2015 and the realisation of exchange reserve and other reserves of Power Assets of HK$804 million at 30 June 2015 for the purpose of preparing the Unaudited Pro Forma Financial Information. The carrying amounts of CKI's existing interests in Power Assets at 30 June 2015 and the exchange reserve and other reserves of Power Assets at 30 June 2015 are used in order to provide more relevant information regarding CKI's investment in Power Assets after taking into account the spin-off and separate listing of its Hong Kong electricity business on 29 January 2014; and

(ii) the elimination of interests in Power Assets previously held by CKI as interests in an associated company and the reversal of the results of Power Assets shared by CKI.

(2) Accounting for entities co-owned by CKI and Power Assets and Purchase Price Allocation Adjustments

CKI invests in infrastructure businesses through joint ventures and associates with parties including Power Assets. These infrastructure businesses as at 30 June 2015 comprised:

Name	Effective voting right exercisable by CKI as at 30 June 2015	Classification of investment by CKI as at 30 June 2015	Effective voting right exercisable by the Enlarged Group upon completion of the Proposal	Classification of investment by the Enlarged Group upon completion of the Proposal
UK Power Networks Holdings Limited ("**UKPN**")	40%	Joint Venture	80%	Subsidiary
Northern Gas Networks Holdings Limited ("**NGN**")	47.06%	Joint Venture	88.35%	Subsidiary
SA Power Networks ("**SAPN**")	23.07%	Associate	51%	Subsidiary
Victoria Power Networks Pty Limited ("**VPN**")	23.07%	Associate	51%	Subsidiary
Transmission General Holdings (Australia) Pty Limited ("**TOA**")	50%	Joint Venture	100%	Subsidiary
Wellington Electricity Distribution Network Limited ("**WELL**")	50%	Joint Venture	100%	Subsidiary
Canadian Power Holdings Inc. ("**CPH**")	50%	Joint Venture	100%	Subsidiary
Seabank Power Limited ("**Seabank**")	25%	Joint Venture	50%	Joint Venture
Wales & West Gas Networks (Holdings) Limited ("**WWU**")	30%	Joint Venture	60%	Joint Venture
Australian Gas Networks Holdings Pty Limited ("**AGN**")	45%	Joint Venture	72.5%	Joint Venture
Dutch Enviro Energy Holdings B.V. ("**Dutch Enviro**")	35%	Joint Venture	55%	Joint Venture

According to the shareholders' agreements of WWU, AGN and Dutch Enviro, decisions on certain relevant operating and financing activities of these joint ventures require the approval of at least 80% or more of the votes cast on a poll taken at the respective meetings of their boards of directors. Accordingly, the Enlarged Group will not have the ability to exercise control over these three joint ventures and for the purposes of this Unaudited Pro Forma Financial Information, these investments continue to be accounted for using the equity method of accounting as interests in joint ventures under Hong Kong Financial Reporting Standard 11 "Joint Arrangements".

Based on the principal amount of bank and other debts less cash and cash equivalents, the net debts of WWU, AGN and Dutch Enviro (which amounted to HK$15,745 million, HK$13,996 million and HK$3,005 million, respectively, as at 30 June 2015) and the net cash of Seabank (which amounted to HK$321 million as at 30 June 2015) are not consolidated in the Unaudited Pro Forma Financial Information.

Upon completion of the Proposal, the entities currently co-owned by CKI and Power Assets over which CKI has control (the "**Entities**"), comprising UKPN, NGN, SAPN, VPN, TOA, WELL and CPH, will become indirectly owned subsidiaries of the Enlarged Group.

For the purposes of this Unaudited Pro Forma Financial Information, and in accordance with HKFRS 3, CKI's existing interests in the Entities have been re-measured at their acquisition-date fair values based on the valuations estimated by the management of CKI and the resulting gain or loss is recognised in the consolidated income statement. The identifiable assets and liabilities of Power Assets and the Entities are accounted for in the Unaudited Pro Forma Financial Information under acquisition accounting at their fair values which are based on the valuations estimated by the management of CKI.

The pro forma adjustments represent:

(i) the net re-measurement gain of CKI's existing interests in the Entities of HK$4,239 million (including the realisation of exchange reserve and other reserves of HK$2,787 million) to the consolidated income statement;

(ii) the reversal of the results of the Entities shared by CKI and Power Assets;

(iii) the consolidation of the financial position of the Entities as at 30 June 2015 as if the Proposal had been completed on 30 June 2015. The identifiable assets and liabilities of Power Assets and the Entities are included in the unaudited pro forma consolidated statement of financial position at 30 June 2015 under acquisition accounting at their fair values which are based on the valuations estimated by the management of CKI. Income and expenses and cash flows of Power Assets and the Entities are consolidated in the unaudited pro forma consolidated income statement and unaudited pro forma consolidated statement of cash flows for the year as if the Proposal had been completed on 1 January 2014;

(iv) the elimination of the existing interests in the Entities and share capital and reserves of Power Assets and the Entities, and the issue of shares in CKI as the consideration for the acquisition of the 61.13% interests in Power Assets of HK$91,999 million (calculated based on the 1,304,662,042 shares of Power Assets not owned by CKI, the share exchange ratio of 1.066 shares in CKI for every one share in Power Assets and the closing price of shares in CKI on the Stock Exchange on 8 September 2015 of HK$66.15 per share) (the "**Cancellation Consideration**");

(v) the elimination of the dividends received from Power Assets by CKI and from the Entities by CKI and Power Assets as if the Proposal had been completed on 1 January 2014;

(vi) the elimination of interest income and expenses arising from loans made to the Entities by CKI and Power Assets as if the Proposal had been completed on 1 January 2014;

(vii) the elimination of costs reimbursed to CKI by a subsidiary of Power Assets for providing operation and management services to certain subsidiaries of Power Assets as if the Proposal had been completed on 1 January 2014; and

(viii) the excess of the aggregate amount of the Cancellation Consideration of HK$91,999 million, the Fair Value of CKI's Existing Interests In Power Assets of HK$56,081 million and the fair values of the Entities, over the aggregate amount of the fair values of the identifiable assets and liabilities of Power Assets and the fair values of the identifiable assets and liabilities of the Entities (including intangibles of HK$28,414 million which mainly comprise identifiable distribution licences of the Entities with indefinite life), in which the fair values are based on the valuations estimated by the management of CKI, recognised as goodwill of HK$60,055 million.

In making the adjustments described above, the directors of CKI have assessed whether there is any indication of impairment in respect of fixed assets, intangible assets and goodwill with reference to Hong Kong Accounting Standard 36 "Impairment of Assets". No impairment in respect of fixed assets, intangible assets and goodwill of the Enlarged Group is expected.

The adjustment in (iii) above is expected to have a continuing effect on the consolidated statement of cash flows and consolidated income statement of CKI.

Since the fair value of the Cancellation Consideration, the Fair Value of CKI's Existing Interests In Power Assets and the fair values of the identifiable assets and liabilities of Power Assets and the Entities at the date of completion of the Proposal, may be substantially different from the fair values used in the preparation of the Unaudited Pro Forma Financial Information, the final amounts of the identifiable net assets (including intangible assets), goodwill and net gain from the re-measurement of the existing interests in Power Assets and the Entities to be recognised in connection with the Proposal may be different from the amounts presented above.

(3) The pro forma adjustments represent the estimated legal and professional fees and transaction costs for the Proposal amounting to HK$205 million, which will be borne by the Enlarged Group. These adjustments are not expected to have a continuing effect on the consolidated income statement and consolidated statement of cash flows of CKI.

(4) The pro forma adjustments represent the reclassification of certain financial statement line items to conform with the presentation adopted by CKI.

(5) No other adjustment has been made to the unaudited pro forma consolidated statement of financial position to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 30 June 2015, or to the unaudited pro forma consolidated income statement and unaudited pro forma consolidated statement of cash flows to reflect any trading results or other transactions entered into by the Enlarged Group subsequent to 30 June 2015. In particular, the Unaudited Pro Forma Financial Information has not taken into account:

(i) the payment of the interim dividends for the six months ended 30 June 2015 of HK$1,512 million by CKI on 4 September 2015 and HK$1,451 million by Power Assets on 2 September 2015;

(ii) the proposed conditional special interim dividend of HK$7.50 per share payable to all CKI shareholders (including holders of CKI shares issued pursuant to the Scheme) amounting to approximately HK$29,328 million following completion of the Proposal. Should the proposed conditional special interim dividend be taken into account, the pro forma bank balances and deposits of the Enlarged Group as at 30 June 2015 would decrease from HK$81,253 million to HK$51,925 million and the pro forma equity attributable to shareholders of the Enlarged Group as at 30 June 2015 would decrease from HK$206,596 million to HK$177,268 million. Details of the conditions to the payment of the special dividend are set out in "*Letter from the Board – Proposed Dividend Arrangement*"; and

(iii) the sale and purchase agreement entered into by a joint venture formed by CKI and Power Assets for the acquisition of Iberwind – Desenvolvimento e Projectos, S.A., a company incorporated under the laws of Portugal and engaged in the business of generating electricity from wind in Portugal. Further information is set out in the announcement of Power Assets dated 2 October 2015.

(6) Additional analysis

(a) Unaudited pro forma revenue and profit attributable to the shareholders of the Enlarged Group

Had completion of the Proposal taken place on 1 January 2014, the unaudited pro forma revenue and profit attributable to the shareholders of the Enlarged Group by segments would have been as follows:

For the year ended 31 December 2014
HK$ million

	Turnover	Profit attributable to the Shareholders
Infrastructure investments		
United Kingdom	29,001	11,077
Australia	17,153	4,376
Hong Kong	682	1,780
Mainland China	50	593
New Zealand	2,467	261
Canada, Netherlands and Thailand	883	549
	50,236	18,636
Infrastructure related business	2,642	350
Gain on spin-off and separate listing of Hong Kong electricity business	–	52,928
Gain on re-measurement of CKI's existing interests in Power Assets and the Entities	–	12,723
Unallocated items	10	(2,027)
	52,888	82,610

(b) Unaudited pro forma total assets and total liabilities of the Enlarged Group

Had completion of the Proposal taken place on 30 June 2015, the unaudited pro forma total assets and total liabilities of the Enlarged Group by segments would have been as follows:

As at 30 June 2015
HK$ million

	Total assets	**Total liabilities**
Infrastructure investments		
United Kingdom	201,335	(100,254)
Australia	119,845	(64,862)
Hong Kong	15,923	–
Mainland China	5,451	(22)
New Zealand	8,611	(4,810)
Canada, Netherlands and Thailand	7,622	(2,212)
	358,787	(172,160)
Infrastructure related business	4,279	(651)
Unallocated items	92,091	(34,041)
	455,157	(206,852)

(c) Unaudited net debt to net total capital ratio of the Enlarged Group

Had completion of the Proposal taken place on 30 June 2015, the Enlarged Group would have had a net debt position with a net debt to net total capital ratio of 20.6%, which was based on its net debt of HK$64,231 million and net total capital, which represents the total borrowings plus total equity net of cash and bank deposits, of HK$312,536 million. Should the payment of the proposed conditional special interim dividend be taken into account, the net debt of the Enlarged Group as at 30 June 2015 would increase from HK$64,231 million to HK$93,559 million, while the net total capital as at 30 June 2015 would remain at HK$312,536 million, resulting in a net debt to net total capital ratio of 29.9%.

(d) Unaudited normalised profit attributable to shareholders of the Enlarged Group

If the profit attributable to shareholders of the Enlarged Group for the year ended 31 December 2014 is normalised by excluding the one-off items, the normalised profit attributable to shareholders of the Enlarged Group for the year ended 31 December 2014 would decrease from HK$82,610 million to HK$14,916 million. This has been arrived at by excluding the gain from the spin-off and separate listing of the Hong Kong electricity business of Power Assets of HK$52,928 million, the gain on disposal of a subsidiary by CKI of HK$2,236 million, the gain on disposal of an associate by CKI of HK$12 million (included in other income), the net gain on re-measurement of the CKI's existing interests in Power Assets and the Entities of HK$12,723 million and the estimated legal and professional fees and transaction costs for the Proposal of HK$205 million.

2. ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of an accountant's report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for inclusion in this circular, in respect of the unaudited pro forma consolidated financial information of the Enlarged Group.

Deloitte.
德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Cheung Kong Infrastructure Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Cheung Kong Infrastructure Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2015, the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2014 and related notes as set out on pages IV-1 to IV-12 of the circular issued by the Company dated 20 October 2015 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages IV-1 to IV-12 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed merger of the Company and Power Assets Holdings Limited involving a share exchange offer to the scheme shareholders of Power Assets Holdings Limited for the cancellation of all the scheme shares by way of a scheme of arrangement (the "**Proposed Transaction**") on the Group's financial position as at 30 June 2015 and the Group's financial performance and cash flows for the year ended 31 December 2014 as if the Proposed Transaction had taken place at 30 June 2015 and 1 January 2014 respectively. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2015 for which no review report has been published; and information about the Group's financial performance and cash flows has been extracted by the Directors from the Group's audited consolidated financial statements for the year ended 31 December 2014 on which an independent auditor's report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2015 or 1 January 2014 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 October 2015

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company.

Save for the information and opinions contained in the Scheme Document which relate to the PAH Group and for which the PAH Directors are responsible (as stated in Appendix IV to the Scheme Document set out in "*Appendix VII – Scheme Document*") (collectively, the "**Extracted PAH Information**"), the Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The Extracted PAH Information contained or expressed in this circular has been extracted or summarised from public documents and/or the Scheme Document. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the Extracted PAH Information has been correctly and fairly reproduced or presented in this circular and there are no other matters in respect of the Extracted PAH Information the omission of which would make any such information in this circular misleading.

2. SHARE CAPITAL

(a) As at the Latest Practicable Date, the share capital of the Company was as follows:

Authorised Share Capital

Number of authorised shares	4,000,000,000
Amount of authorised share capital	HK$4,000,000,000
Nominal value per share	HK$1.00

Issued and Fully Paid-up Share Capital

Number of shares in issue	2,519,610,945
Amount of issued and paid-up share capital	HK$2,519,610,945

(b) All the Shares in issue and to be issued in connection with the Scheme are or will be fully paid or credited as fully paid and rank *pari passu* in all respects with each other, including as to rights to capital, dividends and voting.

(c) Please refer to "*Letter from the Board – Proposed Increase in Authorised Share Capital*" for further details on the proposed Increase in Authorised Share Capital.

3. INTERESTS OF DIRECTORS

(a) Interests in shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares or underlying shares or debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register kept by the Company under Section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") of the Listing Rules were as follows:

(1) Long Positions in Shares

			Number of Ordinary Shares / Share Stapled Units					
Name of Company	Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate % of Shareholding
The Company	Li Tzar Kuoi, Victor	Beneficiary of trusts	–	–	–	5,428,000 *(Note 1)*	5,428,000	0.22%
	Kam Hing Lam	Beneficial owner	100,000	–	–	–	100,000	0.003%
CKH Holdings	Li Tzar Kuoi, Victor	Beneficial owner, interest of child or spouse, interest of controlled corporations & beneficiary of trusts	220,000	405,200	2,572,350 *(Note 3)*	1,094,244,254 *(Note 2)*	1,097,441,804	28.43%
	Kam Hing Lam	Beneficial owner & interest of child or spouse	51,040	57,360	–	–	108,400	0.002%
	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	4,111,438 *(Note 7)*	–	4,111,438	0.10%
	Chow Woo Mo Fong, Susan	Beneficial owner	129,960	–	–	–	129,960	0.003%
	Frank John Sixt	Beneficial owner	136,800	–	–	–	136,800	0.003%
	Lan Hong Tsung, David	Beneficial owner	13,680	–	–	–	13,680	0.0003%
	Lee Pui Ling, Angelina	Beneficial owner	111,334	–	–	–	111,334	0.002%
	George Colin Magnus	Beneficial owner, interest of child or spouse & founder & beneficiary of a discretionary trust	83,360	16,771	–	833,868 *(Note 8)*	933,999	0.02%
	Man Ka Keung, Simon	Beneficial owner & interest of child or spouse	9,895 *(Note 9)*	11,895 *(Note 9)*	–	–	11,895	0.0003%
PAH	Li Tzar Kuoi, Victor	Interest of child or spouse	–	151,000	–	–	151,000	0.007%
	Kam Hing Lam	Interest of child or spouse	–	100,000	–	–	100,000	0.004%
	Lee Pui Ling, Angelina	Beneficial owner	8,800	–	–	–	8,800	0.0004%

Name of Company	Name of Director	Capacity	Number of Ordinary Shares / Share Stapled Units Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate % of Shareholding
HK Electric Investments and HK Electric Investments Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation	–	–	7,870,000 *(Note 5)*	–	7,870,000	0.08%
	Kam Hing Lam	Interest of child or spouse	–	1,025,000	–	–	1,025,000	0.01%
	Ip Tak Chuen, Edmond	Beneficial owner	1,300,000	–	–	–	1,300,000	0.01%
	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	2,000,000 *(Note 7)*	–	2,000,000	0.02%
	Lee Pui Ling, Angelina	Beneficial owner	2,000	–	–	–	2,000	0.00002%
Hutchison Telecommunications (Australia) Limited	Fok Kin Ning, Canning	Beneficial owner & interest of controlled corporation	4,100,000	–	1,000,000 *(Note 7)*	–	5,100,000	0.037%
	Frank John Sixt	Beneficial owner	1,000,000	–	–	–	1,000,000	0.007%
Hutchison Telecommunications Hong Kong Holdings Limited	Li Tzar Kuoi, Victor	Interest of child or spouse, interest of controlled corporations & beneficiary of trusts	–	192,000	2,519,250 *(Note 4)*	153,280 *(Note 6)*	2,864,530	0.05%
	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	1,202,380 *(Note 7)*	–	1,202,380	0.025%
	Chow Woo Mo Fong, Susan	Beneficial owner	250,000	–	–	–	250,000	0.005%
	George Colin Magnus	Beneficial owner & interest of child or spouse	13,201	132	–	–	13,333	0.0003%

(2) Long Positions in Underlying Shares

Name of Company	Name of Director	Capacity	Number of Underlying Shares Personal interests	Family interests	Corporate interests	Other interests	Total
Hutchison Telecommunications Hong Kong Holdings Limited	Frank John Sixt	Beneficial owner	255,000 *(Note 11)*	–	–	–	255,000

(3) Long Positions in Debentures

Name of Company	Name of Director	Capacity	Amount of Debentures: Personal interests	Family interests	Corporate interests	Other interests	Total
Hutchison Whampoa Finance (CI) Limited	Man Ka Keung, Simon	Beneficial owner & interest of child or spouse	US$100,000 7.45% Notes due 2017 *(Note 10)*	US$100,000 7.45% Notes due 2017 *(Note 10)*	–	–	US$100,000 7.45% Notes due 2017
Hutchison Whampoa International (09) Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation	–	–	US$45,792,000 7.625% Notes due 2019 *(Note 4)*	–	US$45,792,000 7.625% Notes due 2019
Hutchison Whampoa International (09/19) Limited	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	US$4,000,000 5.75% Notes due 2019 *(Note 7)*	–	US$4,000,000 5.75% Notes due 2019
Hutchison Whampoa International (10) Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation	–	–	US$35,395,000 Subordinated Guaranteed Perpetual Capital Securities *(Note 4)*	–	US$35,395,000 Subordinated Guaranteed Perpetual Capital Securities
	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	US$5,000,000 Subordinated Guaranteed Perpetual Capital Securities *(Note 7)*	–	US$5,000,000 Subordinated Guaranteed Perpetual Capital Securities
	Frank John Sixt	Beneficial owner	US$1,000,000 Subordinated Guaranteed Perpetual Capital Securities	–	–	–	US$1,000,000 Subordinated Guaranteed Perpetual Capital Securities
Hutchison Whampoa International (12) Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation	–	–	US$16,800,000 Subordinated Guaranteed Perpetual Capital Securities *(Note 4)*	–	US$16,800,000 Subordinated Guaranteed Perpetual Capital Securities

Notes:

(1) The discretionary beneficiaries of each of DT1 and DT2 are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children and Mr. Li Tzar Kai, Richard. Each of the trustees of DT1 and DT2 holds units in UT1 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. TUT1 as trustee of UT1 holds a total of 5,428,000 Shares.

The entire issued share capital of TUT1 and of the trustees of DT1 and DT2 are owned by 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 interested in Shares 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 Shares 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 Director and a discretionary beneficiary of each of DT1 and DT2, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to Shares held by TUT1 as trustee of UT1 under the SFO.

(2) The 1,094,244,254 shares in CKH Holdings comprise:

(a) 1,001,953,744 shares held by TUT1 as trustee of UT1 together with certain companies 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**"). By virtue of being a Director and a discretionary beneficiary of each of DT1 and DT2 as described in Note (1) above, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said shares of CKH Holdings held by TUT1 as trustee of UT1 and TUT1 related companies under the SFO.

(b) 7,863,264 shares held by Li Ka-Shing Castle Trustee Company Limited ("**TUT3**") as trustee of The Li Ka-Shing Castle Trust ("**UT3**"). The discretionary beneficiaries of each of the two discretionary trusts ("**DT3**" and "**DT4**") are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children and Mr. Li Tzar Kai, Richard. Each of the trustees of DT3 and DT4 holds units in UT3 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust.

The entire issued share capital of TUT3 and of the trustees of DT3 and DT4 are owned by Li Ka-Shing Castle Holdings Limited ("**Castle 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 Castle Holdco. TUT3 is only interested in the shares of CKH Holdings 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 Holdings independently without any reference to Castle Holdco or any of Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor as a holder of the shares of Castle Holdco as aforesaid.

By virtue of the above and as a Director and a discretionary beneficiary of each of DT3 and DT4, Mr. Li Tzar Kuoi, Victor is also taken to have a duty of disclosure in relation to the said 7,863,264 shares of CKH Holdings held by TUT3 as trustee of UT3 under the SFO.

(c) 84,427,246 shares held by a company controlled by Li Ka-Shing Castle Trustee Corporation Limited as trustee of DT3.

(3) The 2,572,350 shares in CKH Holdings comprise:

(a) 2,272,350 shares held by certain companies in which Mr. Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.

(b) 300,000 shares 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.

(4) Such interests are held by certain companies of which Mr. Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.

(5) The 7,870,000 share stapled units in HK Electric Investments and HK Electric Investments Limited comprise:

(a) 2,700,000 share stapled units held by 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.

(b) 5,170,000 share stapled units held by 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.

(6) 153,280 shares in Hutchison Telecommunications Hong Kong Holdings Limited ("**HTHK**") are held by TUT3 as trustee of UT3. By virtue of being a Director and discretionary beneficiary of each of DT3 and DT4 as described in Note (2)(b) above, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said 153,280 shares of HTHK held by TUT3 as trustee of UT3 under the SFO.

(7) Such interests are held by a company which is equally owned by Mr. Fok Kin Ning, Canning and his wife.

(8) Such interests comprise 184,000 shares held by a company controlled by a trust under which Mr. George Colin Magnus is a discretionary beneficiary and 649,868 shares indirectly held by a trust of which Mr. George Colin Magnus is the settlor and a discretionary beneficiary.

(9) Such 9,895 shares are jointly held by Mr. Man Ka Keung, Simon and his wife and the remaining 2,000 shares are held by his wife.

(10) Such interests are jointly held by Mr. Man Ka Keung, Simon and his wife.

(11) Such underlying shares are derived from the 17,000 American depositary shares (each representing 15 ordinary shares) in HTHK beneficially owned by Mr. Frank John Sixt.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Interests in assets, contracts or arrangements of the Group

Mr. Li Tzar Kuoi, Victor, Mr. Kam Hing Lam, Mrs. Lee Pui Ling, Angelina and Ms. Eirene Yeung are interested in certain Scheme Shares to be cancelled pursuant to the Scheme as set out in "*Letter from the Board – Effects of the Proposal on the Shareholding Structure of PAH and the Company – Shareholding Structure of PAH*".

As at the Latest Practicable Date, save as set out above, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group or of the PAH Group since 31 December 2014, being the date to which the latest published audited accounts of the Group and of the PAH Group were made up.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group or of the PAH Group subsisting at the date of this circular and which is significant in relation to the respective businesses of the Group or of the PAH Group taken as a whole.

(c) Competing Businesses

(1) Core Business Activities of the Group

The core business activities of the Group comprise the following:

(a) development, investment and operation of energy infrastructure;

(b) development, investment and operation of transportation infrastructure;

(c) development, investment and operation of water infrastructure;

(d) development, investment and operation and commercialisation of infrastructure related business;

(e) investment holding and project management; and

(f) securities investment.

(2) Interests in Competing Businesses

As at the Latest Practicable Date, the interests of Directors in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group (the "**Competing Businesses**"), as required to be disclosed pursuant to the Listing Rules, were as follows:

Name of Director	Name of Company	Nature of Interest	Competing Business *(Note)*
Li Tzar Kuoi, Victor	CKH Holdings	Group Co-Managing Director and Deputy Chairman	(a), (c), (e) and (f)
	PAH	Non-executive Director	(a), (e) and (f)
	HK Electric Investments and HK Electric Investments Limited	Non-executive Director and Deputy Chairman	(a) and (e)
	CK Life Sciences Int'l., (Holdings) Inc.	Chairman	(f)
Kam Hing Lam	CKH Holdings	Deputy Managing Director	(a), (c), (e) and (f)
	CK Life Sciences Int'l., (Holdings) Inc.	President and Chief Executive Officer	(f)

Name of Director	Name of Company	Nature of Interest	Competing Business *(Note)*
Ip Tak Chuen, Edmond	CKH Holdings	Deputy Managing Director	(a), (c), (e) and (f)
	CK Life Sciences Int'l., (Holdings) Inc.	Senior Vice President and Chief Investment Officer	(f)
	TOM Group Limited	Non-executive Director	(e) and (f)
	Shougang Concord International Enterprises Company Limited	Non-executive Director	(e) and (f)
	ARA Asset Management Limited	Non-executive Director	(e) and (f)
Fok Kin Ning, Canning	CKH Holdings	Group Co-Managing Director	(a), (c), (e) and (f)
	PAH	Chairman	(a), (e) and (f)
	HK Electric Investments and HK Electric Investments Limited	Chairman	(a) and (e)
	Hutchison Telecommunications Hong Kong Holdings Limited	Chairman and Alternate Director	(e)
Andrew John Hunter	PAH	Executive Director	(a), (e) and (f)
Chan Loi Shun	PAH	Executive Director	(a), (e) and (f)
	HK Electric Investments and HK Electric Investments Limited	Executive Director	(a) and (e)
Chow Woo Mo Fong, Susan	CKH Holdings	Group Deputy Managing Director	(a), (c), (e) and (f)
	HK Electric Investments and HK Electric Investments Limited	Alternate Director	(a) and (e)
	TOM Group Limited	Alternate Director	(e) and (f)
	Hutchison Telecommunications Hong Kong Holdings Limited	Non-executive Director	(e)
Frank John Sixt	CKH Holdings	Group Finance Director and Deputy Managing Director	(a), (c), (e) and (f)
	PAH	Non-executive Director	(a), (e) and (f)
	HK Electric Investments and HK Electric Investments Limited	Alternate Director	(a) and (e)
	TOM Group Limited	Non-executive Chairman	(e) and (f)
	Hutchison Telecommunications Hong Kong Holdings Limited	Non-executive Director	(e)
Lee Pui Ling, Angelina	TOM Group Limited	Non-executive Director	(e) and (f)
	Henderson Land Development Company Limited	Non-executive Director	(a), (b) and (e)
George Colin Magnus	CKH Holdings	Non-executive Director	(a), (c), (e) and (f)

Note: Such businesses may be conducted through subsidiaries, associated companies or by way of other forms of investments. Please refer to "– *Core Business Activities of the Group*" above for the types of the Competing Businesses.

Save as disclosed above, none of the Directors is interested in any business apart from the Group's businesses which compete or is likely to compete, either directly or indirectly, with businesses of the Group.

(d) Common directors

The following Directors are also directors of certain companies which have an interest or short position in the shares and 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 (the "**Relevant Companies**"):

Name of Director	Relevant Companies in which the Director is also a director
Li Tzar Kuoi, Victor	Hutchison International Limited Hutchison Whampoa Limited Cheung Kong (Holdings) Limited CK Global Investments Limited CKH Holdings
Kam Hing Lam	Hutchison International Limited Hutchison Whampoa Limited Cheung Kong (Holdings) Limited CK Global Investments Limited CKH Holdings
Ip Tak Chuen, Edmond	Cheung Kong (Holdings) Limited CK Global Investments Limited CKH Holdings
Fok Kin Ning, Canning	Hutchison International Limited Hutchison Whampoa Limited Cheung Kong (Holdings) Limited CK Global Investments Limited CKH Holdings
Chow Woo Mo Fong, Susan	Hutchison Infrastructure Holdings Limited Hutchison International Limited Hutchison Whampoa Limited CK Global Investments Limited CKH Holdings
Frank John Sixt	Hutchison Infrastructure Holdings Limited Hutchison International Limited Hutchison Whampoa Limited Cheung Kong (Holdings) Limited CK Global Investments Limited CKH Holdings

Name of Director	Relevant Companies in which the Director is also a director
George Colin Magnus	CKH Holdings

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or the PAH Directors had any existing or proposed service contracts with any member of the Group or the PAH Group (excluding contracts expiring or terminable by the relevant member of the Group or the PAH Group within one year without payment of compensation (other than statutory compensation)).

5. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of the business carried on or intended to be carried on by any member of the Group) have been entered into by members of the Group in the two years immediately preceding the date of this circular and which are material:

(a) a deed dated 10 January 2014 entered into between PAH and the Company in relation to the undertaking by the Company to refer opportunities to invest in power projects to PAH for evaluation, and certain restrictions regarding the Company's investments in power projects. Such deed took effect upon the date on which the share stapled units jointly issued by HK Electric Investments and HK Electric Investments Limited were first listed on the Stock Exchange and shall terminate at the earliest of (1) the date on which the Group ceases to own, directly or indirectly, at least 30% of the issued share capital of PAH; or (2) the date on which the PAH Shares cease to be listed on the Stock Exchange;

(b) a shareholders' agreement dated 30 May 2014 entered into between Cheung Kong (Holdings) Limited ("**Cheung Kong**"), the Company, PAH and CK ENV UK Limited ("**CK ENV**") under which each of Cheung Kong, the Company and PAH would contribute capital of up to A$666 million in cash to CK ENV, a joint venture formed for the acquisition (through an off-market takeover bid) and operation of Envestra Limited (now known as Australian Gas Networks Limited) and its subsidiaries;

(c) an agreement dated 26 August 2014 entered into between PG (April) (Number 2) Limited ("**PG UK**", an indirect wholly-owned subsidiary of the Company), CK ENV UK 2 Limited ("**JV Newco**", a company incorporated by CK ENV and PG UK and a direct subsidiary of CK ENV), and CK ENV Investments Pty Ltd ("**AusBidco**", an indirect wholly-owned subsidiary of CK ENV), under which PG UK agreed to transfer to AusBidco the entire issued share capital of Cheung Kong Infrastructure Holdings (Malaysian) Limited, which held certain shares of Envestra Limited (now known as Australian Gas Networks Limited), in return for the allotment and issue of approximately 17.46% interest in JV Newco to PG UK; and

(d) a shareholders' agreement dated 20 January 2015 entered into between Cheung Kong, Portbrook Limited (an indirect wholly-owned subsidiary of Cheung Kong), the Company, Portcobrook Limited (an indirect wholly-owned subsidiary of the Company) and CK Investments S.à r.l. ("**CK Investments**"), under which each of Cheung Kong and the Company, through one or more of their respective subsidiaries, would contribute capital of up to GBP600 million (in the form of equity or loan) to CK Investments, a joint venture formed for the acquisition and operation of Eversholt Rail Group.

Please refer to "*Appendix IV – Information on the Group – Material Contracts*" in the Scheme Document set out in "*Appendix VII – Scheme Document*" for the contracts (not being contracts entered into in the ordinary course of the business carried on or intended to be carried on by any member of the PAH Group) which have been entered into by members of the PAH Group in the two years immediately preceding the date of this circular and which are material.

6. MATERIAL LITIGATION

As at the Latest Practicable Date, none of the members of the Group (including the Offeror) or the PAH Group was engaged in any litigation of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group (including the Offeror) or the PAH Group.

7. EXPERTS

(a) Qualification of experts

The following are the names and qualification of the experts who have given advice which are contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants
Anglo Chinese Corporate Finance, Limited	A licensed corporation permitted to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

(b) Interests of experts

As at the Latest Practicable Date, neither Deloitte Touche Tohmatsu nor Anglo Chinese was interested in any securities of any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group, and neither Deloitte Touche

Tohmatsu nor Anglo Chinese had any direct or indirect interest in any assets which had been, since 31 December 2014 (being the date to which the latest published audited financial statements of the Group or the PAH Group were made up), acquired or disposed of by, or leased to, or were proposed to be acquired or disposed of by, or leased to, any member of the Group or of the PAH Group.

8. CONSENTS

Each of HSBC, Goldman Sachs, Merrill Lynch (Asia Pacific) Limited, Anglo Chinese, Platinum Securities Company Limited, Deloitte Touche Tohmastsu and KPMG has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and/or letter and/or references to its name in the form and context in which they respectively appear in this circular.

9. MISCELLANEOUS

(a) The registered office of the Company is situated at Clarendon House, Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company in Hong Kong is situated at 12th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

(b) The Company's branch share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(c) The Company's principal share registrar and transfer office in Bermuda is MUFG Fund Services (Bermuda) Limited, The Belvedere Building, 69 Pitts Bay Road, Pembroke HM08, Bermuda.

(d) The company secretary of the Company is Ms. Eirene Yeung. She is a solicitor of the High Court of Hong Kong and of the Senior Courts of England and Wales. She holds a Master of Science degree in Finance, a Master's degree in Business Administration and a Bachelor's degree in Laws.

(e) The English text of this circular shall prevail over the Chinese text in the event of any inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Freshfields Bruckhaus Deringer at 11th Floor, Two Exchange Square, Hong Kong on any weekday, except Saturdays, Sundays and public holidays, during the period of 14 days from the date of this circular:

(a) the memorandum of association and Bye-laws of the Company;

(b) the annual reports of the Company for each of the three financial years ended 31 December 2012, 2013 and 2014 and the interim report of the Company for the six months ended 30 June 2015;

(c) the annual reports of PAH for each of the three financial years ended 31 December 2012, 2013 and 2014 and the interim report of PAH for the six months ended 30 June 2015;

(d) the report on the unaudited pro forma financial information of the Group from Deloitte Touche Tohmatsu, the text of which is set out in "*Appendix IV – Unaudited Pro Forma Financial Information of the Enlarged Group*";

(e) the Scheme Document, a copy of which is set out in "*Appendix VII – Scheme Document*" for reference purposes only;

(f) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in "*Letter from the Independent Board Committee*";

(g) the letter from the Independent Financial Adviser, the text of which is set out in "*Letter from the Independent Financial Adviser*";

(h) the material contracts of the Group and the PAH Group referred to in "*– Material Contracts*" above;

(i) the written consents referred to in "*– Consents*" above; and

(j) this circular.

In this circular, the following expressions have the following meanings unless the context otherwise requires:

"**A$**"	Australian dollars, the lawful currency of Australia
"**acting in concert**"	has the meaning ascribed to it in the Takeovers Code
"**Adjusted Total Assets**"	(a) in the case of the Company, means the total assets less bank deposits and cash and its attributable interest in PAH and (b) in the case of PAH, means the total assets less bank balances and deposits
"**Amendments to Bye-laws**"	the proposed amendments to Bye-law 86(1) of the Bye-laws by deleting the second sentence in Bye-law 86(1) and replacing it with "Unless otherwise determined by an ordinary resolution of the Members in general meeting, there shall be no maximum number of Directors."
"**Announcement**"	the announcement dated 8 September 2015 jointly issued by the Company, the Offeror, PAH and CKH Holdings in relation to the Proposal
"**Authorisations**"	authorisations, registrations, filings, rulings, consents, permissions and approvals (including approval in-principle)
"**Board**"	the board of Directors
"**Business Day**"	any day on which the Stock Exchange is open for the business of dealing in securities
"**Bye-laws**"	the bye-laws of the Company (as amended from time to time)
"**Cancellation Consideration**"	the consideration for the cancellation and extinguishment of the Scheme Shares under the Scheme, being 1.066 Shares for every one Scheme Share held at the Scheme Record Time
"**Change of Company Name**"	the proposed change of the English name of the Company from "Cheung Kong Infrastructure Holdings Limited" to "CK Infrastructure Assets (Holdings) Limited" and the proposed adoption of "長江基建實業(集團)有限公司" as the Company's secondary name

"**CKH Holdings**"	CK Hutchison Holdings Limited 長江和記實業有限公司, an exempted company incorporated in the Cayman Islands with limited liability on 11 December 2014, the shares of which are listed on the Main Board (stock code: 0001)
"**CKH Holdings Directors**"	the directors of CKH Holdings
"**Companies Ordinance**"	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
"**Companies Registrar**"	the Registrar of Companies in Hong Kong
"**Company**"	Cheung Kong Infrastructure Holdings Limited, a company incorporated in Bermuda with limited liability on 28 May 1996, the shares of which are listed on the Main Board (stock code: 1038)
"**Court**"	the Court of First Instance of the High Court of Hong Kong
"**Directors**"	the directors of the Company
"**Disinterested PAH Shareholders**"	PAH Shareholders other than the Offeror and Offeror Concert Parties. For the avoidance of doubt, Disinterested PAH Shareholders include any member of the HSBC group and any member of the Goldman Sachs group, in each case in respect of PAH Shares of its non-discretionary investment clients where such client (a) has control over the voting rights attaching to those PAH Shares, (b) if those PAH Shares are voted, gives instructions as to how the PAH Shares are to be voted and provided the shares are voted in accordance with the instructions given and (c) is not the Offeror or any of the Offeror Concert Parties
"**Dividend Record Time**"	the record time for determining the entitlement of the Shareholders to the Special Dividend, which is expected to be 8:50 a.m. on Tuesday, 5 January 2016
"**Enlarged Group**"	the Group upon completion of the Proposal

"**Excluded Jurisdictions**"	those jurisdictions outside Hong Kong in which any PAH Overseas Shareholders are resident in or are located and where the law of such jurisdictions precludes an offer of the Shares, or precludes it except after compliance by the Company with conditions with which the Company is unable to comply or which the Company regards as unduly onerous. As at the Latest Practicable Date, there were no Excluded Jurisdictions
"**Executive**"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"**GBP**"	pounds sterling, the lawful currency of the United Kingdom
"**Goldman Sachs**"	Goldman Sachs (Asia) L.L.C., a corporation licensed by the SFC to carry on type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, which has been appointed as the financial adviser to CKH Holdings in connection with the Proposal
"**Group**"	the Company and its subsidiaries from time to time
"**HK$**"	Hong Kong dollars, the lawful currency of Hong Kong
"**HKFRS**"	Hong Kong Financial Reporting Standards
"**Hong Kong**"	the Hong Kong Special Administrative Region of the PRC
"**HSBC**"	The Hongkong and Shanghai Banking Corporation Limited, a registered institution under the SFO, registered to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities under the SFO and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), which has been appointed as the financial adviser to the Company and the Offeror in connection with the Proposal

"**Increase in Authorised Share Capital**"	the proposed increase in the authorised share capital of the Company from HK$4,000,000,000 divided into 4,000,000,000 Shares to HK$8,000,000,000 divided into 8,000,000,000 Shares by the creation of an additional 4,000,000,000 Shares
"**Increase in Maximum Number of Directors**"	the proposed increase in the maximum number of Directors from 20 to 30
"**Independent Board Committee**"	the independent committee of the Board established for the purpose of, among other things, making recommendations to the Independent Shareholders in relation to the Proposal, comprising Mr. Cheong Ying Chew, Henry, Mrs. Kwok Eva Lee, Mrs. Sng Sow-mei alias Poon Sow Mei, Mr. Colin Stevens Russel, Mr. Lan Hong Tsung, David and Mr. Barrie Cook, all of whom are independent non-executive Directors
"**Independent Financial Adviser**" or "**Anglo Chinese**"	Anglo Chinese Corporate Finance, Limited, a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities under the SFO, and which has been appointed as the independent financial adviser to the Board and the Offeror Board in respect of the Proposal pursuant to Rule 2.4 of the Takeovers Code and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposal
"**Independent Shareholders**"	the Shareholders who do not have a material interest (which is different from that of all other Shareholders) in the Proposal
"**Latest Practicable Date**"	the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein, being (i) 15 October 2015 (New York time) for information in relation to the PAH ADSs and (ii) 16 October 2015 for other information
"**Listing Committee**"	the Listing Committee of the Stock Exchange
"**Listing Rules**"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
"**Main Board**"	the Main Board of the Stock Exchange

"**Non-Qualifying PAH Overseas Shareholders**"	those PAH Overseas Shareholders who are resident or located in any Excluded Jurisdictions and who will not receive Shares pursuant to the Scheme, but will, upon the Scheme becoming effective and subject to and in accordance with the Scheme, receive cash in full satisfaction of their rights to the relevant Shares. As at the Latest Practicable Date, there were no Non-Qualifying PAH Overseas Shareholders
"**Offeror**"	Assets Global International Limited, a company incorporated in the British Virgin Islands with limited liability on 28 August 2015 and a wholly-owned subsidiary of the Company
"**Offeror Board**"	the board of Offeror Directors
"**Offeror Concert Parties**"	the parties acting in concert with the Offeror in relation to PAH, including the persons referred to in the first column of the table (including those persons referred to in the notes to the table) under "*Offeror Concert Parties*" in "*Letter from the Board – Effects of the Proposal on the Shareholding Structure of PAH and the Company – Shareholding Structure of PAH*" (except for members of the HSBC group or members of the Goldman Sachs group, in each case which are exempt fund managers and/or exempt principal traders, in each case recognised by the Executive as such for the purposes of the Takeovers Code), each of which is presumed under the Takeovers Code to be acting in concert with the Offeror in relation to PAH
"**Offeror Directors**"	the directors of the Offeror
"**PAH**"	Power Assets Holdings Limited 電能實業有限公司, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board (stock code: 0006)
"**PAH ADS Deposit Agreement**"	the deposit agreement dated as of 29 July 1996 by and among PAH (formerly known as Hongkong Electric Holdings Limited 香港電燈集團有限公司), the PAH Depositary and all holders and beneficial owners of American depositary receipts evidencing PAH ADSs
"**PAH ADSs**"	American depositary shares which are issued by the PAH Depositary, each representing ownership of one PAH Share

"**PAH Board**"	the board of directors of PAH
"**PAH Court Hearing**"	the hearing of the petition by the Court for the sanction of the Scheme and the confirmation of the capital reduction of PAH
"**PAH Court Meeting**"	the meeting of the Scheme Shareholders to be convened at the direction of the Court for the purpose of considering and, if thought fit, approving the Scheme
"**PAH Depositary**"	Citibank, N.A.
"**PAH Directors**"	the directors of PAH
"**PAH General Meeting**"	the general meeting of PAH convened to be held on the same date as the PAH Court Meeting, for the purposes of considering and, if thought fit, passing (a) a special resolution to approve the Scheme and the implementation of the Scheme, including the reduction and restoration of the issued share capital of PAH under the Proposal, and (b) an ordinary resolution to agree to the payment by the Company of the Special Dividend
"**PAH Group**"	PAH and its subsidiaries from time to time
"**PAH Overseas Shareholders**"	Scheme Shareholders whose addresses, as shown in the register of members of PAH at the Scheme Record Time, are in any jurisdiction other than Hong Kong
"**PAH Shareholder(s)**"	holder(s) of PAH Shares
"**PAH Share(s)**"	ordinary share(s) in the share capital of PAH
"**PRC**" or "**China**" or "**Mainland China**"	the People's Republic of China, which for the purpose of this circular and, except where the context requires otherwise, excludes Hong Kong, Macau and Taiwan
"**Proposal**"	the conditional share exchange offer made by the Offeror to the Scheme Shareholders for the cancellation of all the Scheme Shares by way of the Scheme

"**Relevant Subsidiaries**"	collectively, (a) Asian Equities Inc., (b) Hestonville Resources Limited, (c) Interman Development Inc., (d) Lipton Finance S.A., (e) Monitor Equities S.A., (f) Univest Equity S.A. and (g) Venniton Development Inc., each of which is a wholly-owned subsidiary of the Company and which in aggregate held or beneficially owned approximately 38.87% of the issued PAH Shares as at the Latest Practicable Date
"**Scheme**"	the proposed scheme of arrangement pursuant to Division 2 of Part 13 of the Companies Ordinance for the implementation of the Proposal
"**Scheme Document**"	the composite scheme document dated 20 October 2015 jointly issued by the Offeror, the Company and PAH to the PAH Shareholders in relation to the Scheme, including each of the letters, statements, appendices and notices in it, a copy of which is set out in "*Appendix VII – Scheme Document*" for reference purposes only, as may be amended or supplemented from time to time
"**Scheme Effective Date**"	the date on which the Scheme, if approved and sanctioned by the Court, becomes effective in accordance with its terms, which is expected to be on Tuesday, 5 January 2016
"**Scheme Record Time**"	the record time for determining the entitlements of the Scheme Shareholders to the Scheme, being 4:00 p.m. on the Business Day immediately preceding the Scheme Effective Date, which is expected to be Monday, 4 January 2016
"**Scheme Shareholders**"	holders of the Scheme Shares
"**Scheme Shares**"	all the PAH Shares in issue as at the Scheme Record Time, other than those held or beneficially owned by the Relevant Subsidiaries
"**SEC**"	the US Securities and Exchange Commission
"**Securities Act**"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder

"**Selected Person**"	the nominee selected by the Company to be allotted and to sell on the market (a) fractional entitlements of the Scheme Shareholders to Shares under the Scheme and (b) the Shares which would otherwise have been allotted to the Non-Qualifying PAH Overseas Shareholders pursuant to the Scheme, further details of which are set out in "*Letter from the Board – Terms of the Proposal – Fractional Entitlements to the Shares under the Scheme*" and "*Letter from the Board – Terms of the Proposal – Non-Qualifying PAH Overseas Shareholders*"
"**SFC**"	the Securities and Futures Commission of Hong Kong
"**SFO**"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
"**SGM**"	a special general meeting of the Company convened to be held on Tuesday, 24 November 2015 at 11:30 a.m. for the purposes of considering and, if thought fit, approving (a) the making of the Proposal and the issue of Shares as contemplated under the Proposal, (b) the Change of Company Name, (c) the Increase in Authorised Share Capital, (d) the Increase in Maximum Number of Directors and (e) the Amendments to Bye-laws
"**Shareholder(s)**"	holder(s) of Shares
"**Share(s)**"	ordinary share(s) of HK$1.00 each in the share capital of the Company
"**Special Dividend**"	the conditional special interim dividend of HK$7.50 per Share proposed to be declared by the Board, which is subject to the conditions set out in and as further described in "*Letter from the Board – Proposed Dividend Arrangement*"
"**Special Dividend Resolution**"	the ordinary resolution to be considered and, if thought fit, passed by the PAH Shareholders at the PAH General Meeting to agree to the payment by the Company of the Special Dividend
"**Stock Exchange**"	The Stock Exchange of Hong Kong Limited

"**Takeovers Code**"	the Code on Takeovers and Mergers issued by the SFC (as amended, supplemented or otherwise modified from time to time)
"**UK**" or "**United Kingdom**"	the United Kingdom of Great Britain and Northern Ireland
"**US**", "**United States**" or "**United States of America**"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"**US$**"	United States dollars, the lawful currency of the US
"**%**"	per cent.

All references in this circular to times and dates are references to Hong Kong times and dates, except as otherwise specified.

All percentages stated in this circular are approximations and certain amounts and percentage figures included in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

The following is a copy of the Scheme Document issued by the Offeror, the Company and PAH dated 20 October 2015 containing details of the Scheme, which is reproduced in this Appendix VII for reference purposes only.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Power Assets Holdings Limited, you should at once hand this document and the accompanying forms of proxy to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This document does not constitute an offer or invitation to, nor is it intended to invite offers by, the public to subscribe for or to purchase shares or other securities of Power Assets Holdings Limited and/or Cheung Kong Infrastructure Holdings Limited and it must not be used for the purpose of offering or inviting offers for any securities.

None of the Securities and Exchange Commission, any state securities commission or any other regulatory authority of the United States of America has approved or disapproved the securities referred to in this document or passed upon the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States of America.

Cheung Kong Infrastructure Holdings Limited
長江基建集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 1038)

Power Assets Holdings Ltd.
電能實業有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 0006)

ASSETS GLOBAL INTERNATIONAL LIMITED
(Incorporated in the British Virgin Islands with limited liability)

(1) PROPOSED MERGER OF CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED AND POWER ASSETS HOLDINGS LIMITED INVOLVING A SHARE EXCHANGE OFFER TO THE SCHEME SHAREHOLDERS OF POWER ASSETS HOLDINGS LIMITED FOR THE CANCELLATION OF ALL THE SCHEME SHARES BY WAY OF A SCHEME OF ARRANGEMENT AND (2) PROPOSED PAYMENT OF CONDITIONAL SPECIAL DIVIDEND BY CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED

Financial Adviser to Cheung Kong Infrastructure Holdings Limited and Assets Global International Limited

HSBC

Financial Adviser to Power Assets Holdings Limited

Bank of America Merrill Lynch

Independent Financial Adviser to the Independent Board Committee of Power Assets Holdings Limited

PLATINUM Securities

A letter from the Board to the shareholders of Power Assets Holdings Limited, a letter from the Independent Board Committee containing its recommendation to the Disinterested Shareholders of Power Assets Holdings Limited in respect of the Proposal, a letter from Platinum, being the Independent Financial Adviser, containing its advice to the Independent Board Committee in respect of the Proposal, and an Explanatory Statement are set out on pages 1 to 6, 7 to 8, 9 to 62 and 63 to 99 of this document, respectively. The actions to be taken by the Shareholders and the ADS Holders are set out on pages xv to xviii of this document.

Notices convening the Court Meeting and the General Meeting to be held on Tuesday, 24 November 2015 at 2:00 p.m. and 2:30 p.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned), respectively, at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong are set out on pages N-1 to N-5 of this document.

Whether or not you are able to attend the Court Meeting and/or the General Meeting, you are strongly urged to complete and sign the enclosed forms of proxy in accordance with the respective instructions printed on them, and to lodge them at the Company's registered office at Rooms 1913-1914, 19th Floor, Hutchison House, 10 Harcourt Road, Hong Kong as soon as possible, but in any event not later than the times and dates specified in them respectively. The form of proxy in respect of the Court Meeting may also be handed to the Chairman of the Court Meeting at the Court Meeting if it is not so lodged.

Completion and return of a form of proxy in respect of the Court Meeting or the General Meeting will not preclude you from attending and voting in person at the Court Meeting or the General Meeting (as the case may be), or any adjournment of it, should you so wish.

If you are an ADS Holder, you are strongly urged to execute the ADS Voting Instruction Card and return it to the Depositary by 10:00 a.m. on Monday, 16 November 2015 (New York time) in order to instruct the Depositary, in accordance with the terms of the ADS Deposit Agreement and the ADS Voting Instruction Card, to vote the Shares underlying the ADSs at the Court Meeting and the General Meeting. If you wish to attend the Court Meeting and/or the General Meeting (whether in person or by proxy) or be entitled to be present in person or be represented by counsel at the Court Hearing to support or oppose the petition to sanction the Scheme, you must surrender your ADSs and withdraw the Shares underlying them in accordance with the terms of the ADS Deposit Agreement so that you can be registered as a Shareholder. The Company will pay to the Depositary its fees for the cancellation of your ADSs for the purposes of attending and voting at the Court Meeting and the General Meeting or to be present in person or represented by counsel at the Court Hearing, but you may incur taxes and governmental and other charges and fees in connection with such surrender and withdrawal.

Overseas Shareholders, including but not limited to those in the United States, are advised to read "*Non-Qualifying Overseas Shareholders*" in the Explanatory Statement and "*Information for Overseas Shareholders*" for further information.

This document is jointly issued by Cheung Kong Infrastructure Holdings Limited, Assets Global International Limited and Power Assets Holdings Limited to the shareholders of Power Assets Holdings Limited.

20 October 2015

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CONTENTS

The following are some of the questions you, as a Shareholder or an ADS Holder, may have and the answers to those questions.

However, you are urged to read this entire document, including the Appendices, carefully.

1. What is the purpose of this document?

- The purpose of this document is to provide you with information regarding the Proposal and to give you notices of the Court Meeting and the General Meeting.

2. What are the Court Meeting and the General Meeting? What is the Court Hearing?

- The Court Meeting is convened to be held for the Disinterested Shareholders to consider and, if thought fit, approve the Scheme.
- When the Court Meeting has concluded or adjourned, the General Meeting will be held for the purpose of considering and, if thought fit, passing (a) a special resolution to approve the Scheme and the implementation of the Scheme and (b) an ordinary resolution to agree to the payment by CKI of the CKI Special Dividend.
- If the requisite approval of the Scheme is obtained at the Court Meeting and the special resolution is passed at the General Meeting, the Court Hearing will be held for the Court to hear the petition for the sanction of the Scheme and the confirmation of the capital reduction of the Company. The location, date and time of the Court Hearing will be published in the South China Morning Post (in English) and the Hong Kong Economic Times and the Hong Kong Economic Journal (both in Chinese) and on the website of the Company at **www.powerassets.com** following the Court hearing of the summons for directions in respect of the Scheme, which is expected to be held on Monday, 30 November 2015.
- The Court Meeting is convened at the direction of the Court and the despatch of this document (including the notice of the Court Meeting) has been ordered by the Court. Therefore, any material change to the terms of the Scheme as contained in this document can only be made after a further order by the Court is obtained, in which case the current expected timetable for completion of the Proposal will likely be postponed.

3. What is the location, date and time of the Court Meeting and the General Meeting?

- The Court Meeting and the General Meeting are convened to be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Tuesday, 24 November 2015 at 2:00 p.m. and 2:30 p.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned), respectively.

4. What do I need to do if I want to vote at the Court Meeting and/or the General Meeting?

- The actions you should take are summarised in "*Important Notice and Actions to be Taken*" below and in "*Actions to be Taken*" in the Explanatory Statement below. You should read those sections carefully.

5. What is the Proposal?

- Pursuant to the Proposal, the Offeror, a wholly-owned subsidiary of CKI, is making a conditional share exchange offer to the Scheme Shareholders for the cancellation of the Scheme Shares by way of a scheme of arrangement of the Company under the Companies Ordinance and in consideration for such cancellation, each Scheme Shareholder (other than the Non-Qualifying Overseas Shareholders) will receive new CKI Shares in the share exchange ratio of 1.066 CKI Shares for every one Scheme Share held at the Record Time. Immediately upon the reduction of capital of the Company taking effect, the same number of new Shares as is equal to the number of Scheme Shares cancelled will be issued to the Offeror, credited as fully paid.

- On completion of the Proposal, (a) the Company will become an indirect wholly-owned subsidiary of CKI, (b) the listing of the Shares on the Main Board will be withdrawn and (c) CKI will cease to be a subsidiary of CKH Holdings, which will remain as the controlling shareholder of CKI immediately following completion of the Proposal and will hold (through its wholly-owned subsidiaries) approximately 48.76% of the CKI Shares then in issue.

- The Proposal is subject to the fulfilment (or, where relevant, waiver) of certain conditions precedent as further described in this document. However, the Proposal is not conditional upon the payment of the CKI Special Dividend becoming unconditional. Therefore, if the CKI Special Dividend Resolution is not passed but the Scheme becomes effective, the Proposal will be completed but the CKI Special Dividend will not be paid to the CKI Shareholders.

6. What consideration will I receive under the Proposal for my cancelled Scheme Shares?

- If the Scheme becomes effective, the Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders) will receive new CKI Shares in the share exchange ratio of 1.066 CKI Shares for every one Scheme Share held as at the Record Time, which is expected to be 4:00 p.m. on Monday, 4 January 2016.

7. How much is the CKI Special Dividend and when will it be paid?

- The CKI Board intends to declare, on a conditional basis, the CKI Special Dividend of HK$7.50 per CKI Share. The CKI Special Dividend, if payment becomes unconditional, will be payable to all CKI Shareholders (including holders of CKI Shares issued pursuant to the Scheme) as at the CKI Dividend Record Time, which is expected to be 8:50 a.m. on Tuesday, 5 January 2016.

- The payment of the CKI Special Dividend will be conditional upon (a) the CKI Special Dividend Resolution being passed by the Shareholders at the General Meeting and (b) the Scheme having become effective.

- If these conditions are satisfied, the CKI Special Dividend is expected to be paid on Wednesday, 20 January 2016.

8. What are "odd lots" and what arrangements are being made relating to the sale of odd lots of CKI Shares?

- Following completion of the Proposal, CKI Shares will be traded on the Stock Exchange in board lots of 500 shares. Any holding of those shares that is not a whole multiple of 500 shares is known as an "odd lot". Please refer to "*The Proposal – Board Lot Size of CKI Shares*" in the Explanatory Statement below for further details, including the expected timetable for the change in board lot size of CKI Shares.

- In order to assist CKI Shareholders to sell any odd lots of CKI Shares if they so wish, CKI has appointed Fulbright Securities Limited and One China Securities Limited to provide, on a best efforts basis, a service to match the sale and purchase of odd lots of CKI Shares during the period of 60 calendar days commencing from (and including) the Effective Date (which is expected to be Tuesday, 5 January 2016). Please refer to "*Arrangements Relating to the Sale of Odd Lots of CKI Shares*" in the Explanatory Statement below for further details.

9. What are "fractional entitlements" to CKI Shares under the Scheme and how will they be dealt with?

- Fractional entitlements to CKI Shares will arise under the Scheme because Scheme Shareholders (other than Non-Qualifying Overseas Shareholders) will receive 1.066 CKI Shares for every one Scheme Share held as at the Record Time. Accordingly, a Scheme Shareholder's aggregate entitlement to CKI Shares under the Scheme may not be a whole number of CKI Shares.

- Fractions of CKI Shares will not be allotted to any Scheme Shareholders under the Scheme. The fractional entitlements of the Scheme Shareholders to CKI Shares under the Scheme will be aggregated (and, if necessary, rounded down to the nearest whole number of CKI Shares) and allotted to the Selected Person, who will sell the resulting CKI Shares on the market as soon as reasonably practicable after the Scheme becomes effective.

- The proceeds of sale of such fractional entitlements (net of expenses and taxes) will be paid to the Scheme Shareholders concerned according to their respective attributable entitlements thereto.

10. Will I have to pay any fees or commissions?

- If your Shares are registered in your name as at the Record Time and the Scheme becomes effective, you will not have to pay brokerage fees or similar expenses in respect of the cancellation of the Scheme Shares concerned.

- If you own your Shares as at the Record Time through a financial intermediary (such as a broker or nominee), you should consult your financial intermediary to determine whether any charges apply.

11. I am an Overseas Shareholder. What should I do?

- All Overseas Shareholders are entitled to vote even if they are Non-Qualifying Overseas Shareholders, and you are strongly urged to exercise your right to vote, in person or by proxy, at the Court Meeting and the General Meeting. The actions you should take are summarised in "*Important Notice and Actions to be Taken*" below and in "*Actions to be Taken*" in the Explanatory Statement below.

- Subject to the requirements of the Takeovers Code, if the law of any relevant jurisdiction precludes an offer of the CKI Shares to any Overseas Shareholders, or precludes it except after compliance by CKI with conditions with which CKI is unable to comply or which CKI regards as unduly onerous, no CKI Shares will be issued to Overseas Shareholders in such jurisdiction pursuant to the Scheme.

- Based on the addresses of the Overseas Shareholders as registered in the register of members of the Company as at the Latest Practicable Date and the advice received, there are not expected to be any Excluded Jurisdictions or any Non-Qualifying Overseas Shareholders.

- The CKI Shares which would otherwise have been allotted to any Non-Qualifying Overseas Shareholders pursuant to the Scheme will be allotted to the Selected Person, who will sell such CKI Shares on the market as soon as reasonably practicable after the Scheme becomes effective. The aggregate proceeds of such sale (net of expenses and taxes) will be paid to the relevant Non-Qualifying Overseas Shareholders (*pro rata* to their shareholdings in the Company as at the Record Time) in Hong Kong dollars in full satisfaction of their rights to the relevant CKI Shares pursuant to the Scheme, provided that if the amount that a Non-Qualifying Overseas Shareholder would be entitled to receive is less than HK$50, such sum will be retained for the benefit of CKI.

- Overseas Shareholders, including but not limited to those in the United States, are advised to read this document and in particular "*Non-Qualifying Overseas Shareholders*" in the Explanatory Statement and "*Information for Overseas Shareholders*" below for further information.

12. I am an ADS Holder. What should I do?

- ADS Holders may instruct the Depositary to vote the Shares underlying their ADSs at the Court Meeting and the General Meeting in accordance with the terms of the ADS Deposit Agreement and the enclosed ADS Voting Instruction Card which must be completed, signed and returned to the Depositary in accordance with the instructions printed on it as soon as possible but in any event so as to be received by the Depositary **not later than the ADS Voting Instruction Deadline, which is 10:00 a.m. on Monday, 16 November 2015 (New York time)**. In order for your voting instructions to be counted, you must be an ADS Holder as at 5:00 p.m. on Monday, 9 November 2015 (New York time).

- ADS Holders who wish to attend and vote at the Court Meeting and/or the General Meeting (in person or by proxy) must surrender their ADS(s) and withdraw the Shares represented by such ADS(s) in accordance with the terms of the ADS Deposit Agreement prior to 5:00 p.m. on Monday, 9 November 2015 (New York time) so that they can be registered as a Shareholder prior to the Court Meeting and/or the General Meeting. If you present your ADS(s) for cancellation prior to 5:00 p.m. on Monday, 9 November 2015 (New York time), any voting instructions provided by you to the Depositary will be disregarded by the Depositary, as you would not be an ADS Holder as at the ADS Record Time of 5:00 p.m. on Monday, 9 November 2015 (New York time). The ADS facility will be closed for withdrawals of Shares underlying the ADS(s) from 5:00 p.m. on Monday, 9 November 2015 to Tuesday, 24 November 2015 (both days inclusive) (New York time).

  If you only become an ADS Holder of record after 5:00 p.m. on Monday, 9 November 2015 (New York time), you will not be entitled to provide instructions to the Depositary to vote the Shares underlying your ADSs and, since the ADS facility will be closed for withdrawals of Shares from 5:00 p.m. on Monday, 9 November 2015 to Tuesday, 24 November 2015 (both days inclusive) (New York time), you will not be able to withdraw the Shares underlying your ADS(s) and become a Shareholder of record in time to have the right to attend and vote at the Court Meeting and/or the General Meeting.

- ADS Holders who wish to be entitled to be present in person or be represented by counsel at the Court Hearing to support or oppose the petition for the sanction of the Scheme must surrender their ADS(s) and withdraw the Shares represented by such ADS(s) in accordance with the terms of the ADS Deposit Agreement by no later than 5:00 p.m. on Tuesday, 8 December 2015 (New York time) so that they can be registered as a Shareholder prior to the Court Hearing.

- The Company will pay to the Depositary its fees for the cancellation of ADSs for the purposes of ADS Holders attending and voting at the Court Meeting and the General Meeting or to be present in person or represented by counsel at the Court Hearing, but ADS Holders may incur taxes and governmental and other charges and fees in connection with such surrender and withdrawal.

13. What is the position of the Independent Board Committee with regard to the Proposal?

- The Independent Board Committee, having considered, among other things, the objectives and reasons for, and the benefits of, the Proposal and the terms of the Proposal and having taken into account the advice of the Independent Financial Adviser as set out below in "*Letter from the Independent Financial Adviser*", considers that the terms of the Proposal are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

- Accordingly, the Independent Board Committee recommends that:

  (a) the Disinterested Shareholders vote in favour of the resolution to approve the Scheme at the Court Meeting; and

  (b) the Shareholders vote in favour of the special resolution to approve the Scheme and the implementation of the Scheme at the General Meeting.

14. When do you expect the Proposal to be completed?

- If the conditions precedent to the Proposal are fulfilled (or, where relevant, waived), the Proposal is expected to be completed on Tuesday, 5 January 2016.

15. Who should I call if I have additional questions?

- If you have questions concerning administrative matters, such as dates, documentation and procedures relating to the Proposal, please call the Company's share registrar, Computershare Hong Kong Investor Services Limited, at +852 2862 8555 between 9:00 a.m. and 5:00 p.m. on Mondays to Fridays, excluding public holidays.

- If you are an ADS Holder and would like to obtain further information on surrendering your ADSs to become a Shareholder or have any questions relating to this document or the completion and return of the ADS Voting Instruction Card, please contact the Depositary at +1-877-248-4237 between 9:00 a.m. and 5:00 p.m. (New York time), Mondays to Fridays, excluding public holidays.

- These hotlines cannot and will not provide advice on the merits of the Proposal or the Scheme or give financial or legal advice. If you are in any doubt as to any aspect of this document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

Record time for determining the ADS Holders who will be mailed the Scheme Document	5:00 p.m. on Wednesday, 21 October 2015 (*New York time*)
Latest time to surrender ADSs to the Depositary and withdraw the underlying Shares in order to become a Shareholder and vote at the Court Meeting and the General Meeting[(1)]	prior to 5:00 p.m. on Monday, 9 November 2015 (*New York time*)
ADS Record Time for determining the entitlement of ADS Holders to instruct the Depositary to vote Shares represented by ADSs at the Court Meeting and the General Meeting	5:00 p.m. on Monday, 9 November 2015 (*New York time*)
Closure of the ADS facility for withdrawals of Shares underlying the ADS(s)	from 5:00 p.m. on Monday, 9 November 2015 to Tuesday, 24 November 2015 (both days inclusive) *(New York time)*
ADS Voting Instruction Deadline for receipt by the Depositary of completed ADS Voting Instruction Cards from ADS Holders[(2)]	10:00 a.m. on Monday, 16 November 2015 (*New York time*)
Latest time for lodging transfers of Shares to qualify for the entitlement to attend and vote at the Court Meeting and the General Meeting	4:30 p.m. on Wednesday, 18 November 2015
Closure of the register of members of the Company for determining the entitlement to attend and vote at the Court Meeting and the General Meeting[(3)]	from Thursday, 19 November 2015 to Tuesday, 24 November 2015 (both days inclusive)
Latest time for lodging forms of proxy in respect of:	
Court Meeting[(4)]	2:00 p.m. on Sunday, 22 November 2015
General Meeting[(4)]	2:30 p.m. on Sunday, 22 November 2015

Record date for determining the entitlement to attend and vote at the Court Meeting and the General Meeting	Tuesday, 24 November 2015
Trading halt in the Shares and the CKI Shares[5]	from 9:00 a.m. on Tuesday, 24 November 2015
Court Meeting[6]	2:00 p.m. on Tuesday, 24 November 2015
General Meeting[6]	2:30 p.m. on Tuesday, 24 November 2015 (or as soon thereafter as the Court Meeting shall have been concluded or adjourned)
Announcement of the results of the Court Meeting and the General Meeting published on the Stock Exchange's website[5]	after 4:15 p.m. on Tuesday, 24 November 2015
Resumption of trading in the Shares and the CKI Shares[5]	9:00 a.m. on Wednesday, 25 November 2015
Court hearing of the summons for directions in respect of the Scheme	Monday, 30 November 2015
Latest time to surrender ADSs to the Depositary and withdraw the underlying Shares in order to become a Shareholder and appear at the Court Hearing[1]	5:00 p.m. on Tuesday, 8 December 2015 (*New York time*)
Trading halt in the Shares and the CKI Shares[7]	from 9:00 a.m. on Monday, 14 December 2015
Court Hearing of the petition to sanction the Scheme[8]	Monday, 14 December 2015
Announcement of (1) the results of the Court Hearing of the petition to sanction the Scheme, (2) the expected Effective Date and (3) the expected date of withdrawal of the listing of the Shares on the Stock Exchange published on the Stock Exchange's website[7]	after 4:15 p.m. on Monday, 14 December 2015
Resumption of trading in the Shares and the CKI Shares[7]	9:00 a.m. on Tuesday, 15 December 2015
Dealings in the Shares on the Stock Exchange cease	from 4:00 p.m. on Monday, 21 December 2015

Latest time for lodging transfers of Shares to qualify for the entitlement to the Cancellation Consideration under the Scheme	4:30 p.m. on Thursday, 24 December 2015
Closure of the register of members of the Company for determining the entitlement to the Cancellation Consideration under the Scheme[9]	from Monday, 28 December 2015 onwards
Record time for determining the entitlement to the Cancellation Consideration under the Scheme	4:00 p.m. on Monday, 4 January 2016
Despatch of certificates for the CKI Shares to be issued pursuant to the Scheme[10]	Monday, 4 January 2016
Effective Date[8]	Tuesday, 5 January 2016
CKI Dividend Record Time[11]	8:50 a.m. on Tuesday, 5 January 2016
Withdrawal of the listing of the Shares on the Stock Exchange[8]	9:00 a.m. on Tuesday, 5 January 2016
First day of dealings in CKI Shares issued to Scheme Shareholders pursuant to the Scheme on the Stock Exchange	9:00 a.m. on Tuesday, 5 January 2016
First day of odd lot matching facility for all CKI Shareholders	Tuesday, 5 January 2016
Announcement of (1) the Effective Date and (2) the withdrawal of the listing of the Shares on the Stock Exchange published on the Stock Exchange's website	Tuesday, 5 January 2016
Payment of CKI Special Dividend[11]	Wednesday, 20 January 2016
Last day of odd lot matching facility for all CKI Shareholders	Friday, 4 March 2016

Shareholders and ADS Holders should note that the dates and times specified in the above timetable are subject to change. Further announcement(s) will be made in the event that there is any change to the above timetable.

Notes:

(1) ADS Holders who wish to surrender their ADSs and withdraw the underlying Shares in order to become Shareholders should contact the Depositary by telephone at +1-877-248-4237 between 9:00 a.m. and 5:00 p.m. (New York time), Mondays to Fridays, excluding public holidays.

(2) ADS Voting Instruction Cards should be returned to the Depositary in accordance with the instructions printed on them as soon as possible and in any event not later than 10:00 a.m. (New York time) on Monday, 16 November 2015. If any ADS Holders transfer their ADS(s) or present their ADS(s) for cancellation prior to 5:00 p.m. on Monday, 9 November 2015 (New York time), any voting instructions provided by them to the Depositary will be disregarded by the Depositary. If any person only becomes an ADS Holder of record after 5:00 p.m. on Monday, 9 November 2015 (New York time), he or she or it will not be entitled to provide instructions to the Depositary to vote the Shares underlying their ADS(s) at the Court Meeting and/or the General Meeting.

(3) The register of members of the Company will be closed during such period for the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the General Meeting. For the avoidance of doubt, this period of closure is not for determining the entitlements of the Scheme Shareholders to the CKI Shares under the Scheme.

(4) The **pink** form of proxy in respect of the Court Meeting and the **blue** form of proxy in respect of the General Meeting should be completed and signed in accordance with the instructions respectively printed on them and should be lodged at the Company's registered office at Rooms 1913-1914, 19th Floor, Hutchison House, 10 Harcourt Road, Hong Kong as soon as possible and in any event no later than the relevant times and dates stated above. In the case of the **pink** form of proxy in respect of the Court Meeting, it may also be handed to the Chairman of the Court Meeting at the Court Meeting. Completion and return of a form of proxy for the Court Meeting or the General Meeting will not preclude a Scheme Shareholder or a Shareholder (as the case may be) from attending and voting in person at the relevant meeting if he, she or it so wishes. In such event, the returned form of proxy will be deemed to have been revoked.

(5) Trading in the Shares and the CKI Shares will be halted from 9:00 a.m. on Tuesday, 24 November 2015 pending the publication of an announcement of the results of the Court Meeting and the General Meeting and an announcement of the results of the CKI SGM. Trading in the Shares and the CKI Shares are expected to resume at 9:00 a.m. on the trading day following the announcements of those results.

(6) If a tropical cyclone warning signal no. 8 or above is hoisted or a black rainstorm warning signal is in force at 9:00 a.m. on Tuesday, 24 November 2015, the Court Meeting and the General Meeting will be postponed and, by virtue of the same notices of the Court Meeting and the General Meeting set out on pages N-1 to N-5 to this document, the Court Meeting and the General Meeting will be held instead on Wednesday, 25 November 2015 at 2:00 p.m. and 2:30 p.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned), respectively, or at a time on an alternative day to be announced that falls within seven Business Days of the original date scheduled for the Court Meeting and the General Meeting in the event that a tropical cyclone warning signal no. 8 or above is hoisted or a black rainstorm warning signal is in force at 9:00 a.m. on Wednesday, 25 November 2015. Shareholders may call the hotline at +852 2122 9122 during business hours from 9:00 a.m. to 5:00 p.m. on Mondays to Fridays, excluding public holidays, or visit the website of the Company at **www.powerassets.com** for details of alternative meeting arrangements. The Court Meeting and the General Meeting will be held as scheduled even when a tropical cyclone warning signal no. 3 or below is hoisted, or an amber or red rainstorm warning signal is in force.

Shareholders should make their own decision as to whether to attend the Court Meeting and the General Meeting under bad weather conditions bearing in mind their own situation and, if they should choose to do so, they are advised to exercise care and caution.

(7) Trading in the Shares and the CKI Shares on the Stock Exchange will be halted from 9:00 a.m. on Monday, 14 December 2015 pending the publication of an announcement of the results of the Court Hearing. The expected timing of the announcement of the results of the Court Hearing and the resumption of trading in the Shares and the CKI Shares is indicated in the table above but if the announcement of the results of the

Court Hearing is published between noon and 12:30 p.m. on Monday, 14 December 2015, trading in the Shares and the CKI Shares will resume at 1:00 p.m. on the same day instead of at 9:00 a.m. on Tuesday, 15 December 2015.

(8) The Court Hearing will be held at the Court at the High Court Building, 38 Queensway, Hong Kong. The location, date and time of the Court Hearing will be published in the South China Morning Post (in English) and the Hong Kong Economic Times and the Hong Kong Economic Journal (in Chinese) and on the website of the Company at **www.powerassets.com** following the Court hearing of the summons for directions in respect of the Scheme, which is expected to be held on Monday, 30 November 2015.

The Scheme will become effective upon all the conditions precedent set out in "*Conditions Precedent to the Proposal*" in the Explanatory Statement having been fulfilled (or, where relevant, waived). Shareholders will be advised by an announcement of the exact date upon which the Scheme becomes effective. The withdrawal of the listing of the Shares will take place following the Scheme becoming effective on the Effective Date and it is expected that the listing of the Shares will be withdrawn at 9:00 a.m. on Tuesday, 5 January 2016. If the Scheme shall not have become effective on or before Thursday, 31 March 2016 or such later date, if any, as the Offeror may agree and as the Court may allow, the Scheme will lapse.

(9) The register of members of the Company will be closed from Monday, 28 December 2015 for the purpose of determining the identities of the Scheme Shareholders who are qualified for the entitlement to the Cancellation Consideration under the Scheme.

(10) The share certificates for the CKI Shares to be issued pursuant to the Scheme as the Cancellation Consideration are expected to be despatched to the Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders) on Monday, 4 January 2016. Each Scheme Shareholder (other than the Non-Qualifying Overseas Shareholders) will be sent (a) one share certificate representing CKI Shares that are a whole multiple of a board lot of 1,000 CKI Shares and (b) (if applicable) one share certificate for the remaining CKI Shares which represent less than a whole multiple of 1,000 CKI Shares (i.e. an odd lot of CKI Shares), except for HKSCC Nominees Limited which may request for share certificates to be issued in such denominations as it may specify. If the Scheme does not become effective, the share certificates will not become valid.

(11) The payment of the CKI Special Dividend will be conditional upon (a) the CKI Special Dividend Resolution being passed by Shareholders at the General Meeting and (b) the Scheme having become effective. If the conditions to the payment of the CKI Special Dividend are satisfied, the Selected Person will receive the CKI Special Dividend in respect of the CKI Shares which are allotted to it representing (i) the aggregated fractional entitlements of the Scheme Shareholders to CKI Shares under the Scheme and (ii) the CKI Shares which would otherwise have been allotted to the Non-Qualifying Overseas Shareholders under the Scheme. The Selected Person will pay such Scheme Shareholders their attributable entitlements to the CKI Special Dividend as soon as practicable after the payment date for the CKI Special Dividend.

(12) All times and dates in this document refer to Hong Kong times and dates unless otherwise indicated.

ACTIONS TO BE TAKEN

Please refer to "*Actions to be Taken*" in the Explanatory Statement for further information regarding the matters set out below.

Actions to be taken by Shareholders

A **pink** form of proxy for use at the Court Meeting and a **blue** form of proxy for use at the General Meeting are enclosed with copies of this document sent to the Registered Owners.

Whether or not you are able to attend the Court Meeting and/or the General Meeting, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and also the enclosed blue form of proxy in respect of the General Meeting, in accordance with the respective instructions printed on them, and to lodge them at the Company's registered office at Rooms 1913-1914, 19th Floor, Hutchison House, 10 Harcourt Road, Hong Kong.

In order to be valid, the **pink** form of proxy for use at the Court Meeting should be lodged not later than 2:00 p.m. on Sunday, 22 November 2015. The **pink** form of proxy may also be handed to the Chairman of the Court Meeting at the Court Meeting. The **blue** form of proxy for use at the General Meeting should be lodged not later than 2:30 p.m. on Sunday, 22 November 2015. The completion and return of the relevant form of proxy will not preclude you from attending and voting in person at the relevant meeting should you so wish. In such event, the returned form of proxy for that meeting will be deemed to have been revoked.

Even if you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the General Meeting, you will still be bound by the outcome of the Court Meeting and/or the General Meeting. You are therefore strongly urged to attend and vote at the Court Meeting and/or the General Meeting in person or by proxy.

Voting at the Court Meeting and the General Meeting will be taken by poll.

An announcement will be made by the Company in relation to the results of the Court Meeting and the General Meeting. If all of the requisite resolutions to approve the Scheme are passed at those meetings, further announcement(s) will be made in relation to, among other things, the results of the Court Hearing of the petition to sanction the Scheme, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange.

Actions to be taken by Beneficial Owners whose Shares are held by a Registered Owner

Except as required by law, no person shall be recognised by the Company as holding any Shares on trust.

If you are a Beneficial Owner whose Shares are registered in the name of a nominee, trustee, depositary or any other authorised custodian or third party, you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the General Meeting.

If you are a Beneficial Owner who wishes to attend the Court Meeting and/or the General Meeting personally, you should:

(a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the General Meeting and, for such purpose, the Registered Owner may appoint you as its proxy; or

(b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name, if you wish to vote (in person or by proxy) at the Court Meeting and/or the General Meeting.

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and the General Meeting in order to provide the Registered Owner with sufficient time to complete his/her/its forms of proxy accurately and to submit them by the deadline. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and the General Meeting, such Beneficial Owner should comply with the requirements of such Registered Owner.

Actions to be taken by Beneficial Owners whose Shares are deposited in CCASS

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you should, unless you are admitted to participate in CCASS as an Investor Participant:

(a) contact your broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, a CCASS participant regarding voting instructions to be given to such persons; or

(b) arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name, if you wish to vote (in person or by proxy) at the Court Meeting and/or the General Meeting.

The procedure for voting by Investor Participants and Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the "Operating Guide for Investor Participants", the "General Rules of CCASS" and the "CCASS Operational Procedures" in effect from time to time.

Actions to be taken by ADS Holders

Completion of ADS Voting Instruction Card

If you are an ADS Holder, you cannot vote at the Court Meeting or the General Meeting directly, but as a registered ADS Holder as at 5:00 p.m. on Monday, 9 November 2015 (New York time), you may instruct the Depositary to vote the Shares underlying your ADS(s) at the Court Meeting and the General Meeting in accordance with the terms of the ADS Deposit Agreement and the ADS Voting Instruction Card. Voting at the Court Meeting and the General Meeting will be taken by poll. An ADS Voting Instruction Card is enclosed with this document for this purpose and must be completed, signed and returned to the Depositary in accordance with the instructions printed on it as soon as possible but in any event so as to be received by the Depositary **not later than the ADS Voting Instruction Deadline, which is 10:00 a.m. on Monday, 16 November 2015 (New York time)**. ADS Voting Instruction Cards must be returned to the Depositary at the address specified on the ADS Voting Instruction Card. You may not change the voting instructions indicated on your completed ADS Voting Instruction Card unless you notify the Depositary of such change in writing prior to the ADS Voting Instruction Deadline. If you hold ADS(s) indirectly through a financial intermediary, you must follow the procedures of the financial intermediary through which you hold your ADS(s) if you wish to vote.

If you transfer your ADS(s) or present your ADS(s) for cancellation prior to 5:00 p.m. on Monday, 9 November 2015 (New York time), any voting instructions provided by you to the Depositary will be disregarded by the Depositary.

If you only become an ADS Holder of record after 5:00 p.m. on Monday, 9 November 2015 (New York time), you will not be entitled to provide instructions to the Depositary to vote the Shares underlying your ADS(s) and, since the ADS facility will be closed for withdrawals of Shares underlying the ADS(s) from 5:00 p.m. on Monday, 9 November 2015 to Tuesday, 24 November 2015 (both days inclusive) (New York time), you will not be able to withdraw the Shares underlying your ADS(s) and become a Shareholder of record in time to have the right to attend and vote at the Court Meeting and/or the General Meeting.

Voting at the Court Meeting and the General Meeting and Attending the Court Hearing

If you are an ADS Holder and wish to attend and vote at the Court Meeting and/or the General Meeting (in person or by proxy), you must surrender your ADS(s) and withdraw the Shares represented by such ADS(s) in accordance with the terms of the ADS Deposit Agreement prior to 5:00 p.m. on Monday, 9 November 2015 (New York time) so that you can be registered as a Shareholder prior to the Court Meeting and/or the General Meeting. If you present your ADSs for cancellation prior to 5:00 p.m. on Monday, 9 November 2015 (New York time), any voting instructions that you may have provided to the Depositary will be disregarded by the Depositary, as you would not be an ADS Holder as at the ADS Record Time of 5:00 p.m. on Monday, 9 November 2015 (New York time). The ADS facility will be closed for withdrawals of Shares from 5:00 p.m. on Monday, 9 November 2015 to Tuesday, 24 November 2015 (both days inclusive) (New York time). Furthermore, if you are an ADS Holder and wish to be entitled to be present in person or be represented by counsel at the Court Hearing to support or oppose the petition for the sanction of the Scheme, you must surrender your ADS(s) and withdraw the Shares represented by such ADS(s) in accordance with the terms of the ADS Deposit Agreement by no later than 5:00 p.m. on Tuesday, 8 December 2015 (New York time) so that you can be registered as a Shareholder prior to the Court Hearing. Voting at the Court Meeting and the General Meeting will be taken by poll.

If you hold ADS(s) indirectly through a financial intermediary and wish to attend and vote at the Court Meeting and/or the General Meeting or be present in person or be represented by counsel at the Court Hearing, you must contact the financial intermediary through which you hold your ADS(s) and request it to surrender the ADS(s) beneficially owned by you and to withdraw the Shares prior to 5:00 p.m. on Monday, 9 November 2015 (New York time), so that you can be registered as a Shareholder prior to the Court Meeting and/or the General Meeting and/or prior to the Court Hearing. The ADS facility will be closed for withdrawals of Shares from 5:00 p.m. on Monday, 9 November 2015 to Tuesday, 24 November 2015 (both days inclusive) (New York time).

If you are an ADS Holder and you wish to attend and vote at the Court Meeting and/or the General Meeting and choose to surrender your ADS(s) and have the Shares withdrawn registered in the name of a nominee, trustee, depositary or any other authorised custodian or third party, or have the Shares withdrawn deposited in CCASS and registered under the name of HKSCC Nominees Limited, for which you will be the Beneficial Owner, please refer to "– *Actions to be taken by Beneficial Owners whose Shares are held by a Registered Owner*" or "– *Actions to be taken by Beneficial Owners whose Shares are deposited in CCASS*" above, as appropriate.

If you only become an ADS Holder of record after 5:00 p.m. (New York time) on Monday, 9 November 2015, you will not be entitled to provide instructions to the Depositary to vote the Shares underlying your ADS(s) and, since the ADS facility will be closed for withdrawals of Shares underlying the ADS(s) from 5:00 p.m. on Monday, 9 November 2015 to Tuesday, 24 November 2015 (both days inclusive) (New York time), you will not be able to withdraw the Shares underlying your ADS(s) and become a Shareholder of record in time to have the right to attend and vote at the Court Meeting and/or the General Meeting.

The Company will pay to the Depositary its fees for the cancellation of your ADS(s) for the purpose of attending and voting at the Court Meeting and the General Meeting or to be present in person or be represented by counsel at the Court Hearing, but you may incur taxes and governmental and other charges and fees in connection with such surrender and withdrawal. In order to cancel your ADS(s) and withdraw the underlying Shares, you should contact the Depositary at the following address: (by mail) Citibank, N.A., Corporate Actions, P.O. Box 43014, Providence, RI 02940-3014, or (by overnight courier) Citibank, N.A., Corporate Actions, 250 Royall Street, Canton, MA 02021; or by telephone at +1-877-248-4237 from 9:00 a.m. to 5:00 p.m. (New York time), Mondays to Fridays, excluding public holidays. If you present your ADS(s) for cancellation prior to 5:00 p.m. on Monday, 9 November 2015 (New York time), any voting instructions provided by you to the Depositary will be disregarded by the Depositary, as you would not be an ADS Holder as at the ADS Record Time of 5:00 p.m. on Monday, 9 November 2015 (New York time).

EXERCISE YOUR RIGHT TO VOTE

If you are a Shareholder, a Beneficial Owner or an ADS Holder, you are strongly urged to exercise your right to vote or to give instructions to the relevant Registered Owner to vote in person or by proxy or to instruct the Depositary to vote the Shares underlying your ADS(s) (as the case may be) at the Court Meeting and the General Meeting. If you keep any Shares in a share lending programme, you are urged to recall any outstanding Shares on loan to avoid market participants using borrowed stock to vote.

If you are a Beneficial Owner whose Shares are deposited in CCASS, you are strongly urged to withdraw at least some of your Shares from CCASS and become a registered holder of such Shares or give your voting instructions in time if you wish to exercise your right to vote at the Court Meeting and the General Meeting. In respect of any other Shares of which you are the Beneficial Owner and which remain in CCASS, you are urged to contact your broker, custodian, nominee or other relevant person regarding voting instructions in relation to the manner in which those Shares should be voted at the Court Meeting and the General Meeting without delay.

If you are a Registered Owner holding Shares on behalf of one or more Beneficial Owners, you should inform the relevant Beneficial Owner(s) about the importance of exercising their right to vote.

NOTICE TO OVERSEAS SHAREHOLDERS

The making of the Proposal to certain Shareholders may be subject to the laws of jurisdictions other than Hong Kong. Overseas Shareholders and Beneficial Owners residing in jurisdictions other than Hong Kong should inform themselves about and observe all legal and regulatory requirements applicable to them. It is the responsibility of the Shareholders and the Beneficial Owners to satisfy themselves as to the full observance of the laws of the relevant jurisdictions applicable to them in connection with the Scheme, including obtaining any governmental, exchange control or other consents which may be required, and compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdictions.

Shareholders and Beneficial Owners should consult their professional advisers if they are in any doubt as to the potential applicability of, or consequences under, any provision of law or regulation or judicial or regulatory decisions or interpretations in any jurisdictions, territory or locality therein or thereof and, in particular, whether there will be any restriction or prohibition on the acquisition, retention, disposal or otherwise with respect to the Shares or the CKI Shares, as the case may be.

Overseas Shareholders, including but not limited to those in the United States, are advised to read "*Non-Qualifying Overseas Shareholders*" in the Explanatory Statement and "*Information for Overseas Shareholders*" for further information.

PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

The performance and the results of operations of the Group and the CKI Group contained in this document are historical in nature and past performance is not a guarantee of the future results of the Group and the CKI Group. This document may contain forward-looking statements and opinions that involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions and you should not place undue reliance on such forward-looking statements and opinions. Subject to the requirements of applicable laws, rules and regulations, including the Takeovers Code, none of CKI, the Offeror, the Company, HSBC, BofAML, the Independent Financial Adviser, any of their respective directors, officers, employees, agents, affiliates or advisers or any other person involved in the Proposal or the Scheme assumes any obligation to correct or update the forward-looking statements or opinions contained in this document.

Power Assets Holdings Ltd.
電能實業有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 0006)

Executive Directors
Mr. FOK Kin Ning, Canning *(Chairman)*
Mr. TSAI Chao Chung, Charles *(Chief Executive Officer)*
Mr. CHAN Loi Shun
Mr. Andrew John HUNTER
Mr. Neil Douglas MCGEE
Mr. WAN Chi Tin

Non-executive Directors
Mr. LI Tzar Kuoi, Victor
Mr. Frank John SIXT

Independent Non-executive Directors
Mr. IP Yuk-keung, Albert
Mr. Ralph Raymond SHEA
Mr. WONG Chung Hin
Mr. WU Ting Yuk, Anthony

Registered Office
Rooms 1913-1914
19th Floor, Hutchison House
10 Harcourt Road
Hong Kong

Company Secretary
Mr. Alex NG

20 October 2015

To the Shareholders

Dear Sir or Madam,

(1) PROPOSED MERGER OF CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED AND POWER ASSETS HOLDINGS LIMITED INVOLVING A SHARE EXCHANGE OFFER TO THE SCHEME SHAREHOLDERS OF POWER ASSETS HOLDINGS LIMITED FOR THE CANCELLATION OF ALL THE SCHEME SHARES BY WAY OF A SCHEME OF ARRANGEMENT AND (2) PROPOSED PAYMENT OF CONDITIONAL SPECIAL DIVIDEND BY CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED

1. INTRODUCTION

On 8 September 2015, the respective boards of directors of CKI, the Offeror (a wholly-owned subsidiary of CKI), the Company and CKH Holdings jointly announced that, on the same date, the CKI Board and the Offeror Board requested the Board to put forward the Proposal to the Scheme Shareholders regarding the proposed merger of CKI and the

Company by way of the Scheme. On 7 October 2015, the respective boards of directors of CKI, the Offeror, the Company and CKH Holdings jointly announced the new proposed Cancellation Consideration payable to the Scheme Shareholders.

The Scheme involves the proposed cancellation of all the Scheme Shares, in consideration for which each Scheme Shareholder (other than the Non-Qualifying Overseas Shareholders) will receive new CKI Shares in the share exchange ratio of 1.066 CKI Shares for every one Scheme Share held as at the Record Time, and the subsequent issue of new Shares to the Offeror.

On completion of the Proposal, (a) the Company will become an indirect wholly-owned subsidiary of CKI, (b) the listing of the Shares on the Stock Exchange will be withdrawn and (c) CKI will cease to be a subsidiary of CKH Holdings, which will remain as the controlling shareholder of CKI immediately following completion of the Proposal and will hold (through its wholly-owned subsidiaries) approximately 48.76% of the CKI Shares then in issue.

CKI and the Offeror have appointed HSBC as their financial adviser in connection with the Proposal. CKH Holdings has appointed Goldman Sachs as its financial adviser in connection with the Proposal.

The Board has established the Independent Board Committee, comprising Mr. Ip Yuk-keung, Albert, Mr. Ralph Raymond Shea, Mr. Wong Chung Hin and Mr. Wu Ting Yuk, Anthony, all of whom are independent non-executive Directors, to make recommendations to the Disinterested Shareholders in respect of the Proposal. Mr. Li Tzar Kuoi, Victor and Mr. Frank John Sixt, who are non-executive Directors, have not been appointed to the Independent Board Committee as they are also executive CKI Directors.

BofAML has been appointed as the financial adviser to the Company in respect of the Proposal. Platinum has been appointed as the independent financial adviser, with the approval of the Independent Board Committee, to advise the Independent Board Committee in respect of the Proposal.

The purpose of this document is to provide you with further information regarding the Proposal and to give you notices of the Court Meeting and the General Meeting respectively.

2. THE PROPOSAL

It is proposed that, subject to the fulfilment (or, where relevant, waiver) of the conditions precedent as set out in "*Conditions Precedent to the Proposal*" in the Explanatory Statement, the Proposal will be implemented by way of a scheme of arrangement of the Company under Division 2 of Part 13 of the Companies Ordinance, pursuant to which all of the Scheme Shares will be cancelled and, in consideration for such cancellation, each Scheme Shareholder whose name appears in the register of members of the Company at the Record Time (other than the Non-Qualifying Overseas Shareholders) will receive new CKI Shares in the share exchange ratio of 1.066 CKI Shares for every one Scheme Share held as at the Record Time.

Under the Scheme, the share capital of the Company will, on the Effective Date, be reduced by the cancellation and extinguishment of the Scheme Shares, and immediately upon such reduction of capital taking effect, the share capital of the Company will be restored to its former amount by the issuance to the Offeror, credited as fully paid, of the same number of new Shares as is equal to the number of Scheme Shares cancelled. All the credit arising in the books of account of the Company as a result of such capital reduction will be applied by the Company in paying up in full the newly created Shares, which will be allotted and issued to the Offeror.

Completion of the Proposal is subject to the fulfilment (or, where relevant, waiver) of certain conditions precedent, as further described in "*Conditions Precedent to the Proposal*" in the Explanatory Statement.

3. REASONS FOR AND BENEFITS OF THE PROPOSAL

The Proposal is intended to deliver value to the shareholders of both CKI and the Company. For CKI, as the listed company holding the merged businesses, the Proposal would equip it with a stronger balance sheet and significant cash balance to capture global opportunities for the Enlarged CKI Group in the broader infrastructure sectors, including both power and non-power sectors. For the Company, the Proposal would enable the Scheme Shareholders to exchange their shares in the Company for new shares in CKI, which has a proven track record of earnings and dividend growth, and allow them to remain invested in the enhanced infrastructure platform that will be created. From 2010 to 2014, CKI's dividend per share grew at a compound annual growth rate of approximately 10.7%.

Immediately following completion of the Proposal, CKH Holdings will remain as the controlling shareholder of CKI, with a shareholding of approximately 48.76%. The resulting significantly larger public float of CKI Shares, both in terms of percentage and the number of shares, should enhance the liquidity of the CKI Shares.

The Proposal would allow the shareholders of both CKI and the Company to participate in the future growth of the merged businesses. Upon completion of the Proposal, the Enlarged CKI Group will be in a stronger competitive position and shareholders of both CKI and the Company would benefit as further explained in "*Objectives and Benefits of the Proposal*" in the Explanatory Statement.

4. INFORMATION ON THE CKI GROUP, THE OFFEROR, THE GROUP AND THE ENLARGED CKI GROUP

Information (including selected financial information) on the CKI Group, the Offeror and the Group, as well as the unaudited pro forma financial information of the Enlarged CKI Group which illustrates the effect of the Proposal, is set out in the Appendices to this document. Your attention is drawn to these Appendices. This information is provided solely to assist Shareholders in their consideration of the Scheme.

5. INTENTIONS OF CKI WITH REGARD TO THE GROUP

Your attention is drawn to "*Intentions of CKI with Regard to the Group*" in the Explanatory Statement.

6. OVERSEAS SHAREHOLDERS AND ADS HOLDERS

If you are an Overseas Shareholder, your attention is drawn to "*Non-Qualifying Overseas Shareholders*" in the Explanatory Statement and "*Information for Overseas Shareholders*" in this document.

If you are an ADS Holder, your attention is drawn to "*Important Notice and Actions to be Taken*" in this document and "*ADS Holders*" and "*Actions to be Taken*" in the Explanatory Statement.

7. CKI SPECIAL DIVIDEND

The CKI Board intends to declare, on a conditional basis, the CKI Special Dividend in the amount of HK$7.50 per CKI Share to all CKI Shareholders (including holders of CKI Shares issued pursuant to the Scheme) as at the CKI Dividend Record Time on the Effective Date.

The payment of the CKI Special Dividend will be conditional upon the satisfaction of both of the following conditions: (a) the passing of an ordinary resolution by the Shareholders at the General Meeting to agree to the payment by CKI of the CKI Special Dividend and (b) the Scheme having become effective. The Proposal is not conditional upon the payment of the CKI Special Dividend becoming unconditional.

Your attention is drawn to "*Proposed Dividend Arrangement*" in the Explanatory Statement.

8. RECOMMENDATIONS

Having taken into account the objectives and reasons for, and the benefits of, the Proposal and its effects as set out in this document, the Directors (other than those on the Independent Board Committee whose views are set out below and in "*Letter from the Independent Board Committee*" in this document) consider that (i) the terms of the Proposal are fair and reasonable and (ii) the Proposal is in the interests of the Shareholders as a whole.

The Independent Board Committee, having considered (a) the objectives and reasons for, and the benefits of, the Proposal and its effects as set out in this document and (b) the terms of the Proposal and having taken into account the advice of the Independent Financial Adviser, and in particular, the factors, reasons and recommendations set out in "*Letter from the Independent Financial Adviser*" in this document, considers that the terms of the Proposal are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors (including those on the Independent Board Committee) recommend that:

(1) the Disinterested Shareholders vote in favour of the resolution to approve the Scheme at the Court Meeting; and

(2) the Shareholders vote in favour of the special resolution to approve the Scheme and the implementation of the Scheme, including the reduction and restoration of the issued share capital of the Company under the Scheme, at the General Meeting.

9. COURT MEETING AND GENERAL MEETING

A notice convening the Court Meeting to be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Tuesday, 24 November 2015 at 2:00 p.m. is set out on pages N-1 and N-2 of this document. A notice convening the General Meeting to be held at the same venue on the same date at 2:30 p.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned) is set out on pages N-3 to N-5 of this document.

The Court has directed that the Court Meeting be held for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme, with or without modification. The Scheme is subject to the approval by the Disinterested Shareholders at the Court Meeting in the manner referred to in "*Conditions Precedent to the Proposal*" in the Explanatory Statement.

Following the conclusion or adjournment of the Court Meeting, the General Meeting will be held for the purpose of considering and, if thought fit, passing (a) a special resolution to approve the Scheme and the implementation of the Scheme and (b) an ordinary resolution to agree to the payment by CKI of the CKI Special Dividend.

10. ACTIONS TO BE TAKEN

Your attention is drawn to "*Actions to be Taken*" in the Explanatory Statement for details of the actions which you should take as a Shareholder or a Beneficial Owner whose Shares are held by a Registered Owner or deposited in CCASS or an ADS Holder in relation to the Court Meeting and the General Meeting.

If you are an Overseas Shareholder, your attention is drawn to "*Non-Qualifying Overseas Shareholders*" in the Explanatory Statement and "*Information for Overseas Shareholders*" in this document.

11. FURTHER INFORMATION

You are urged to read carefully (1) the letter from the Independent Board Committee set out on pages 7 and 8 of this document, (2) the letter from the Independent Financial Adviser set out on pages 9 to 62 of this document, (3) the Explanatory Statement set out on pages 63 to 99 of this document and (4) the Appendices. In addition, a copy of the Scheme is set out on pages S-1 to S-9 of this document.

If you are in any doubt as to any aspect of this document or as to the action to be taken, you should consult an appropriately qualified professional adviser.

Yours faithfully,
For and on behalf of the Board of
Power Assets Holdings Limited
FOK Kin Ning, Canning
Chairman

Power Assets Holdings Ltd.
電能實業有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 0006)

20 October 2015

To the Disinterested Shareholders

Dear Sir or Madam,

**PROPOSED MERGER OF
CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED AND
POWER ASSETS HOLDINGS LIMITED
INVOLVING A SHARE EXCHANGE OFFER TO
THE SCHEME SHAREHOLDERS OF POWER ASSETS HOLDINGS LIMITED
FOR THE CANCELLATION OF ALL THE SCHEME SHARES
BY WAY OF A SCHEME OF ARRANGEMENT**

We refer to the document dated 20 October 2015 jointly issued by CKI, the Offeror and the Company in relation to the Proposal (the "**Scheme Document**"), of which this letter forms part. Terms defined in the Scheme Document shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to give a recommendation to the Disinterested Shareholders in respect of the Proposal.

Having considered (a) the objectives and reasons for, and the benefits of, the Proposal and its effects as set out in the Scheme Document and (b) the terms of the Proposal and having taken into account the advice of the Independent Financial Adviser, and in particular, the factors, reasons and recommendations set out in the letter from the Independent Financial Adviser, we consider that the terms of the Proposal are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend:

(1) the Disinterested Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting; and

(2) the Shareholders to vote in favour of the special resolution to approve the Scheme and the implementation of the Scheme, including the reduction and restoration of the issued share capital of the Company under the Scheme, at the General Meeting.

We draw the attention of the Disinterested Shareholders to (1) the letter from the Board set out on pages 1 to 6 of the Scheme Document, (2) the Explanatory Statement set out on pages 63 to 99 of the Scheme Document and (3) the letter from the Independent Financial Adviser, which sets out the factors and reasons taken into account in arriving at its advice to the Independent Board Committee, set out on pages 9 to 62 of the Scheme Document.

Yours faithfully,

Mr. IP Yuk-keung, Albert
Mr. Ralph Raymond SHEA
Mr. WONG Chung Hin
Mr. WU Ting Yuk, Anthony
Independent Board Committee

The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Disinterested Shareholders for the purpose of incorporation into this Scheme Document.

PLATINUM Securities Company Limited

21/F LHT Tower
31 Queen's Road Central
Hong Kong
Telephone (852) 2841 7000
Facsimile (852) 2522 2700
Website www.platinum-asia.com

20 October 2015

To the Independent Board Committee and the Disinterested Shareholders

Dear Sir or Madam,

PROPOSED MERGER OF
CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED AND
POWER ASSETS HOLDINGS LIMITED
INVOLVING A SHARE EXCHANGE OFFER
TO THE SCHEME SHAREHOLDERS OF POWER ASSETS HOLDINGS LIMITED
FOR THE CANCELLATION OF ALL THE SCHEME SHARES
BY WAY OF A SCHEME OF ARRANGEMENT

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Disinterested Shareholders in relation to the Proposal. Details of the Proposal are set out in the explanatory statement (the "Explanatory Statement"), being the statement required under Section 671 of the Companies Ordinance, contained in the scheme document dated 20 October 2015 (the "Scheme Document") of which this letter forms part. In this letter, Power Assets Holdings Limited is referred to as "the Company" or "PAH". Other terms used in this letter shall have the same meanings as defined in the Scheme Document unless the context requires otherwise.

The respective boards of directors of CKI, the Offeror, the Company and CKH Holdings jointly announced that on 8 September 2015, the CKI Board and the Offeror Board requested the Board to put forward the Proposal. Subsequently, the respective boards of directors of CKI, the Offeror, the Company and CKH Holdings jointly announced on 7 October 2015, that the Cancellation Consideration and the amount of the CKI Special Dividend were revised. Subject to the fulfilment (or, where relevant, the waiver) of the conditions precedent to the Proposal, it is currently expected that the Proposal will be completed by early 2016.

On 23 September 2015, the Company announced that Platinum has been appointed as the Independent Financial Adviser and such appointment has been approved by the Independent Board Committee.

In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Disinterested Shareholders as to whether the terms of the Proposal are fair and reasonable so far as the Disinterested Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and to give independent advice to the Independent Board Committee as to whether the Disinterested Shareholders should vote in favour of the relevant resolutions to be proposed at the Court Meeting and the General Meeting to approve the Scheme and the implementation of the Scheme.

In formulating our opinion, we have relied on the information and facts supplied to us by the Directors and/or management of the Company. We have reviewed, among other things:

(i) the announcements jointly issued by CKI, the Offeror, the Company and CKH Holdings on 8 September 2015 and 7 October 2015, respectively (the "First Joint Announcement" and the "Second Joint Announcement", respectively);

(ii) the Scheme Document;

(iii) the unaudited pro forma financial information of the Enlarged CKI Group as contained in Appendix VI to the Scheme Document;

(iv) the respective annual reports of the Company and CKI for the year ended 31 December 2012 (the "2012 Annual Report of the Company" and the "2012 Annual Report of CKI", respectively);

(v) the respective annual reports of the Company and CKI for the year ended 31 December 2013 (the "2013 Annual Report of the Company" and the "2013 Annual Report of CKI", respectively);

(vi) the respective annual reports of the Company and CKI for the year ended 31 December 2014 (the "2014 Annual Reports of the Company" and the "2014 Annual Report of CKI", respectively);

(vii) the respective interim reports of the Company and CKI for the six months period ended 30 June 2015 (the "2015 Interim Report of the Company" and the "2015 Interim Report of CKI", respectively); and

(viii) other publicly available information related to the respective associates and joint ventures of the Company and CKI, including annual financial statements and regulatory filings where available.

We have assumed that all information, facts, opinions and representations contained in the Scheme Document are true, complete, accurate and not misleading at the time they were made and continue to be so in all material respects as at the Latest Practicable Date and we have relied on the same, except that no assumption is made by us in respect of our own opinions contained in the Scheme Document. The Directors have confirmed that they take full responsibility for the accuracy of the information contained in the Scheme Document (other than information relating to the CKI Group), and have confirmed, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Scheme Document (other than those expressed by CKI, the Offeror and their respective directors) have been arrived at after due and careful consideration and there are no other facts (other than those relating to the CKI Group) not contained in the Scheme Document, the omission of which would make any statement in the Scheme Document misleading.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy or completeness of all facts as set out in the Scheme Document and of the information and representations provided to us by the Directors and/or the management of the Company. Furthermore, we have no reason to suspect the reasonableness of the opinions and representations expressed by the Directors and/or the management of the Company, which have been provided to us. In line with normal practice, we have not, however, conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs and underlying assets of the Company or CKI or conducted any valuation or appraisal of any assets or liabilities of the Company or CKI or conducted any form of investigation into the commercial viability of the future prospects of the Enlarged CKI Group. We have also relied on information available to the public (such as the documents published by the Company and CKI) which we assumed to be accurate and reliable. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the terms of the Proposal.

During the past two years, Platinum has only acted as independent financial adviser to the Company regarding certain proposed continuing connected transactions as mentioned in the circular of the Company dated 31 March 2015. The past engagement was limited to providing independent advisory services pursuant to the Listing Rules for which Platinum received normal professional fees. Accordingly, we do not consider the past engagement gives rise to any conflict of interest for Platinum in acting as the Independent Financial Adviser to the Independent Board Committee and the Disinterested Shareholders in relation to the Proposal. As at the Latest Practicable Date, we are independent from, and are not associated with the Company or any other party to the Proposal, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules, and there is no conflict of interest (within the meaning of the Takeovers Code, in particular Schedule VII thereto) existing or arising in relation to our appointment and accordingly, are considered eligible to give independent advice on the Proposal. We will receive a fee from the Company for our role as the Independent Financial Adviser to the Independent Board Committee and the Disinterested Shareholders in relation to the Proposal. Apart from the normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the Proposal or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules.

The Independent Board Committee, comprising Mr. Ip Yuk-keung, Albert, Mr. Ralph Raymond Shea, Mr. Wong Chung Hin and Mr. Wu Ting Yuk, Anthony, has been established to advise the Disinterested Shareholders as to whether the terms of the Proposal are fair and reasonable so far as the Disinterested Shareholders are concerned and whether the Proposal is in the interests of the Company and the Shareholders as a whole, and to make recommendations as to whether the Disinterested Shareholders should vote in favour of the relevant resolutions to be proposed at the Court Meeting and the General Meeting to approve the Scheme and the implementation of the Scheme in respect of the Proposal.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation with regard to the Proposal, we have taken into account the principal factors and reasons set out below:

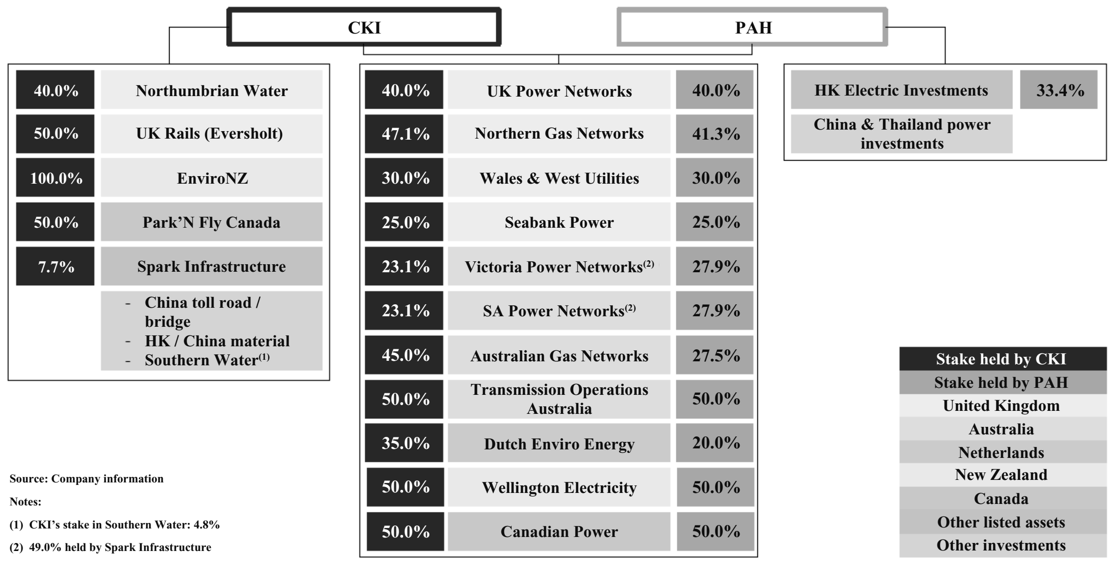
1. Background of the Proposal

The respective boards of directors of CKI, the Offeror, the Company and CKH Holdings jointly announced that on 8 September 2015, the CKI Board and the Offeror Board requested the Board to put forward the Proposal. Subsequently, the respective boards of directors of CKI, the Offeror, the Company and CKH Holdings jointly announced that on 7 October 2015, the CKI Board and the Offeror requested the Board to put forward the Proposal on the terms and conditions as detailed in the Scheme Document to the Scheme Shareholders regarding the proposed merger of CKI and the Company by way of a Scheme as detailed in the Explanatory Statement. Subject to the fulfilment (or, where relevant, the waiver) of the conditions precedent to the Proposal, it is currently expected that the Proposal will be completed by early 2016.

Pursuant to the Proposal, the Offeror, a wholly-owned subsidiary of CKI, is making a conditional share exchange offer to the Scheme Shareholders for the cancellation of the Scheme Shares by way of a scheme of arrangement of the Company under the Companies Ordinance and in consideration for such cancellation, each Scheme Shareholder (other than the Non-Qualifying Overseas Shareholders) will receive new CKI Shares in the share exchange ratio of 1.066 CKI Shares for every one Scheme Share held at the Record Time. The share capital of the Company will, on the Effective Date, be reduced by the cancellation and extinguishment of the Scheme Shares, and immediately upon such reduction of capital taking effect, the share capital of the Company will be restored to its former amount by the issuance to the Offeror, credited as fully paid, of the same number of new Shares as is equal to the number of Scheme Shares cancelled. All the credit arising in the books of accounts of the Company as a result of such capital reduction will be applied by the Company in paying up in full the newly created Shares, which will be allotted and issued to the Offeror.

The Proposal is intended to consolidate the infrastructure assets owned by the Company and CKI into a single enlarged infrastructure group, with assets across geographies and sectors, as illustrated by Exhibit 1, creating a large scale listed global infrastructure platform well positioned to pursue global acquisitions.

Exhibit 1: Company and CKI's infrastructure projects exposure



2. Summary of the Proposal and the proposed dividend arrangement of CKI

Key terms : The respective boards of directors of CKI, the Offeror, the Company and CKH Holdings jointly announced that on 8 September 2015, the CKI Board and the Offeror Board requested the Board to put forward the Proposal to the Scheme Shareholders regarding the proposed merger of CKI and the Company by way of the Scheme. Subsequently, the respective boards of directors of CKI, the Offeror, the Company and CKH Holdings jointly announced on 7 October 2015, that the Cancellation Consideration and the amount of the CKI Special Dividend were revised.

The Scheme involves the proposed cancellation of all the Scheme Shares and in consideration for such cancellation, each Scheme Shareholder (other than the Non-Qualifying Overseas Shareholders) will receive new CKI Shares in the share exchange ratio of 1.066 CKI Shares for every one Scheme Share held as at the Record Time, and the subsequent issue of new Shares to the Offeror.

On completion of the Proposal, (a) the Company will become an indirect wholly-owned subsidiary of CKI, (b) the listing of the Shares on the Stock Exchange will be withdrawn and (c) CKI will cease to be a subsidiary of CKH Holdings, which will remain the controlling shareholder of CKI immediately following completion of the Proposal and will hold (through its wholly-owned subsidiaries) approximately 48.76% of the CKI Shares then in issue.

Under the Proposal, it is proposed that on the Effective Date:

a) the share capital of the Company will be reduced by cancelling and extinguishing the Scheme Shares (being all the Shares in issue as at the Record Time other than those held or beneficially owned by the Relevant CKI Subsidiaries);

b) subject to and immediately upon such reduction of capital taking effect, the share capital of the Company will be increased to its former amount by the creation of such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished;

c) the Company will apply all credit arising in its books of account as a result of such capital reduction in paying up the newly created Shares, which will be allotted and issued, credited as fully paid, to the Offeror (which is a wholly-owned subsidiary of CKI); and

d) in consideration for the cancellation and extinguishment of the Scheme Shares, the Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders) will receive new CKI Shares (which will rank *pari passu* with each other and with all other CKI Shares then in issue) to be issued, credited as fully paid, in the following ratio, based on the holding of Scheme Shares as at the Record Time:

For every one Scheme Share held . . 1.066 CKI Shares

Scheme Shareholders whose names appear in the register of members of the Company as at the record date for entitlement to a dividend declared by the Company on or before the Effective Date will be entitled to receive such dividend.

Total Consideration Under the Proposal : The consideration for the Proposal will be satisfied by CKI issuing new CKI Shares to the Scheme Shareholders, other than the Non-Qualifying Overseas Shareholders, if any (as further described below).

As at the Latest Practicable Date, 2,134,261,654 Shares are in issue, of which 829,599,612 Shares (representing approximately 38.87% of the Shares in issue) are held by wholly-owned subsidiaries of CKI, and the remaining 1,304,662,042 Shares (representing approximately 61.13% of the Shares in issue) are held by the Scheme Shareholders. As such, if the Scheme becomes effective, a total of 1,390,769,736 new CKI Shares will be issued as Cancellation Consideration.

Conditions Precedent to the Proposal : The Scheme will become effective and binding on the Company and all Scheme Shareholders upon, and completion of the Proposal is subject to, the fulfilment (or, where relevant, waiver) of the following conditions precedent:

a) the Scheme being approved by the Disinterested Shareholders representing at least 75% of the voting rights of Disinterested Shareholders present and voting, in person or by proxy, at the Court Meeting, with votes cast against the Scheme at the Court Meeting not exceeding 10% of the total voting rights attached to all disinterested Shares (as respectively defined in Note 6 to Rule 2 of the Takeovers Code and Division 2 of Part 13 of the Companies Ordinance);

b) the passing of a special resolution by the Shareholders at the General Meeting to approve (1) the Scheme and (2) the implementation of the Scheme, including, in particular, the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and the issue of the new Shares to the Offeror;

c) the passing of an ordinary resolution by the Independent CKI Shareholders at the CKI SGM to approve the Proposal and all transactions contemplated thereunder;

d) the Scheme, with or without modification, being sanctioned and the proposed reduction of capital provided for in the Scheme being confirmed by the Court, and an office copy of the Court order together with the minute and a return that comply with subsections (2) and (3) of section 230 of the Companies Ordinance respectively being registered by the Companies Registrar;

e) the Listing Committee granting approval for the listing of, and permission to deal in, the CKI Shares to be issued as consideration under the Scheme on the Main Board and such approval not having been revoked prior to the Scheme becoming effective;

f) all applicable filings, notices and waivers required in connection with the Proposal and its implementation from or with any competent governmental or regulatory body being made, and if applicable, any waiting periods under any applicable antitrust or similar laws and regulations having expired or terminated; and

g) all other Authorisations which may be required in connection with the Proposal under any existing contractual arrangements, including loan and other finance documentation, or regulatory requirements having been obtained and all regulatory filing obligations having been complied with.

Completion : Subject to the fulfilment (or, where relevant, the waiver) of the conditions precedent to the Proposal, it is currently expected that the Proposal will be completed by early 2016.

Proposed Dividend Arrangement : The CKI Board intends to declare, on a conditional basis, the CKI Special Dividend to all CKI Shareholders whose names appear in the register of members of CKI as at the CKI Dividend Record Time on the Effective Date (including the holders of CKI Shares issued pursuant to the Scheme) on the basis that each CKI Share held will give entitlement to a dividend of HK$7.50 per share in cash.

The payment of the CKI Special Dividend will be conditional upon the satisfaction of both of the following conditions:

a) the passing of an ordinary resolution by the Shareholders at the General Meeting to agree to the payment by CKI of the CKI Special Dividend (namely, the CKI Special Dividend Resolution); and

b) the Scheme having become effective.

The Proposal is not conditional upon the payment of the CKI Special Dividend becoming unconditional. Therefore, if the CKI Special Dividend Resolution referred to in paragraph (a) above is not passed but the Scheme becomes effective, the Proposal will be completed but the CKI Special Dividend will not be paid to the CKI Shareholders.

CKI has informed the Company that it will procure the Relevant CKI Subsidiaries to voluntarily abstain from voting on the ordinary resolution referred to in paragraph (a) above at the General Meeting. Accordingly, the CKI Special Dividend Resolution referred to in paragraph (a) above will only be voted on by the Scheme Shareholders present and voting, in person or by proxy, at the General Meeting (except in relation to those Shares which each of Mr. Li Tzar Kuoi, Victor, Mr. Kam Hing Lam, Mrs. Lee Pui Ling, Angelina and Ms. Eirene Yeung holds or is interested in, as each of them has indicated that he/she or his/her associates (as the case may be) will voluntarily abstain from voting those Shares in respect of CKI Special Dividend Resolution referred to in paragraph (a) above at the General Meeting).

Mr. Tsai Chao Chung, Charles, a Director, has indicated that he will voluntarily abstain from voting the Shares held by him on the CKI Special Dividend Resolution referred to in paragraph (a) above at the General Meeting.

If the Scheme becomes effective and assuming an existing CKI Shareholder continues to hold its existing CKI Shares or an existing Shareholder continues to hold the CKI Shares issued pursuant to the Scheme (as the case may be) and subject to business conditions and the maintenance of CKI's strong investment grade rating, it is expected that:

a) in respect of the financial year ending 31 December 2015, the total dividends to be received by such CKI Shareholder or such Shareholder on its CKI Shares and, as applicable, Shares (excluding the CKI Special Dividend, if it is paid) will be more than the total dividends that such shareholder would have received on its existing CKI Shares or its existing Shares (as the case may be) in respect of the financial year ended 31 December 2014; and

b) in respect of the financial year ending 31 December 2016, the total dividends to be received by such CKI Shareholder or such Shareholder on its CKI Shares will be more than the total dividends that such shareholder would have received on its CKI Shares and, as applicable, Shares in respect of the financial year ending 31 December 2015 (excluding the CKI Special Dividend, if it is paid).

3. Objectives and benefits of the Proposal

The Proposal is expected to achieve a number of objectives and benefits as set out below:

3.1 Enabling the Shareholders to become part of a larger infrastructure investment platform with strong track record of delivering growth

The Proposal will create a large and diversified infrastructure investment platform, with interests in a wide spectrum of infrastructure projects. The successful implementation of the Proposal will provide the merged businesses with enhanced scale and financial resources to invest in major infrastructure projects on a worldwide basis, broadening the spectrum of available investment opportunities.

Historically, we note that CKI has a strong historical track record of delivering higher growth in earnings relative to the Company, with a 4-year earnings compound annual growth rate ("CAGR") (excluding exceptional items) over the period from 2010 to 2014 of 19% (PAH: 3%). CKI has also outperformed the Company in terms of earnings growth in the period 2010-2013, prior to the spin-off of the Company's Hong Kong electricity business which was carried on by The Hongkong Electric Company, Limited ("HK Electric") and the listing of the share stapled units jointly issued by HK Electric Investments and HK Electric Investments Limited ("HKEI" and "HKEIL", respectively).

Table 1: Earnings Growth 2010-2014 – Comparative Analysis

Net income CAGR	CKI	PAH
2010-2013	32%	16%
2010-2014	19%	3%

Source: CKI and Company Annual Reports
Note: PAH and CKI's normalised earnings exclude one-off gain on disposal of subsidiary/associate/joint venture, one-off spin-off gain and accounting loss from sale of share stapled units jointly issued by HKEI and HKEIL

We also concur with the management representation that the enhanced project diversification in terms of infrastructure sectors and geographies will result in greater earnings stability, for the benefit of the Enlarged CKI Group shareholders.

3.2 Enhanced scale, broader access to investment opportunities and higher trading liquidity

(i) Enhanced scale and asset diversification

The Company's project expertise has been mainly focused on the gas and power infrastructure sectors. CKI investment focus has been traditionally on non-power assets, while co-investing with the Company in power related projects. The successful implementation of the Proposal will enable the Enlarged CKI Group to consolidate management expertise across a wide spectrum of infrastructure sectors.

As such, we concur with the management's representation on the Enlarged CKI Group being able to mobilise human resources more effectively when bidding for new projects while, at the same time, reducing the administrative costs by avoiding the duplication of administrative activities related to co-investment project operation.

(ii) More active deployment of capital across a much broader and diversified set of investment opportunities

As mentioned above, the Company has been mainly active in the gas and power infrastructure sector while CKI's business has been focused on the non-power infrastructure sector (such as water treatment and waste treatment) and also had a number of co-investments with the Company in gas and power projects.

Our research shows that the latest market transactions in the gas and power sectors which have been selected exhaustively based on the criteria set out in the notes below, were completed at transaction multiples (EV/EBITDA) higher than acquisitions in other infrastructure sectors. As higher transaction multiples normally lead to lower investment returns, the Proposal is expected to enable the Enlarged CKI Group to deploy capital more effectively across investment sectors with higher return opportunities.

Table 2a: Valuation of recent acquisitions in Gas and Power sectors

Announcement Date	Completion Date	Target	Acquirer	Target Region	Acquired Stake %	Enterprise Value / EBITDA
Gas Distribution & Transmission						
16-May-13	03-Jan-14	SPI (Australia) Assets Pty Ltd	State Grid Corp of China	Australia	60.0	30.2x
02-Aug-13	02-Aug-13	Phoenix Natural Gas Ltd	Westpac Banking Corp	Europe	100.0	18.0x
09-Dec-13	26-Nov-14	Sino Gas International Holdings Inc	Zhongyu Gas Holdings Ltd (Yuchuan Liu); Existing Management; and Morgan Stanley Private Equity Asia Ltd	China	88.7	11.0x
11-Mar-14	11-Mar-14	Gasum Oy	Government of Finland	Europe	51.0	12.6x
08-May-14	21-Aug-14	Envestra Ltd	Cheung Kong (Holdings) Ltd; Power Assets Holdings Ltd; and Cheung Kong Infrastructure Holdings Ltd	Australia	82.5	11.8x
22-Apr-15	07-May-15	Madrilena Red de Gas SAU	PGGM NV; Electricite de France SA – EDF; and Gingko Tree Investment Ltd	Europe	100.0	14.8x
					Average	**16.4x**
Power Distribution & Transmission						
15-Jul-13	19-Sep-13	Australian Power & Gas Co Ltd	AGL Energy Ltd	Australia	100.0	5.6x
12-Dec-13	24-Mar-14	Fortum Oyj (Electricity Distribution Business)	Suomi Power Networks Oy	Europe	100.0	16.6x
09-Apr-14	30-May-14	Fortum Distribution AS; Fredrikstad Energi AS; Fredrikstad Energi Nett AS	Hafslund ASA	Europe	100.0	10.7x
13-Mar-15	01-Jun-15	Fortum Sweden Distribution	Borealis, National Pension Funds AP 1 and AP 3	Europe	100.0	18.1x
16-Jan-14	07-Feb-14	Stromnetz Hambuerg	City of Hamburg	Europe	74.9	11.2x
					Average	**12.4x**

Source: The respective company's filings, press release, Mergermarket and Dealogic

Note:

1) All transactions are exhaustively selected based on the following criteria:

   i) Completed deals announced during 2013 to 2015 year-to-date

   ii) Target assets in the following sectors:

      a) Power distribution and/or transmission

      b) Gas distribution and/or transmission

iii) Target assets in the following regions: Europe, Australia, New Zealand, China and Hong Kong. Transactions in these 5 regions represent an exhaustive selection sample as the combined investments in the 5 regions (namely, Europe, Australia, Hong Kong, China and New Zealand) accounts for approximately 87.1% (excluding the Netherlands assets for which separate disclosure is not available in the 2014 Annual Report of CKI) of CKI's FY2014 total assets and approximately 93.9% (excluding the Netherlands and New Zealand assets for which separate disclosure is not available in the 2014 Annual Report of the Company) of PAH's FY2014 total assets (excluding total cash from the Company's total assets)

iv) Stake acquired above 50%

v) Announced deal value above US$100 million

vi) Publicly available data for the purpose of determining transaction EV/EBITDA multiples

Table 2b: Valuation of recent acquisitions in other infrastructure sectors

Announcement Date	Completion Date	Target	Acquirer	Target Region	Acquired Stake %	Enterprise Value / EBITDA
Waste Treatment						
15-Jan-13	15-Apr-13	Enviro	Cheung Kong Infrastructure Holdings Ltd	New Zealand	100.0	13.7x
18-Apr-13	15-Jul-13	Befesa	Triton	Europe	100.0	7.0x
16-Jun-13	28-Aug-13	AVR-Afvalverwerking B.V.	Cheung Kong Infrastructure Holdings Ltd; Cheung Kong (Holdings) Ltd; Power Assets Holdings Ltd; Li Ka Shing Foundation Ltd	Europe	100.0	8.7x
06-Mar-15	19-Jun-15	Indaver	Katoen Natie	Europe	75.0	8.4x
					Average	**9.5x**
Water Treatment						
04-Feb-13	05-Feb-13	Sutton & East Surrey	Sumitomo	Europe	100.0	10.5x
					Average	**10.5x**

Source: The respective company's filings, press release, Mergermarket and Dealogic

Note:

1) All transactions are exhaustively selected based on the following criteria:

i) Completed deals announced during 2013 to 2015 year-to-date

ii) Target assets in the following sectors:

a) Waste treatment

b) Water treatment and/or water supply

iii) Target assets in the following regions: Europe, Australia, New Zealand, China and Hong Kong. Transactions in these 5 regions represent an exhaustive selection sample as the combined investments in the 5 regions (namely, Europe, Australia, Hong Kong, China and New Zealand) accounts for approximately 87.1% (excluding the Netherlands assets for which separate disclosure is not available in the 2014 Annual Report of CKI) of CKI's FY2014 total assets and approximately 93.9% (excluding the Netherlands and New Zealand assets for which separate disclosure is not available in the 2014 Annual Report of the Company) of PAH's FY2014 total assets (excluding total cash from the Company's total assets)

iv) Stake acquired above 50%

v) Announced deal value above US$100 million

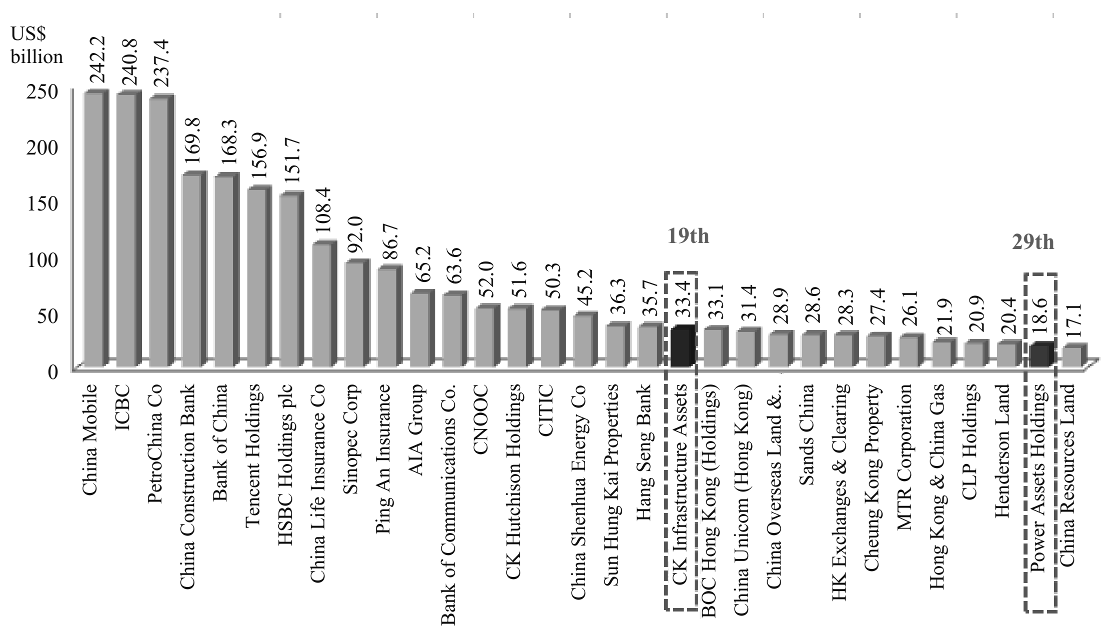
vi) Publicly available data for the purpose of determining transaction EV/EBITDA multiples

2) No transaction in the toll road sector met the above defined criteria

(iii) Enlarged scale and trading liquidity

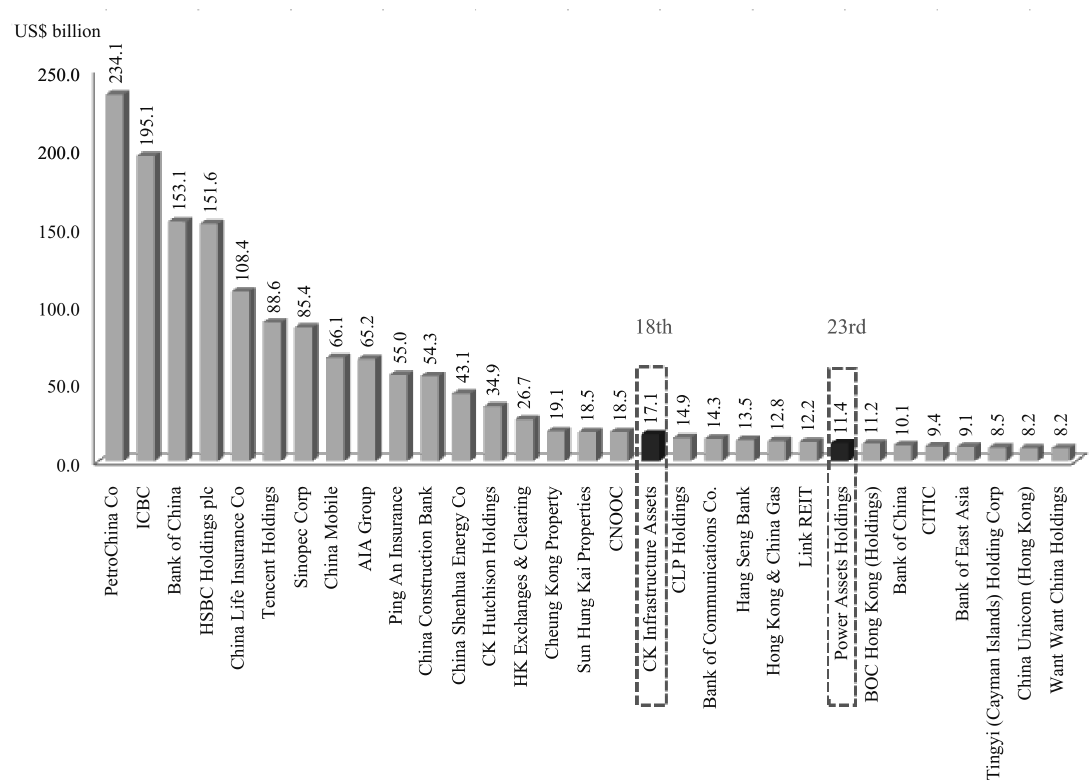
Furthermore, we have studied the rankings of the Company and CKI in terms of both market capitalisation and free float amongst the group of the Hang Seng Index Constituents. The exhibit below illustrates the improvement in rankings in terms of both market capitalisation and free float of the Enlarged CKI Group relative to the Company.

Exhibit 2: Market capitalisation ranking of Hang Seng Index Constituents



Source: Bloomberg, as of 8 September 2015

Exhibit 3: Free Float Ranking of Hang Seng Index Constituents



Source: Bloomberg, as of 8 September 2015; free float is based on percentage of the company that is freely traded as defined and extracted from Bloomberg

3.3 Co-investment projects consolidation and increased transparency on CKI's financial performance

As at the Latest Practicable Date, there were eleven power projects co-invested by the Group and the CKI Group, summarised below in Table 3.

In addition, on 2 October 2015, the Company, together with one of its indirect wholly-owned subsidiary, and CKI, together with one of its wholly-owned subsidiary, have entered into a shareholder's agreement in relation to the formation of a joint venture for the acquisition, operations and management of Iberwind Group. Iberwind Group is principally engaged in the business of electricity generation, with a portfolio of about 684 MW from 31 wind farms. The maximum capital commitment (whether equity or loan) by the Group under the terms of the agreement is EUR175 million, equivalent to approximately HK$1.52 billion (1.25% of the equity attributable to Shareholders as of 30 June 2015). The maximum capital commitment by the Group and CKI under the terms of the agreement is EUR350 million, equivalent to approximately HK$3.04 billion (1.47% of the equity attributable to shareholders of the Enlarged CKI Group as of 30 June 2015).

Table 3: Summary of co-investment projects

	United Kingdom				Australia				Netherlands	New Zealand	Canada	Portugal
	1	2	3	4	5	6	7	8	9	10	11	12
	UK Power Networks	**Northern Gas Networks**	**Wales & West Utilities**	**Seabank Power**	**Victoria Power Networks**	**SA Power Networks**	**Australian Gas Networks**	**Transmission Operations Australia**	**Dutch Enviro Energy**	**Wellington Electricity**	**Canadian Power**	**Iberwind Group** [11]
Business Description	One of the UK's largest electricity distributors	One of the eight major gas distribution networks in Great Britain	Gas distribution network that serves Wales and the South West of England	Electricity generating business	Owner and operator of two electricity distribution networks	Primary electricity distribution business for the state of South Australia	One of the largest natural gas distribution networks in Australia	Renewable energy power transmission business	Largest energy from waste company in the Netherlands	Electricity distribution business	Power plant operator	Wind farm operator in Portugal
Total assets[1][2]	GBP9.5 billion[3]	GBP1.6 billion[3]	GBP1.4 billion[3]	GBP210.6 million[3]	AUD7.6 billion[4]	AUD6.3 billion[4]	AUD5.0 billion[4]	AUD34.2 million[4]	EUR1.0 billion[5]	NZD895.2 million[4]	CAD784.2 million[5]	EUR1,001 million
Before transaction %												
CKI's direct stake	40.0%	47.1%	30.0%	25.0%	23.1%	23.1%	45.0%	50.0%	35.0%	50.0%	50.0%	50.0%
PAH's direct stake	40.0%	41.3%	30.0%	25.0%	27.9%	27.9%	27.5%	50.0%	20.0%	50.0%	50.0%	50.0%
CKI's effective stake[6]	55.5%	63.1%	41.7%	34.7%	33.9%	33.9%	55.7%	69.4%	42.8%	69.4%	69.4%	69.4%
Post transaction %												
Enlarged CKI Group's stake[7][8]	80.0%[9]	88.4%[9]	60.0%[10]	50.0%[10]	51.0%[9]	51.0%[9]	72.5%[10]	100.0%[9]	55.0%[10]	100.0%[9]	100.0%[9]	100.0%[9]

Source: Company

Note(s):

(1) *In local reporting currency.*

(2) *The total asset value is calculated based on the latest audited financial statements of each project company.*

(3) *Reported under UK Generally Accepted Accounting Practice ("GAAP") accounts.*

(4) *Reported under local standards, which are equivalent to International Financial Reporting Standards ("IFRS").*

(5) *Reported under IFRS.*

(6) *CKI's effective stake means CKI's direct stake and CKI's indirect stake through its 38.87% stake in PAH.*

(7) *Enlarged CKI Group's stake means CKI's direct stake together with PAH's direct stake.*

(8) *Accounting treatment for UK Power Networks, Northern Gas Networks, Transmission Operations Australia, Wellington Electricity and Canadian Power will change from JV to subsidiary following the completion of the Proposal; accounting treatment for Victoria Power Networks and SA Power Networks will change from associate to subsidiary following the completion of the Proposal; accounting treatment for the others will remain unchanged.*

(9) *Expected to be consolidated into the financial statements of CKI following the completion of the Proposal.*

(10) *Expected not to be consolidated into the consolidated financial statements of CKI following the completion of the Proposal because decision on certain relevant operating and financing activities of these joint ventures require the approval of at least 80% or more of the votes cast on a poll taken at the respective meeting of their board of directors.*

(11) *Acquisition conditional upon satisfaction of certain conditions as per announcement on 2 October 2015.*

Following completion of the Proposal, the results of operations of seven out of the eleven projects are expected to become consolidated into the financial statements of CKI as subsidiaries, whereas the rest of the investment projects will continue to be accounted as interests in joint ventures.

As per our discussion with the management of the Company, we understand that day-to-day operation of the co-invested projects is currently being managed by dedicated project teams, and we expect the integration risk to be low. Furthermore, projects that will be consolidated into the Enlarged CKI Group are also expected to significantly enhance the cash flow profile of the enlarged group.

Furthermore the streamlined corporate structure and the consolidation of the seven co-invested projects will provide the Enlarged CKI Group shareholders with greater transparency in relation to the Enlarged CKI Group's financial performance, with access to more financial information at both asset and project level.

3.4 Special dividend and dividend growth

The Shareholders, as holders of CKI Shares issued pursuant to the Scheme, will be entitled to a CKI Special Dividend of HK$7.50 that may be distributed to the shareholders of the Enlarged CKI Group (for clarity, the Proposal is not conditional upon the CKI Special Dividend becoming unconditional and the Scheme may still become effective even if the CKI Special Dividend Resolution is not passed by the Shareholders at the General Meeting).

In addition, the Scheme Shareholders will be able to benefit from holding CKI Shares as historically CKI's dividend per share has grown at a much faster rate than the Company's dividend per share.

Based on the average Share price of the Company for the 30 trading days up to and including 4 September 2015 (HK$69.98), the CKI Special Dividend represents a yield of 11.42% (proposed special dividend of HK$7.50 multiplied by 1.066 CKI Shares divided by the aforementioned average share price of HK$69.98).

Table 4: Dividend per Share CAGR 2000-2014

Dividends per share CAGR	**CKI**	**PAH**
2000-2014	9%	4%
2010-2014	11%	6%

Source: CKI and Company Annual Reports

4. Information on the Company and CKI and impact of the Proposal on the shareholding structure

4.1 Information on the Company

The Company is an investment holding company principally engaged in power related businesses. Incorporated in Hong Kong with limited liability, its shares are listed on the Main Board of the Stock Exchange. The Company is also a constituent stock of the Hang Seng Index. The Group has interests in and participates in the management of businesses in power generation, transmission and distribution, gas distribution, and energy from waste and renewables worldwide, including Hong Kong, the United Kingdom, Australia, the PRC, New Zealand, Thailand, Canada and the Netherlands.

Set out below is the financial highlights of the Company's consolidated financial statements in accordance with the Hong Kong Financial Reporting Standards:

Table 5: Financial highlights of the Company

	2012	**2013**	**2014**	**Six Months Ended 30 June 2015**
	(HK$ million) (Audited)	**(HK$ million) (Audited)**	**(HK$ million) (Audited)**	**(HK$ million) (Unaudited)**
Bank balances and deposits	6,140	7,894	61,291	67,796
Total assets	101,646	105,237	136,274	134,555
Total equity attributable to equity shareholders of the Company	63,035	69,438	123,088	121,472
Turnover	10,415	11,578[(1)]	2,131	626
Net profit attributable to equity shareholders of the Company	9,729	11,165	61,005	3,237

Source: Company Annual and Interim Reports

Note:

(1) As restated in the 2014 Annual Report of the Company. Original audited turnover figure in the 2013 Annual Report of the Company was HK$10,222 million.

We note the following points in relation to the data presented above in Table 5:

(i) Increase in bank deposits and cash in 2014

The increase in bank deposits and cash from HK$7,894 million (as of 31 December 2013) to HK$61,291 million (as of 31 December 2014) was mainly due to the completed spin-off and separate listing of the Group's Hong Kong electricity business which is operated by HK Electric, by way of the listing of the share stapled units jointly issued by HKEI and HKEIL on the Main Board of the Stock Exchange on 29 January 2014. Upon subsequent repayment of a promissory note which the Company received as consideration for the sale, the Company received HK$32,026 million in cash. In addition, the Company received a 49.9% interest in HKEI and HKEIL with a carrying value of HK$24,031 million. Furthermore, the Company also obtained repayment of its intercompany loan to HK Electric for HK$27,445 million. As at the time of completion of the sale of HK Electric and the spin-off of HKEI and HKEIL the cash balance of HK Electric that was deconsolidated was HK$1,148 million, and the net impact on the Company cash balance resulting from the sale and spin-off transaction was HK$58,323 million (gross of transaction expenses).

(ii) Increase in total assets and total equity attributable to equity shareholders in 2014

The increase in total assets from HK$105,237 million (as of 31 December 2013) to HK$136,274 million (as of 31 December 2014) was also mainly due to the disposal of the Company's 100% equity stake in HK Electric. As a result of the disposal, total assets owned by HK Electric with a total value of HK$52,623 million were deconsolidated from the Company's statement of financial position. At the same time, the Company's total assets increased as a result of cash received (HK$59,471 million from the equity stake sale and the repayment of the intercompany loan) and the addition to the Company's investment in associates of HK$24,031 million (share stapled units jointly issued by HKEI and HKEIL), which largely explains the increase in total assets from 31 December 2013 to 31 December 2014.

The increase in total equity attributable to equity shareholders of the Company from HK$69,438 million (as of 31 December 2013) to HK$123,088 million (as of 31 December 2014) was mostly due to the gain recorded on the disposal of HK Electric (HK$52,928 million). Excluding hedging reserve movements (approximately HK$20 million), the gain was the result of the difference between the total consideration received for the sale of the equity stake in HK Electric (HK$32,026 million in cash and HK$24,031 million in share stapled units jointly issued by HKEI and HKEIL) and the net assets of HK Electric which were deconsolidated as of completion of the sale of HK Electric and the spin-off of HKEI and HKEIL (HK$3,035 million).

(iii) Decrease in turnover in 2014

Turnover mostly represents sales generated from the Company's fully consolidated operations in power and utility-related businesses and interest income. The significant reduction in 2014 turnover is primarily due to the deconsolidation of the 100% stake in HK Electric. As a result of the deconsolidation of HK Electric's accounts from 29 January 2014, sales of electricity by HK Electric were only recorded for the period from 1 January 2014 to 28 January 2014 (a turnover of HK$676 million), down from HK$10,176 million in 2013 when HK Electric's accounts were consolidated in the 2013 accounts of the Company for the full year.

(iv) Net profit attributable to equity shareholders of the Company in 2014

Net profit attributable to equity shareholders of the Company for 2014 amounted to HK$61,005 million. As mentioned above, this includes a one-off gain of HK$52,928 million from the spin-off of the Hong Kong electricity business. Excluding the one-off gain, the Group's audited profits were HK$8,077 million

(2013: HK$11,165 million), representing a decrease of 28% that was mainly due to a reduction of interest in the Hong Kong electricity business from 100% to 49.9% and deferred tax credits arising from a reduction of the UK corporate tax rate in 2013.

4.2 Information on CKI and the Offeror

CKI was incorporated in Bermuda on 28 May 1996 as an exempted company with limited liability and its shares are listed on the Main Board of the Stock Exchange. The principal activities of the CKI Group are development, investment and operation of infrastructure businesses in Hong Kong, Mainland China, the United Kingdom, the Netherlands, Australia, New Zealand and Canada.

The CKI Group is one of the largest infrastructure groups in Hong Kong with diversified investments in energy infrastructure, transportation infrastructure, water infrastructure, waste management and other infrastructure related businesses. The Offeror is an investment holding company incorporated in the British Virgin Islands and a wholly-owned subsidiary of CKI.

Set out below are the financial highlights of CKI's consolidated financial statements in accordance with Hong Kong Financial Reporting Standards:

Table 6: Financial highlights of CKI

	2012	**2013**	**2014**	**Six Months Ended 30 June 2015**
	(HK$ million) (Audited)	**(HK$ million) (Audited)**	**(HK$ million) (Audited)**	**(HK$ million) (Unaudited)**
Bank balances and deposits	6,980	5,958	7,108	7,753
Total assets	88,542	99,908	126,070	130,563
Total equity attributable to shareholders of CKI	62,963	70,185	93,736	99,409
Turnover	4,105	5,018	6,100	2,879
Net profit attributable to shareholders of CKI	9,427	11,639	31,782	5,253

Source: CKI Annual and Interim Reports

We note the following points in relation to the data presented above in Table 6:

(i) Increase in total assets in 2014

Total assets increased from HK$99,908 million as of 31 December 2013 to HK$130,563 million as of 30 June 2015, mostly due to the increase in investments in associates (amongst which is the 38.87% equity stake in the Company) from HK$34,583 million to HK$53,361 million and the increase in investments in joint ventures from HK$46,244 million to HK$60,662 million.

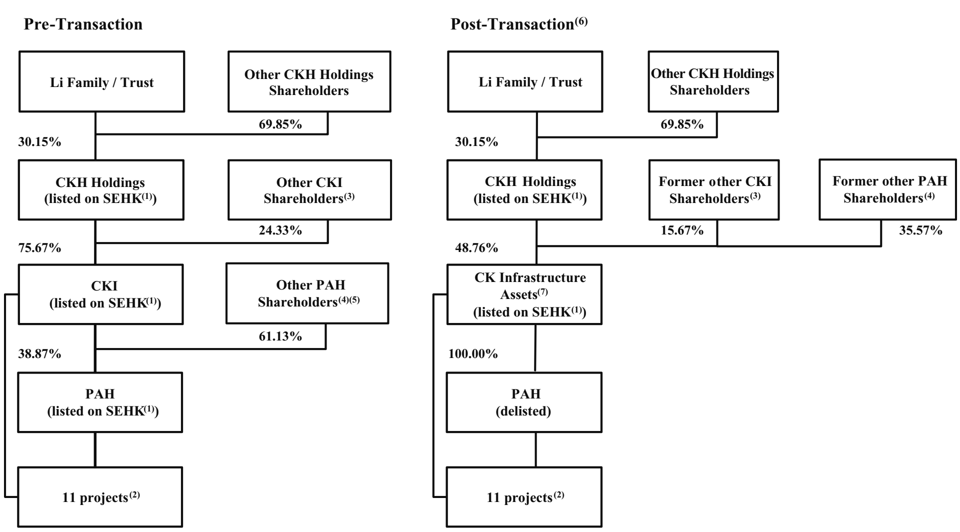
(ii) Net profit attributable to shareholders of CKI in 2014

The significant increase in net profit attributable to shareholders of CKI is mainly due to the increase in share of results from associates (HK$4,741 million in 2013 and HK$23,156 million in 2014). The share of result from associates is mostly due to the consolidation (equity method of accounting) of CKI's share of the net profit of the Company of HK$22,695 million in 2014, which in turn was due to the gain on the disposal of HK Electric.

4.3 Impact of the Proposal on the shareholding structure

The completion of the Proposal will result in Scheme Shareholders (other than Non-Qualifying Overseas Shareholders) holding CKI Shares in exchange for the Shares. The exhibit below illustrates the change in shareholding structure of the Company and CKI:

Exhibit 4: Diagram of shareholdings prior to and upon completion of the Proposal



- CKI holds 38.87% shareholding in PAH
- There are 11 power infrastructure projects in which both CKI and PAH have ownership interests

- Scheme Shareholders will exchange their PAH Shares for new CKI Shares
- Upon completion, PAH will be delisted from SEHK(1)
- Seven of the 11 projects in which both CKI and PAH have ownership interests are expected to be consolidated into the financial statements of the Enlarged CKI Group

Note(s):

(1) The Stock Exchange of Hong Kong Limited.

(2) Eleven projects in which both CKI and the Company have ownership interests.

(3) Pre-transaction: includes 0.22% stake in CKI in which Mr. Li Tzar Kuoi, Victor is interested; Post-transaction: includes 0.14% stake in Enlarged CKI Group in which Mr. Li Tzar Kuoi, Victor is interested.

(4) Pre-transaction: includes 0.01% stake in the Company in which Mr. Li Tzar Kuoi, Victor is interested; Post-transaction: includes 0.004% stake in Enlarged CKI Group in which Mr. Li Tzar Kuoi, Victor is interested.

(5) Certain Non-Qualifying Overseas Shareholders will not receive CKI Shares.

(6) Based on the Company/CKI exchange ratio of 1.066 CKI Shares for every one Scheme Share.

(7) The CKI Board proposes to change the company name from Cheung Kong Infrastructure Holdings Limited to CK Infrastructure Assets (Holdings) Limited on completion of the Proposal to signify the merger of CKI and PAH.

4.4 Issued share capital of the Company and CKI prior to and upon completion of the Proposal

(i) Below is an illustration of the Company's shareholding structure prior to and upon completion of the Proposal.

Table 7: Shareholding structure of the Company prior and upon completion of the Proposal

	As at the latest Practicable Date		Immediately following completion of the Proposal	
	Number of Shares	**%**	**Number of Shares**	**%**
Offeror(1)	–	–	1,304,662,042	61.13
Specified Offeror Concert Parties				
Shares held not subject to the Scheme				
Relevant CKI Subsidiaries(1)	829,599,612	38.87	829,599,612	38.87
	829,599,612	38.87	2,134,261,654	100.00

	As at the latest Practicable Date		Immediately following completion of the Proposal	
	Number of Shares	**%**	**Number of Shares**	**%**
Shares held subject to the Scheme				
Mr. Li Tzar Kuoi, Victor(2)	151,000	0.01	–	–
Mr. Kam Hing Lam(3)	100,000	0.00	–	–
Mrs. Lee Pui Ling, Angelina(4)	8,800	0.00	–	–
Ms. Eirene Yeung(5)	62,749	0.00	–	–
HSBC group(6)	–	–	–	–
Goldman Sachs group(7)	–	–	–	–
Other Offeror Concert Parties(8)	28,500	0.00	–	–
	351,049	0.02	–	–
Aggregate number of Shares held by the Offeror and Offeror Concert Parties(6)(7)(8)	829,950,661	38.89	2,134,261,654	100.00
Aggregate number of Shares held by Disinterested Shareholders	1,304,310,993	61.11	–	–
Total	2,134,261,654	100.00	2,134,261,654	100.00
Total number of Scheme Shares	1,304,662,042	61.13	–	–

Notes:

(1) The Offeror and the Relevant CKI Subsidiaries are wholly-owned subsidiaries of CKI.

(2) Such 151,000 Shares were held as Mr. Li Tzar Kuoi, Victor's family interest (being Shares held by his wife). Mr. Li Tzar Kuoi, Victor, who is an executive CKI Director, an executive CKH Holdings Director and an Offeror Director, and his wife are presumed to be acting in concert with the Offeror in relation to the Company under the Takeovers Code.

(3) Such 100,000 Shares were held as Mr. Kam Hing Lam's family interest (being Shares held by his son). Mr. Kam Hing Lam, who is an executive CKI Director, an executive CKH Holdings Director and an Offeror Director, and his son are presumed to be acting in concert with the Offeror in relation to the Company under the Takeovers Code.

(4) Mrs. Lee Pui Ling, Angelina, who is a non-executive CKI Director, is presumed to be acting in concert with the Offeror in relation to the Company under the Takeovers Code.

(5) Such 62,749 Shares were held as Ms. Eirene Yeung's family interest (being Shares held by her mother). Ms. Eirene Yeung, who is an alternate CKI Director, and her mother are presumed to be acting in concert with the Offeror in relation to the Company under the Takeovers Code.

(6) HSBC is the financial adviser to CKI and the Offeror in relation to the Proposal. Accordingly, HSBC and relevant members of the HSBC group which hold Shares are presumed to be acting in concert with CKI and the Offeror in relation to the Company in accordance with class (5) of the definition of "acting in concert" under the Takeovers Code (except in respect of Shares held by exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code, and also excluding Shares of non-discretionary investment clients of the HSBC group).

(7) Goldman Sachs is the financial adviser to CKH Holdings in relation to the Proposal. Accordingly, Goldman Sachs and relevant members of the Goldman Sachs group which hold Shares are presumed to be acting in concert with CKI and the Offeror in relation to the Company in accordance with class (5) of the definition of "acting in concert" under the Takeovers Code (except in respect of Shares held by exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code, and also excluding Shares of non-discretionary investment clients of the Goldman Sachs group).

(8) Such 28,500 Shares were held by pension funds of the CKI Group, which are presumed to be acting in concert with the Offeror in relation to the Company in accordance with class (3) of the definition of "acting in concert" under the Takeovers Code.

(ii) Below is an illustration of CKI's shareholding structure prior to and upon completion of the Proposal.

Table 8: Shareholding structure of CKI prior and upon completion of the Proposal

	As at the latest Practicable Date		**CKI Shares to be issued under the Scheme**	**Immediately following completion of the Proposal[8]**	
	Number of CKI Shares	**%**		**Number of CKI Shares**	**%**
CKH Holdings[1]	1,906,681,945	75.67	–	1,906,681,945	48.76
Mr. Li Tzar Kuoi, Victor[2][3]	5,428,000	0.22	160,966	5,588,966	0.14
Mr. Kam Hing Lam[4]	100,000	0.00	106,600	206,600	0.01
Mrs. Lee Pui Ling, Angelina[5]	–	–	9,380	9,380	0.00
Ms. Eirene Yeung[6]	–	–	66,890	66,890	0.00
Mr. Tsai Chao Chung, Charles[7]	6,000	0.00	4,287	10,287	0.00
	1,912,215,945	75.89	348,123	1,912,564,068	48.91
Other CKI Shareholders	607,395,000	24.11	–	607,395,000	15.53
Other Shareholders	–	–	1,390,421,613	1,390,421,613	35.56
Total	2,519,610,945	100.00	1,390,769,736	3,910,380,681	100.00

Notes:

(1) Such 1,906,681,945 CKI Shares are held by Hutchison Infrastructure Holdings Limited, a subsidiary of Hutchison Whampoa Limited. CKH Holdings is deemed to be interested in such 1,906,681,945 CKI Shares as CKH Holdings holds more than one-third of the issued share capital of each of Cheung Kong (Holdings) Limited and CK Global Investments Limited, and certain subsidiaries of Cheung Kong (Holdings) Limited and CK Global Investments Limited hold more than one-third of the issued share capital of Hutchison Whampoa Limited.

(2) 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 the trustees of DT1 and 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 holds a total of 5,428,000 CKI Shares.

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 interested in the CKI Shares 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 CKI Shares 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.

(3) Based on the share exchange ratio of 1.066 new CKI Shares for every one Scheme Share and the 151,000 Shares which were held as Mr. Li Tzar Kuoi, Victor's family interest as at the Latest Practicable Date, a total of 160,966 CKI Shares will be issued under the Scheme in respect of such interest of Mr. Li Tzar Kuoi, Victor if the Scheme becomes effective.

(4) As of the Latest Practicable Date, Mr. Kam Hing Lam was interested in 100,000 CKI Shares. Based on the share exchange ratio of 1.066 new CKI Shares for every one Scheme Share and the 100,000 Shares which were held as Mr. Kam Hing Lam's family interest as at Latest Practicable Date, a total of 106,600 CKI Shares will be issued under the Scheme in respect of such interest of Mr. Kam Hing Lam if the Scheme becomes effective.

(5) Based on the share exchange ratio of 1.066 new CKI Shares for every one Scheme Share and the 8,800 Shares in which Mrs. Lee Pui Ling, Angelina was interested as at the Latest Practicable Date, a total of 9,380 CKI Shares will be issued under the Scheme in respect of such interest of Mrs. Lee Pui Ling, Angelina if the Scheme becomes effective.

(6) Based on the share exchange ratio of 1.066 new CKI Shares for every one Scheme Share and the 62,749 Shares which were held as Ms. Eirene Yeung's family interest as at the Latest Practicable Date, a total of 66,890 CKI Shares will be issued under the Scheme in respect of such interest of Ms. Eirene Yeung if the Scheme becomes effective.

(7) As at the Latest Practicable Date, 6,000 CKI Shares were held as Mr. Tsai Chao Chung, Charles' family interest (being CKI Shares held by his wife). Based on the share exchange ratio of 1.066 new CKI Shares for every one Scheme Share and the 4,022 Shares in which Mr. Tsai Chao Chung, Charles was interested as at the Latest Practicable Date, a total of 4,287 CKI Shares will be issued under the Scheme in respect of such interest of Mr. Tsai Chao Chung, Charles if the Scheme becomes effective.

(8) The number of CKI Shares to be issued to the relevant parties under the Proposal may be subject to change due to possible rounding down of the actual number of CKI Shares to be issued as a result of exclusion of their respective fractional entitlements under the Scheme (if any).

The above exhibits and tables illustrate the change to the Company's and CKI's shareholding structure immediately upon completion of the Proposal when the Shares will be delisted and the CKI Group will hold 100% of the Shares in issue, of which i) approximately 38.87% will be held by the Relevant CKI Subsidiaries; and ii) approximately 61.13% will be held by the Offeror.

As a result of the Scheme Shareholders receiving the Cancellation Consideration (being 1.066 CKI Shares for every one Scheme Share held at the Record Time), the Scheme Shareholders will be holding approximately 35.57% of the total CKI Shares in issue upon completion of the Proposal.

In addition, we note that:

(i) Upon completion of the Proposal, the percentage of CKI shares held by CKI Shareholders other than CKH Holdings will increase from 24.33% to 51.24%, enhancing CKI Shares trading liquidity; and

(ii) Upon completion of the Proposal, the Enlarged CKI Group's financial accounts will no longer be consolidated in CKH Holdings' consolidated accounts, ensuring that CKH Holdings credit rating considerations will no longer influence the Enlarged CKI Group's credit rating strategy and capital allocation decisions.

4.5 Market reaction to the announcement

The market price of the Shares and CKI Shares recorded an increase of 4.66% and 1.97% in the week following the First Joint Announcement. Over a two weeks period subsequent to the First Joint Announcement, the market price of the shares of the Company and CKI recorded an increase of 9.99% and 6.42%. In light of this, we consider that the market perception of the Proposal is positive overall.

Table 9: CKI and Company Share price following the First Joint Announcement

Date	**Closing Price**	
	PAH	**CKI**
	(HK$)	**(HK$)**
8 September 2015	67.60	66.15
15 September 2015	70.75	67.45
22 September 2015	74.35	70.40
% increase/(decrease) in share price from the 1st week of announcement	4.66%	1.97%
% increase/(decrease) in share price from the 2nd week of announcement	9.99%	6.42%

Source: Bloomberg

5. Basis of Determination of the Cancellation Consideration

We note that the share price ratio (closing price of the Shares/closing price of CKI Shares) has decreased substantially over the past 5 years from c.1.5 to c.1.05. We are of the view that the decline of the share price ratio is driven by a fundamental divergence in earnings growth and dividend growth for the two companies, as shown in section 3.1 and 3.4 above and might continue to decrease in line with this trend.

Exhibit 5: Company/CKI share price ratio over the past 5 years

Source: Bloomberg and Platinum estimates

The Cancellation Consideration, based on the Second Joint Announcement jointly issued by the Board and CKI Board on 7 October 2015, has been determined by CKI and the Offeror based on the average closing prices of the CKI Shares and the Shares on the Stock Exchange for the 30 trading days up to (and including) 4 September 2015 (the "Trading Period"), without any premium or discount (average closing price for the Shares in the Trading Period divided by the average closing price for CKI Shares in the Trading Period: 1.066, the "Share Exchange Ratio").

Table 10 below illustrates the average closing prices of CKI Shares and the Shares for the 30 trading days up to (and including) 4 September 2015.

Table 10: Average closing prices of the CKI Shares and the Shares during the Trading Period

Trading date	Closing market price of CKI Shares (HK$)	Closing market price of Shares (HK$)
30-day average	**65.65**	**69.98**

Source: Bloomberg

Set out below are share price ratios calculated for periods up to 30 trading days prior to, and excluding, 8 September 2015 (the First Joint Announcement Date) using the same methodology adopted for the calculation of the Share Exchange Ratio. Share price ratios are calculated by dividing the average closing price of the Shares in the selected trading period by the average closing price of CKI Shares in the corresponding trading period.

Table 11: Average closing prices of the CKI Shares and the Shares in various trading periods

Average closing price of	CKI share price (HK$)	Share price (HK$)	Implied exchange ratio	Premium/ (Discount) to proposed exchange ratio[3]
Last 5 consecutive trading days	63.81	65.82	1.032	(3.19%)
Last 10 consecutive trading days	63.22	66.10	1.046	(1.88%)
Last 20 consecutive trading days	65.00	68.89	1.060	(0.56%)
Last 30 consecutive trading days[1]	65.61	69.81	1.064	(0.19%)
Terms of the proposal[2]	**65.65**	**69.98**	**1.066**	

Source: Bloomberg

Notes:

(1) 30 consecutive trading days prior to, and excluding, 8 September 2015

(2) 30 consecutive trading days prior to, and including, 4 September 2015

(3) Calculated based on the implied exchange ratio approximated by rounding to the third decimal point

As the shares of both CKI and the Company have traded at levels different from those which have been selected as the basis for the Share Exchange Ratio determination, Table 11 above examined the impact of different selection periods on the calculation of the Share Exchange Ratio.

As shown in the section headed "Merger Precedents" below, merger share exchange ratios are normally determined on the basis of trading periods ranging from 5 to 20 trading days prior to the merger announcement date.

In our opinion, the adoption of trading periods ranging from 5 to 20 consecutive trading days prior to the merger announcement date accurately reflects underlying market values at announcement date, provided that i) trading volumes of shares of both companies are within the historical norm; and ii) share price performance in the trading period does not indicate abnormal trading behaviour.

With reference to the Proposal as illustrated in Table 11 above, we note that had the determination of the Share Exchange Ratio been based on trading periods of 5, 10 and 20 trading days prior to the First Joint Announcement Date, it would have resulted in implied exchange ratios ranging from 1.032 to 1.060. We note that the Share Exchange Ratio is more favourable to the Disinterested Shareholders than the implied ratios based on trading periods of 5, 10 and 20 trading days prior to First Joint Announcement Date.

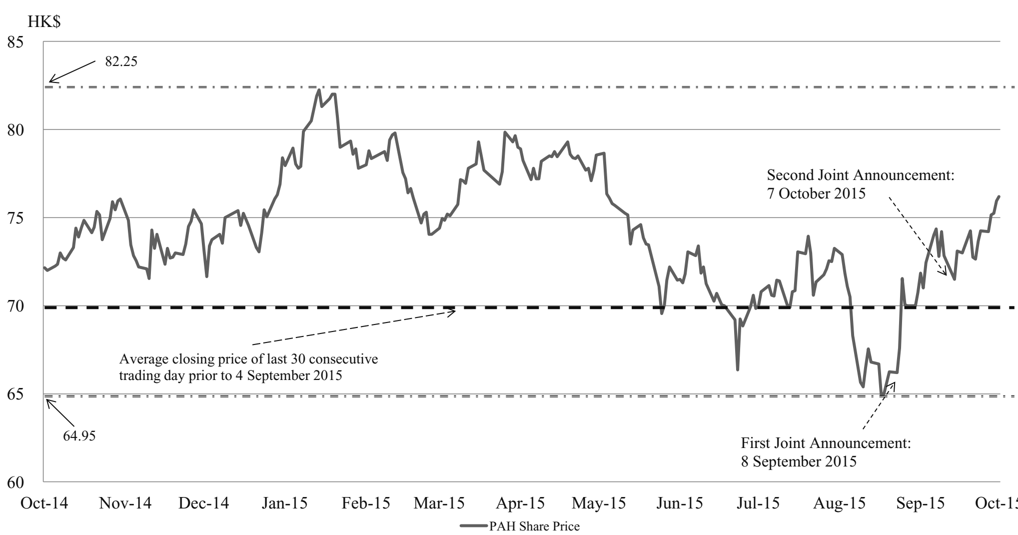
In the section headed "Share price and trading liquidity analysis of the Company and CKI" below, we analyse the share price movements of both CKI Shares and the Shares with particular focus on abnormal trading behaviour in terms of: i) share price performance; and ii) trading volumes.

5.1 Share price and trading liquidity analysis of the Company and CKI

(a) The Company

The share price chart in Exhibit 5a below illustrates the daily closing price of the Shares quoted on the Stock Exchange during the 12 months prior to the Latest Practicable Date (the "Review Period"), against the 30-day trading average, up to and including, 4 September 2015. During the Review Period, the Shares traded between a maximum price of HK$82.25 per share and a minimum price of HK$64.95 per share.

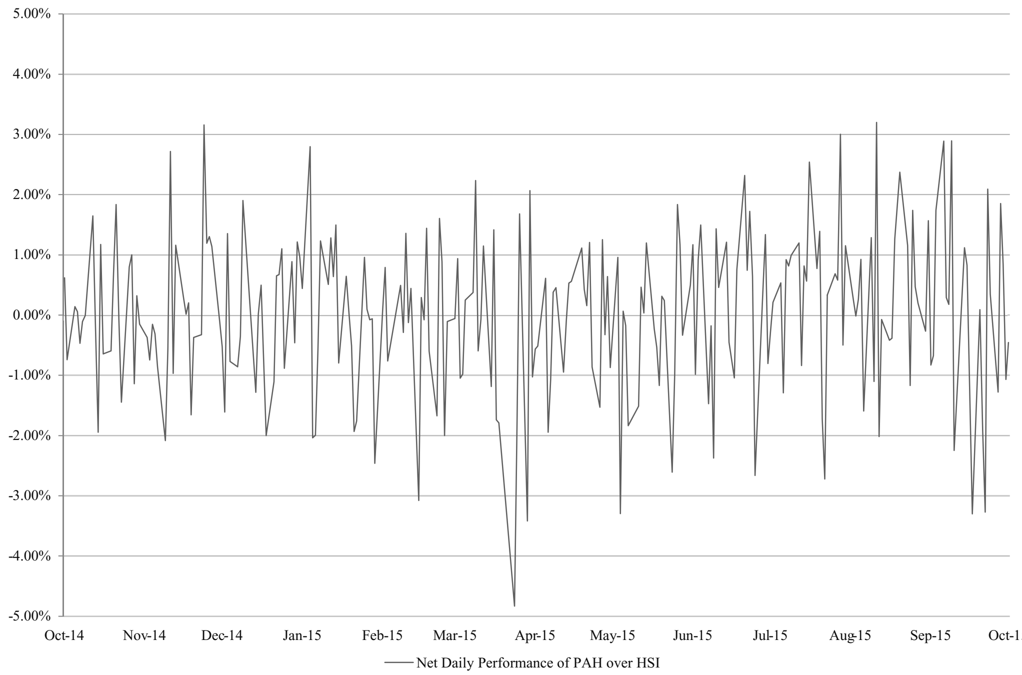
Exhibit 5a: Historical price of the Shares



Source: Bloomberg

The below Exhibit 5b illustrates the relative daily share price performance of the Shares to the Hang Seng Index:

Exhibit 5b: Historical price of the Shares vs Hang Seng Index: Differentials in daily performance



Source: Bloomberg

In particular, we noted that during the period of 12 months prior to the Latest Practicable Date the price of the Shares typically outperformed or underperformed the Hang Seng Index's daily performance by no more than 5.0% each trading day throughout the Review Period and in the trading period immediately prior to the First Joint Announcement Date, the daily share performance differentials were in line with the historical range.

The table below sets out the average daily trading volumes of the Shares as a percentage of the total number of issued Shares from 1 March 2015 to the First Joint Announcement Date.

Table 12: Company Share Average Daily Trading Volumes

	Average Daily Trading Volume (Number of Shares)	**Average Daily Traded Value (HK$)**	**Approximate % of average daily trading volume to total number of issued shares**
1 September 2015 to 8 September 2015	3,650,865	241,045,420	0.17%
August 2015	3,503,646	244,166,881	0.16%
July 2015	2,796,587	195,260,758	0.13%
June 2015	3,560,622	254,503,232	0.17%
May 2015	2,325,426	178,667,853	0.11%
April 2015	3,424,092	267,917,437	0.16%
March 2015	2,826,009	215,818,540	0.13%

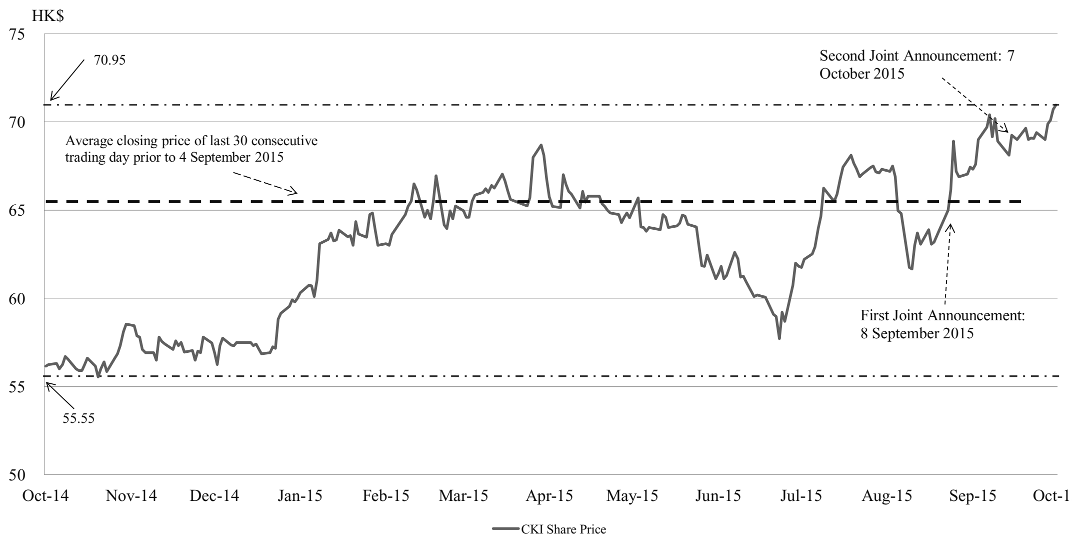
Source: Bloomberg

As shown in the table above, the average daily trading volumes were between 0.11% and 0.17% of the total issued shares of the Company. We note that the Shares average daily trading volumes and average daily trading values were within the historical range during the period analysed, up to and including the First Joint Announcement Date and no abnormal trading behaviour has been observed which could have an adverse impact on the appropriateness on the Share Exchange Ratio.

(b) CKI

The share price chart in Exhibit 6a below illustrates the daily closing price of CKI Shares quoted on the Stock Exchange during the 12 months prior to the Latest Practicable Date, against the 30-day trading average, up to 4 September 2015. During the Review Period, the CKI Shares traded between a maximum price of HK$70.95 per share and a minimum price of HK$55.55 per share.

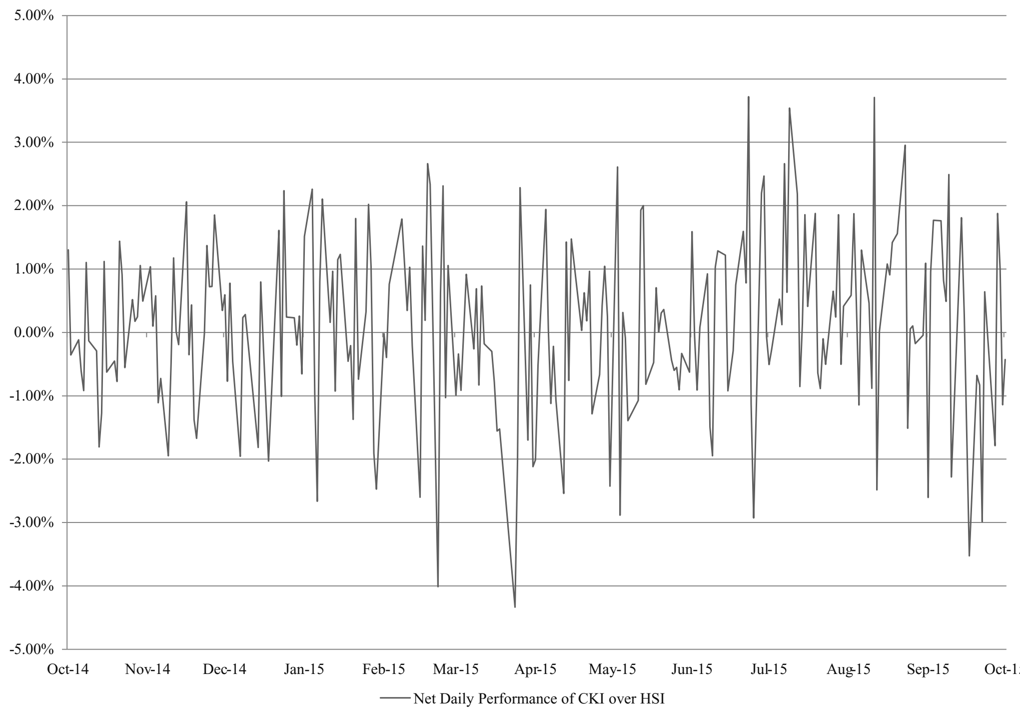
Exhibit 6a: Historical price of CKI Shares



Source: Bloomberg

The below Exhibit 6b illustrates the relative daily share price performance of CKI Shares to the Hang Seng Index.

Exhibit 6b: Historical price of CKI Shares vs Hang Seng Index: Differentials in daily performance



Source: Bloomberg

In particular, we noted that during the period of 12 months prior to the Latest Practicable Date, the price of CKI Shares typically outperformed or underperformed the Hang Seng Index's daily performance by no more than 5.0% each trading day throughout the Review Period and in the trading period immediately prior to First Joint Announcement Date, the daily share price performance differentials were in line with the historical range.

The table below sets out the average daily trading volumes of CKI Shares as a percentage of total CKI Shares in issue during the period from 1 March 2015 to the First Joint Announcement Date.

Table 13: CKI Share Average Daily Trading Volumes

	Average Daily Trading Volume (Number of Shares)	Average Daily Traded Value (HK$)	Approximate % of average daily trading volume to total number of issued shares
1 September 2015 to 8 September 2015	1,811,211	116,493,680	0.07%
August 2015	1,715,613	111,289,228	0.07%
July 2015	1,883,416	117,216,547	0.07%
June 2015	1,790,935	111,785,104	0.07%
May 2015	2,194,866	141,648,705	0.09%
April 2015	2,579,091	170,332,028	0.10%
March 2015	2,029,429	132,792,224	0.08%

Source: Bloomberg

As shown in the table above, the average daily trading volumes were between 0.07% and 0.10% of the total number of CKI Shares in issue. We note that the average daily trading volumes and average daily trading values of the CKI Shares were within the historical range during the period analysed, up to and including the First Joint Announcement Date and no abnormal trading behaviour has been observed which could have an adverse impact on the appropriateness of the Share Exchange Ratio.

In addition, we also note that the monthly trading volumes of the Shares as a percentage of total number of Shares in issue (or Total Outstanding Share Capital – "TOSC") were consistently higher than the monthly trading volume of CKI Shares, as illustrated in Table 14 below, which indicates that, on a relative basis, the Shares have higher trading liquidity than the CKI Shares.

Table 14: Trading Volumes of CKI Shares and the Shares: Comparative Analysis

CKI's and PAH's shares trading liquidity and index inclusion

	CKI	PAH
Number of free float shares *(millions)*	612.9	1,304.7
Free float as part of TOSC	24.3%	61.1%
Number of indices as constituent	60	98

Period		Stock Turnover over TOSC	Average Daily Trading Volume ('000s)	Total Value Traded (HK$ million)
1 month	CKI	1.4%	1,774	2,276
	PAH	3.3%	3,546	4,829
3 months	CKI	4.4%	1,787	6,992
	PAH	8.9%	3,070	13,290
6 months	CKI	9.5%	1,978	15,387
	PAH	17.6%	3,109	27,428
1 year	CKI	20.3%	2,082	31,720
	PAH	32.3%	2,801	50,802

Source: Bloomberg

5.2 Merger Precedents

The Share Exchange Ratio is based on the average closing prices of the CKI Shares and the Shares for the 30 trading days up to (and including) 4 September 2015, without any premium or any discount. We have performed a search of merger transactions announced and completed in the past two years involving share exchanges between listed companies in Hong Kong with market capitalisation of, at least, HK$10 billion (the "Merger Precedents").

The Merger Precedents have been selected based on the above criteria. The exhaustive list of Merger Precedents as a result of our research is as follows:

Table 15: Merger Precedents Analysis

Date of Announcement	Offeror	Offeree	Trading Period Adopted to Determine Exchange Ratio	Methodology to Determine Exchange Ratio
9 January 2015	CK Hutchison Holdings Limited (stock code: 0001)	Hutchison Whampoa Limited (stock code: 0013) ("Hutchison")	Simple average of the relevant shares for a period of 5 days prior to announcement	No premium/no discount is applied to the exchange ratio
	Market capitalisation: HK$289 billion before announcement	Market capitalisation: HK$373 billion before announcement		
30 December 2014	CSR Corporation Limited ("CSR") (stock code: 1766; later renamed as CRRC Corporation Limited)	China CNR Corporation Limited (stock code: 6199) ("CNR")	Volume Weighted Average Price of the relevant shares for the 20 trading days immediately prior to and including the last trading date	Referencing to the Volume Weighted Average Price and giving full consideration to factors such as historical share prices, operating results and market capitalisations
	Market capitalisation: HK$109 billion before announcement	Market capitalisation: HK$94 billion before announcement		

Note: Merger Precedents criteria for the search on the website of the Stock Exchange: (i) both companies being merged were listed in Hong Kong; (ii) both companies had market capitalisations before the merger announcements of at least HK$10 billion; and (iii) the merger announcements were published within two years prior to the Latest Practicable Date.

i) Trading Period chosen as the basis for the determination of the exchange ratio

In the merger of CKH Holdings and Hutchison, the exchange ratio was agreed by taking the average closing prices of the relevant shares for a period of 5 trading days prior to the merger announcement.

In the merger of CNR and CSR, the exchange ratio was agreed by taking the volume weighted average price of the relevant shares for a period of 20 trading days immediately prior to the merger announcement, and including the last trading day before announcement date, and giving full consideration to factors such as historical share prices, operating results and market capitalisation.

We are of the view that the trading period chosen in the Proposal as the basis for determination of the Share Exchange Ratio is broadly consistent with the trading period chosen in the Merger Precedents which we consider are the most relevant.

In addition, we have also analysed the implied exchange ratio of the Shares over CKI Shares during the Trading Period adopting, as the basis of the calculation, the volume weighted average price for the Shares and CKI Shares (in line with the methodology used in the CSR/CNR transaction) instead of the average price. Adopting the volume weighted average price for the Shares and CKI Shares would have resulted in an exchange ratio of 1.068, which is 0.19% higher than the Share Exchange Ratio.

ii) Exchange Ratio methodology

Both transactions illustrated above have merger premia well below transaction premia paid in takeover transactions.

In our opinion, this is due to the fact that both Merger Precedents listed above, similarly to the Proposal (market capitalisation before First Joint Announcement Date of approximately HK$164 billion and HK$141 billion for CKI and the Company respectively), involve two entities which are similar in terms of market size. In mergers of companies with approximately equal size, a transaction with no premium or discount ensures that merger benefits are equally shared by the entities shareholders, proportionally to their economic contribution to the enlarged entity.

As shown in section headed "Contribution Analysis" below, this holds true also in the case of the Proposal, where the Share Exchange Ratio of 1.066 CKI Shares in exchange for every Scheme Share (without any premium or discount) enables the Scheme Shareholders to hold c.36% of CKI's total issued shares upon completion of the Proposal and therefore benefit from c.36% of the potential merger benefit (in terms of profit and net asset value impact), which is broadly in line with the Scheme Shareholders' economic contribution to the enlarged entity on average across various metrics.

In addition, we have also considered the Company's asset mix in the context of the Proposal and the fairness of its terms. Approximately 83.6% of the Company's total assets are composed of a) cash (50.4% of total assets) and b) co-investment projects (33.2% of total assets).

In our opinion: a) the cash balance would not warrant a transaction premium under any takeover or merger scenario as cash will always be valued at its underlying face value; b) any premium sought for co-investment projects will also need to be recognised as an increase to the value of the corresponding CKI assets and hence will translate into a higher valuation for CKI Shares (as the projects are co-owned and the Company's and CKI' stake interests in a majority of such projects are equal), without any meaningful effect on the Share Exchange Ratio.

Therefore, in our opinion, the Proposal Exchange Ratio of 1.066 CKI shares for each Scheme Share, without any premium or discount, is in line with relevant Merger Precedents.

5.3 Comparable Companies Analysis

In order to assess further the fairness and reasonableness of the Cancellation Consideration, we have attempted to identify the appropriate comparable companies for the Company (the "Comparable Companies"). Considering that, investments outside Hong Kong, as for the 2014 Annual Report of the Company, only accounts for approximately 36% of the Company's total assets, we think it is appropriate, to ensure comparability in terms of business and share trading regulatory environment, to focus our analysis on companies that are: (i) currently listed on the Main Board of the Stock Exchange; (ii) with principal business focus on the Hong Kong power asset infrastructure sector (gas and electricity); (iii) market capitalisation of HK$10 billion or above.

The Comparable Companies have been selected exhaustively based on the above criteria, with reasonably sufficient samples for comparison purposes identified, to the best of our endeavors, in our research through the public information.

In our assessment, we have considered the price to earnings ratio (the "P/E") and price-to-book (the "P/B") ratio which are commonly used as benchmarks in valuing infrastructure investment businesses.

Table 16: Comparable Companies listed on the Main Board of the Stock Exchange

Company Name	Stock Code	Market Capitalisation	P/E Ratio(2)	P/B Ratio(3)
		(HK$ mm)	(x)	(x)
CLP Holdings Limited ("CLP")	2	172,430	16.85	1.96
HK Electric Investments and HK Electric Investments Limited	2638	50,985	13.26	1.05
Hong Kong and China Gas Company Limited ("HKC Gas")	3	177,823	23.29	3.29
Maximum			**23.29**	**3.29**
Minimum			**13.26**	**1.05**
Simple Average			**17.80**	**2.10**
Implied Value of Cancellation Consideration(1)			**18.15**	**1.23**

Source: Bloomberg and Platinum estimates, share prices as of the Latest Practicable Date

Note(s):

(1) Implied value of the Cancellation Consideration equal to HK$69.98 per Share as implied by average CKI Share closing price of the 30 trading days up to (and including) 4 September 2015 (HK$65.65) multiplied by the Share Exchange Ratio (1.066). Implied P/E ratio of the Cancellation Consideration calculated based on the Company normalised earnings per share for the last 12 months. Implied P/B ratio of the Cancellation Consideration calculated based on the Company's net asset value per share as of 30 June 2015.

(2) Based on trailing 12 months reported earnings, excluding exceptional items.

(3) Based on net asset value reported as of 30 June 2015.

With reference to Table 16, the P/Es of the Comparable Companies range from approximately 13.26 times to approximately 23.29 times (the "P/E Range"), with an average of approximately 17.80 times (the "Average P/E"). We notice that the implied P/E multiple of the Cancellation Consideration of approximately 18.15 times is above the Average P/E and within the P/E Range. In addition, the P/Bs of the Comparable Companies range from approximately 1.05 times to approximately 3.29 times (the "P/B Range"), with an average of approximately 2.10 times (the "Average P/B"). We have further noticed the P/B ratio is below the Average P/B, albeit also within the P/B range.

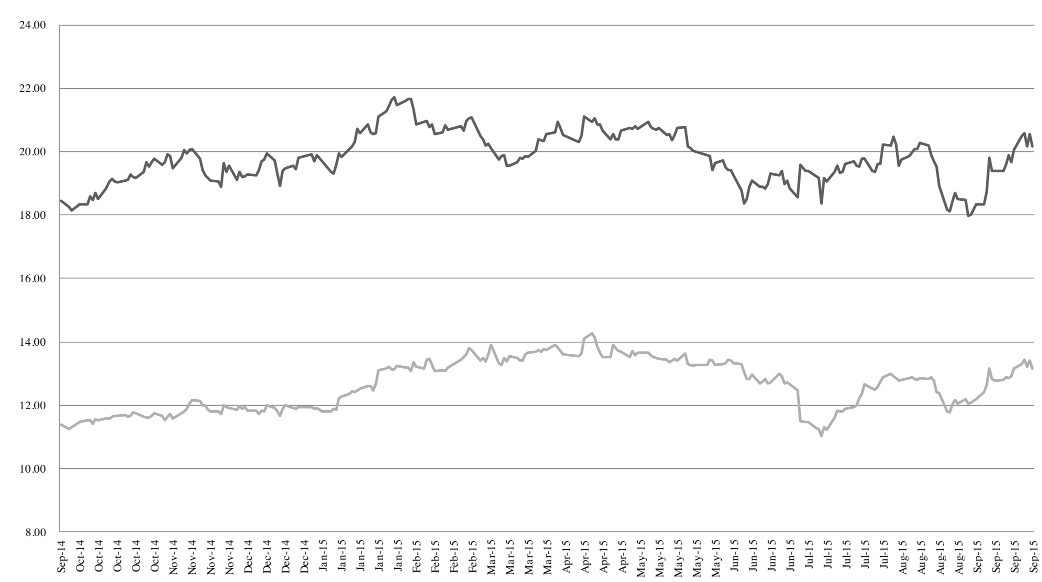
In our opinion, the P/B ratio of the Company is significantly affected by the accounting for the sale of HK Electric and spin-off of HKEI and HKEIL in exchange for cash and share stapled units in HKEI and HKEIL, which was completed on 29 January 2014. In fact, as a result of the sale and spin-off, the Company received a large amount of cash (HK$32,026 million) and share stapled units jointly issued by HKEI and HKEIL with a book carrying value of HK$24,031 million (equivalent to HK$5.45 per share stapled unit), with direct costs for disposal of HK$114 million for a net consideration received of HK$55,943 million, against the deconsolidation of net assets related to the HK Electric subsidiary of HK$3,035 million, and the related recording of a gain on disposal before release of the hedging reserve of HK$52,908 million, plus HK$20 million release of hedging reserve (approximately 37% of the Company's market capitalisation as of the First Joint Announcement Date).

As a result, following the spin-off of HKEI and HKEIL, the Company's net book value expanded by 77% in 2014 (from HK$69,438 million to HK$123,088 million) due to the recording of the gain while at the same time the underlying earnings per share (excluding the one-off gain on disposal) have dropped by 28% (from HK$11,165 million to HK$8,077 million) from 2013 to 2014, and the share price has only increased by 11.35% between 29 January 2014 (the spin-off completion date) and the trading day immediately prior to the First Joint Announcement Date.

In our view, the substantial cash balance on the Company's statement of financial position results in a lower P/B multiple for the Company as compared to the Comparable Companies as the Company's net assets have grown due to the sale of the Hong Kong electricity business while the cash received as a consideration has only been partially deployed over the past 24 months, with limited impact on the Company's earnings growth and, arguably, on its share price and market value.

On this basis, we have also compared the P/E multiples of CKI Shares and the Shares over time, to assess how the shares of the two companies have been traded over time on a relative basis.

Exhibit 7: Price-to-earnings ratio of the Company and CKI over the last 12 months



Source: Bloomberg

The result is illustrated above in Exhibit 7. The data show that the Shares have consistently been traded at a price-to-earnings premium to CKI Shares over the past 12 months.

This has been the case, despite in terms of earnings and dividend growth, CKI has out-performed the Company over the past 4 years, and even in the period 2010-2013 (when HK Electric was still 100% consolidated in the Company's financial statements), as illustrated in Table 17 below.

Table 17: Earnings and Dividend Growth 2010-2014 – Comparative Analysis

	CKI	PAH
Normalised Net income CAGR		
2010-2013	32%	16%
2010-2014	19%	3%
Dividends per share CAGR		
2010-2014	11%	6%

Source: CKI and Company Annual Reports

Note: PAH and CKI earnings normalised (excluding gains on disposals)

In our opinion, one of the factors which might explain the discrepancy between financial performance and valuation metrics is related to the lower trading volumes of CKI Shares relative to the Shares and the corresponding liquidity discount that CKI Shareholders might require when trading in CKI Shares.

As mentioned above, CKI Shares' lower trading volumes are due to the limited percentage of the total issued shares being held by the public. We note that, upon completion of the Proposal, more than 50% of the CKI Shares in issue will be held by shareholders other than CKH Holdings, with potential for enhancement of trading liquidity.

5.4 Contribution Analysis

In this section, we have reviewed the financial contribution of the Scheme Shareholders and CKI, as disclosed in the Scheme Document, in order to assess the reasonableness of the Share Exchange Ratio from the perspective of their respective economic contributions.

To this extent, we have performed a contribution analysis based on earnings, net assets and sum-of-the-parts value, as illustrated in Exhibit 8.

Based on the Share Exchange Ratio, Scheme Shareholders will hold c.36% of the Enlarged CKI Group shares upon completion of the Proposal.

Table 18: Economic contribution of the Scheme Shareholders

Implied Contribution Based on the Share Exchange Ratio	
CKI current TOSC *(million shares)*	2,520
Company current TOSC *(million shares)*	2,134
% of the Shares to be acquired by CKI	61.13%
Number of Shares to be cancelled *(million shares)*	1,305
Exchange ratio *(number of CKI Share per Share)*	1.066x
Number of CKI Shares issued to Scheme Shareholders *(million shares)*	1,391
Enlarged CKI Group TOSC *(million shares)*	3,910
CKH Holdings' stake in Enlarged CKI Group *(%)*	48.76%
% of Enlarged CKI Group shares held by CKI Shareholders	**c.64%**
% of Enlarged CKI Group shares held by Shareholders	**c.36%**

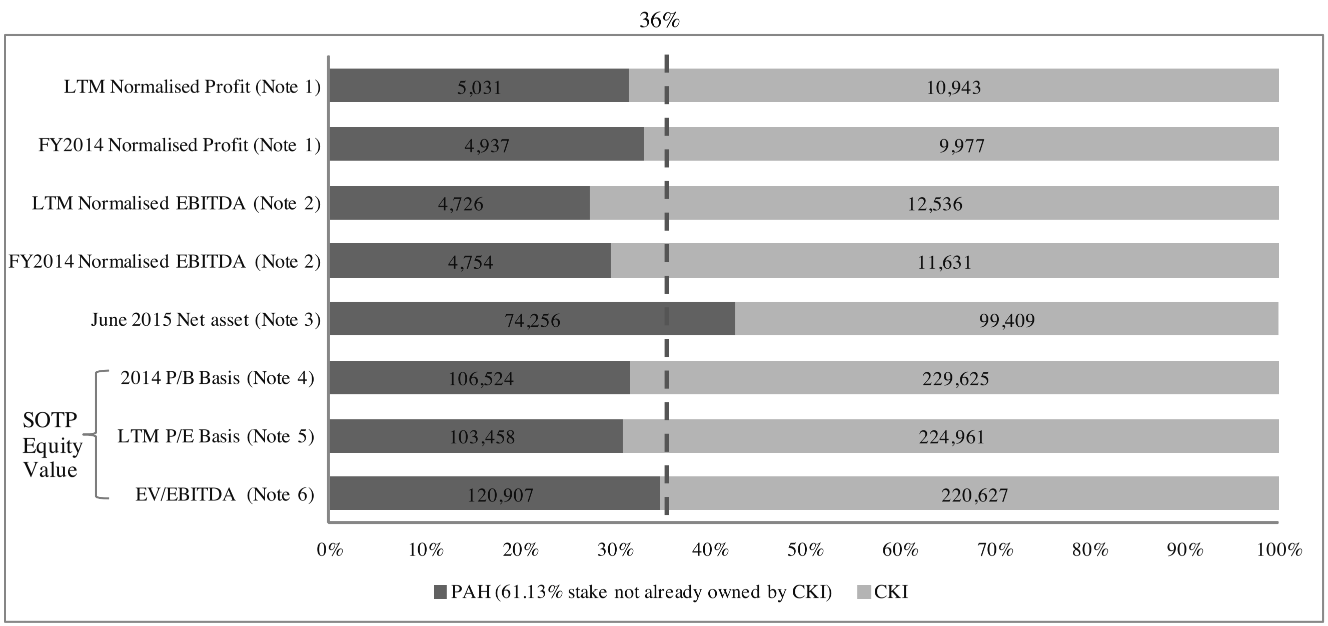
Source: Scheme Document

In Exhibit 8 below, we illustrate the economic contribution of the Scheme Shareholders to the enlarged entity and the implied share exchange ratio based on each contribution metric.

In this context, it is important to highlight that CKI already accounts for 38.87% of the earnings and net assets of the Company with the equity method of accounting. Hence, Scheme Shareholders' economic contribution into the enlarged entity is limited to the share of the Company's earnings and assets not already accounted for by CKI (61.13%).

As shown below, the actual Scheme Shareholders' economic contribution across various metrics is approximately 3% lower than the economic contribution implied by the Share Exchange Ratio. We then calculated the implied exchange ratios based on the same metrics and derived an implied average exchange ratio of 0.96 which is lower than the Share Exchange Ratio. Therefore, we believe the Share Exchange Ratio reasonably reflects the economic contribution of the Scheme Shareholders in the combined entity.

Exhibit 8: Economic contribution of CKI and Scheme Shareholders in the Enlarged CKI Group



PAH Per share	CKI Per share	Implied Exchange Ratio
3.86	4.34	**0.89**
3.78	3.96	**0.96**
3.62	4.98	**0.73**
3.64	4.62	**0.79**
56.92	39.45	**1.44**
81.65	91.14	**0.90**
79.30	89.28	**0.89**
92.67	87.56	**1.06**
		Average 0.96

Source: 2014 Annual Report of the Company, 2014 Annual Report of CKI, 2015 Interim Report of the Company and 2015 Interim Report of CKI

For "per share" calculation purpose: PAH shares = Total number of Scheme Shares (1,304,662,042); CKI Shares = Total Outstanding Shares (2,519,610,945) at the Latest Practicable Date.

Note(s):

1) *PAH FY2014 normalised profits excludes HK$52,928 million related to the one-off gain from the spin-off and separate listing of the Hong Kong electricity business. CKI FY2014 normalised profits excludes HK$19,557 million related to share of PAH's one-off gain from the spin-off and separate listing of the Hong Kong electricity business in 2014 (as share of profits from associates), HK$2,236 million related to gain on disposal of CKI Malaysian subsidiary and HK$12 million related to gain in disposal of an associate; PAH last-twelve-month ("LTM") normalised profits excludes HK$532 million loss on partial disposal of stake in HKEI and HKEIL. CKI LTM normalised profits excludes HK$2,236 million related to gain on disposal of CKI Malaysian subsidiary, HK$34 million related to gain in disposal of a joint venture and HK$297 million loss related to the disposal of stakes in HKEI and HKEIL by CKI and PAH.*

2) *PAH FY2014 earnings before interest, tax, depreciation and amortization ("EBITDA") calculated as the sum of profits attributable to shareholders (HK$61,005 million) plus taxes (HK$13 million) plus depreciation (HK$146 million) plus amortisation (HK$5 million) minus net interest income (HK$464 million) – and by excluding the same one-off gain from disposal as per note 1. CKI FY2014 EBITDA calculated as the sum of profit attributable to shareholders (HK$31,782 million) plus taxes (HK$26 million) plus profits to owners of perpetual capital securities and non-controlling interests (HK$538 million) plus net finance costs (HK$828 million) plus depreciation (HK$262 million) – and by excluding the same one off gains from disposal as per note 1. EBITDA LTM calculation adopt the same methodology as the FY2014 EBITDA calculation.*

3) *Net equity attributable to the Shareholders and CKI Shareholders respectively.*

4) *Equity value for the Company derived as Sum of the Parts, valuing i) net cash as per the value reported in the Company 2014 Annual Report; ii) HKEI and HKEIL stake valued at market value as of the Latest Practicable Date; and iii) UK, Australia, China and other foreign investments valued using average P/B ratio of Gas and Power regional comparable companies multiplied by regional book equity value allocated as per the Company 2014 Annual Report. Average P/B ratios for Gas and Power regional comparable companies determined with reference to the following companies exhaustively selected on the basis of the following criteria and based on 2014 book equity value (P/B ratios were calculated with reference to the Latest Practicable Date for all companies except UK listed companies, for which P/B ratios were calculated with reference to the day prior to the Latest Practicable Date):*

   a) *UK: Listed UK regulated power network utilities and listed UK integrated power and gas utilities – National Grid (NG/LN), SSE (SSE/LN), Centrica (CNA/LN) – Average P/B ratio 3.2x*

   b) *Australia: Listed Australia regulated power and gas network utilities – AusNet (AST/AU), SparkInfrastructure (SKI/AU) – Average P/B ratio 1.5x*

   c) *China: Hong Kong listed China conventional power generation companies – Huaneng Power International (902/HK), Datang International Power (991/HK), Huadian Power International (1071/HK), China Resources Power (836/HK), China Power International Dev (2380/HK) – Average P/B ratio 1.0x*

   d) *Other foreign investments – P/B ratio of 1.3x (average P/B ratio for all the regional comparable companies referenced in footnotes 4, 5 and 6)*

   Equity Value for CKI derived as Sum of the Parts, valuing i) PAH stake at 38.87% PAH Sum of the Parts value; and ii) UK, Australia, New Zealand, China and other foreign investment valued using average P/B ratio of Gas and Power and Water regional comparable companies multiplied by regional book equity value allocated as per CKI 2014 Annual Report.

   Average P/B ratios for Gas and Power and Water regional comparable companies determined with reference to the following companies exhaustively selected on the basis of the following criteria and based on 2014 book equity value (P/B ratios were calculated with reference to the Latest Practicable Date for all companies except UK listed companies, for which P/B ratios were calculated with reference to the day prior to the Latest Practicable Date):

a) *UK: Listed UK regulated power network utilities, listed UK integrated power and gas utilities, and listed UK regulated water utilities – National Grid (NG/LN), SSE (SSE/LN), Centrica (CNA/LN), Pennon Group (PNN/LN), Severn Trent (SVT/LN), United Utilities (UU/LN) – Average P/B ratio 3.4x*

b) *Australia and New Zealand: Listed Australia regulated power and gas network utilities – AusNet (AST/AU), SparkInfrastructure (SKI/AU) – Average P/B ratio 1.5x*

c) *China: Hong Kong listed China conventional power generation companies – Huaneng Power International (902/HK), Datang International Power (991/HK), Huadian Power International (1071/HK), China Resources Power (836/HK), China Power International Dev (2380/HK) – Average P/B ratio 1.0x*

d) *Other foreign investments – P/B ratio of 1.3x (average P/B ratio for all the regional comparable companies referenced in footnotes 4, 5 and 6)*

5) *Equity value for the Company derived as Sum of the Parts, valuing i) net cash as per the value reported in the 2015 Company Interim Report; ii) HKEI and HKEIL stake valued at market value as of the Latest Practicable Date; and iii) UK, Australia, China and other foreign investments valued using average P/E ratio of Gas and Power regional comparable companies multiplied by regional trailing last 12 months earnings allocated as per the Company 2014 Annual Report, 2015 Interim Report and 2014 Interim Report.*

Average P/E ratios for Gas and Power regional comparable companies determined with reference to the following companies exhaustively selected on the basis of the following criteria and based on 12 months trailing earnings (P/E ratios were calculated with reference to the Latest Practicable Date for all companies except UK listed companies, for which P/E ratios were calculated with reference to the day prior to the Latest Practicable Date):

a) *UK: Listed UK regulated power network utilities and listed UK integrated power and gas utilities – National Grid (NG/LN), SSE (SSE/LN), Centrica (CNA/LN) – Average P/E ratio 15.0x*

b) *Australia: Listed Australia regulated power and gas network utilities – AusNet (AST/AU), SparkInfrastructure (SKI/AU) – Average P/E ratio 19.4x*

c) *China: Hong Kong listed China conventional power generation companies – Huaneng Power International (902/HK), Datang International Power (991/HK), Huadian Power International (1071/HK), China Resources Power (836/HK), China Power International Dev (2380/HK) – Average P/E ratio 10.1x*

d) *Other foreign investments – P/E ratio of 12.8x (average P/E ratio for all the regional comparable companies referenced in footnotes 4, 5 and 6)*

Equity value for CKI derived as Sum of the Parts, valuing i) PAH stake at 38.87% PAH Sum of the Parts value; and ii) UK, Australia, New Zealand, China and other foreign investments valued using average P/E ratio of Gas and Power and Water regional comparable companies multiplied by regional last 12 months earnings allocated as per CKI 2014 Annual Report, 2015 Interim Report and 2014 Interim Report.

Average P/E ratios for Gas and Power and Water regional comparable companies determined with reference to the following companies exhaustively selected on the basis of the following criteria and based on 12 months trailing earnings (P/E ratios were calculated with reference to the Latest Practicable Date for all companies except UK listed companies, for which P/E ratios were calculated with reference to the day prior to the Latest Practicable Date):

a) *UK: Listed UK regulated power network utilities, listed UK integrated power and gas utilities, and listed UK regulated water utilities – National Grid (NG/LN), SSE (SSE/LN), Centrica (CNA/LN), Pennon Group (PNN/LN), Severn Trent (SVT/LN), United Utilities (UU/LN) – Average P/E ratio 20.4x*

b) *Australia and New Zealand: Listed Australia regulated power and gas network utilities – AusNet (AST/AU), SparkInfrastructure (SKI/AU) – Average P/E ratio 19.4x* *c) China: Hong Kong listed China conventional power generation companies – Huaneng Power International (902/HK), Datang International Power (991/HK), Huadian Power International (1071/HK), China Resources Power (836/HK), China Power International Dev (2380/HK) – Average P/E ratio 10.1x*

d) Other foreign investments – P/E ratio of 12.8x (average P/E ratio for all the regional comparable companies referenced in footnotes 4, 5 and 6)

6) Equity value for the Company is derived as Sum of the Parts on an asset by asset basis to the extent individual asset's financial information is available, valuing:

i) Net cash as per the value reported in the 2015 Company Interim Accounts

ii) HKEI and HKEIL stake valued at market value as of the Latest Practicable Date

iii) Assets with publicly available EBITDA and net debt using average enterprise value ("EV")/EBITDA multiple. Average EV/EBITDA multiples for regional Power, Gas and Water comparable companies determined with reference to the following companies exhaustively selected on the basis of the following criteria and based on LTM financials (EV/EBITDA ratios were calculated with reference to the Latest Practicable Date for all companies except UK listed companies, for which EV/EBITDA ratios were calculated with reference to the day prior to the Latest Practicable Date):

a. UK: Listed UK regulated power network utilities, listed UK integrated power and gas utilities, and listed UK regulated water utilities – National Grid, Centrica, SSE, United Utilities, Severn Trent and Pennon Group – Average EV/EBITDA ratio 12.4x

b. Australia and New Zealand: Listed Australia regulated power and gas network utilities – Ausnet and Spark Infrastructure – Average EV/EBITDA ratio 23.8x

iv) Assets with no publicly available EBITDA and net debt but with net income disclosed on a regional basis in the Company's 2014 Annual Report and 2015 Interim Accounts using average P/E multiple. Average P/E multiples for regional Power comparable companies determined with reference to the following companies exhaustively selected on the basis of the following criteria and based on LTM financials (P/E ratios were calculated with reference to the Latest Practicable Date for all companies except UK listed companies, for which P/E ratios were calculated with reference to the day prior to the Latest Practicable Date):

a. UK: Listed UK regulated power network utilities and listed UK integrated power and gas utilities – National Grid, Centrica and SSE – Average P/E ratio 14.4x

b. China: Hong Kong listed China conventional power generation companies – Huaneng Power International, China Resources Power, Huadian Power International, Datang Power International and China Power International Development – Average P/E ratio 10.1x

v) Assets with asset value disclosed using average EV/Assets. Average EV/Assets multiples for regional Power and Waste Treatment comparable companies determined with reference to the following companies exhaustively selected on the basis of the following criteria and based on LTM financials (EV/Assets ratios were calculated with reference to the day prior to the Latest Practicable Date):

a. Listed UK regulated power network utilities, listed UK integrated power and gas utilities, and listed UK regulated water utilities and listed Australia regulated power and gas network utilities listed above – Average EV/Asset ratio 1.1x

Equity value for CKI is derived as Sum of the Parts on an asset by asset basis to the extent individual asset's financial information is available, valuing:

i) PAH stake at 38.87% PAH Sum of the Parts value;

ii) Assets acquired in 2013 – 2015 but with no publicly available financial information using acquisition considerations;

iii) Assets with publicly available EBITDA and net debt using average EV/EBITDA multiple. Average EV/EBITDA multiples for regional Power, Water and Gas comparable companies determined with reference to the following companies exhaustively selected on the basis of the following criteria and based on LTM financials (EV/EBITDA ratios were calculated with reference to the Latest Practicable Date for all companies expect UK listed companies, for which EV/EBITDA ratios were calculated with reference to the day prior to the Latest Practicable Date):

a. UK Power and gas: Listed UK regulated power network utilities, listed UK integrated power and gas utilities, and listed UK regulated water utilities – National Grid, Centrica, SSE, United Utilities, Severn Trent and Pennon Group – Average EV/EBITDA ratio 12.4x

b. UK Water: Listed UK regulated water utilities – United Utilities, Severn Trent and Pennon Group – United Utilities, Severn Trent and Pennon Group – Average EV/EBITDA ratio 13.3x

c. Australia and New Zealand: Listed Australia regulated power and gas network utilities – Ausnet and Spark Infrastructure – Average EV/EBITDA ratio 23.8x

iv) Assets with no publicly available EBITDA and net debt but with net income disclosed on a regional basis in the Company's 2014 Annual Report and 2015 Interim Accounts using average P/E multiple. Average P/E multiples for regional Tollroad and Cement comparable companies determined with reference to the following companies and based on LTM financials (P/E ratios were calculated with reference to the Latest Practicable Date):

a. Tollroad companies: Hong Kong listed China toll road companies – Jiangsu Expressway, Zhejiang Expressway, Anhui Expressway, Shenzhen Expressway, Sichuan Expressway, Hopewell Highway Infrastructure and Yuexiu Transport Infrastructure – Average P/E ratio 8.1x

b. Cement companies: Listed China cement production companies – Anhui Conch Cement, China Resources Cement, China National Building Material, Huaxin Cement, Jangshan Cement, TCC International, Xinjiang Tianshan Cement and Asia Cement Holdings – Average P/E ratio 8.8x

v) Assets with asset value disclosed using average EV/Assets. Average EV/Assets multiples for regional Power and Waste Treatment comparable companies determined with reference to the following exhaustively selected companies and based on LTM financials (EV/Assets ratios were calculated with reference to the day prior to the Latest Practicable Date):

a. Listed UK regulated power network utilities, listed UK integrated power and gas utilities, listed UK regulated water utilities and listed Australia regulated power and gas network utilities listed above – Average EV/Asset ratio 1.1x

vi) Spark Infrastructure stake valued at market value as of the Latest Practicable Date.

We have also cross referenced this valuation methodology with the EV/RAV multiple for regulated assets where regulatory asset value (RAV) is disclosed publicly.

6. Financial impacts of the Proposal

Appendix VI of the Scheme Document sets out the unaudited pro forma financial information of the Enlarged CKI Group. Disinterested Shareholders should note that the discussion of the financial impacts of the Proposal is based on the illustrative scenario provided in the unaudited pro forma financial information on the Enlarged CKI Group and Disinterested Shareholders are advised to read it in conjunction with the audited consolidated financial statements of both the Company and CKI as set out in Appendices III and V respectively, to the Scheme Document.

Please note that the pro forma financial information of the Enlarged CKI Group is calculated for illustrative purposes only based on historical financial information, and hence, does not represent any indication of the future financial performance of the Enlarged CKI Group upon completion of the Proposal. In addition, Disinterested Shareholders are advised to make note that the unaudited pro forma financial information has not taken into account the proposed conditional special interim dividend of HK$7.50 per share payable to all CKI Shareholders (including holders of CKI Shares issued pursuant to the Scheme) amounting to approximately HK$29,328 million following the completion of the Proposal. In particular, Disinterested Shareholders are advised to take note of the Proposal is not conditional upon the payment of the CKI Special Dividend becoming unconditional.

6.1 Effect on earnings per share

As stated in Appendix V of the Scheme Document, the profit attributable to Shareholders of the Company amounted to approximately HK$61,005 million for the year ended 31 December 2014. The earnings per share of the Company, based on such profit attributable to Shareholders and 2,134,261,654 Shares in issue as at 31 December 2014, is approximately HK$28.58. The earnings per share of the Company, based on such profit attributable to Shareholders and 2,134,261,654 Shares in issue as at the Latest Practicable Date is also approximately HK$28.58.

As stated in Appendix III of the Scheme Document, the profit attributable to equity holders of CKI amounted to approximately HK$31,782 million for the year ended 31 December 2014. The earnings per share of CKI, based on such profit attributable to shareholders of CKI and on 2,439,610,945 CKI Shares in issue as at 31 December 2014, is approximately HK$13.03. The earnings per share of CKI based on such profit attributable to shareholders of CKI and on 2,519,610,945 CKI Shares in issue as at the Latest Practicable Date, is approximately HK$12.61.

As stated in Appendix VI (unaudited pro forma financial information of the Enlarged CKI Group) of the Scheme Document, the profit attributable to equity holders of the Enlarged CKI Group would have been approximately HK$82,610 million for the year ended 31 December 2014. The earnings per share of the Enlarged CKI Group, based on such profit attributable to shareholders of the Enlarged CKI Group and 3,910,380,681 CKI Shares in issue upon completion of the Proposal, would have been approximately HK$21.13.

We note that if we exclude the one-off gain related to the disposal of HK Electric from the 2014 profit attributable to the Shareholders, the profit attributable to Shareholders (excluding one-off items) amounted to approximately HK$8,077 million for the year ended 31 December 2014 and the earnings per share of the Company, based on such profit attributable to the Shareholders and 2,134,261,654 Shares in issue as at 31 December 2014, would have been approximately HK$3.78. The earnings per share of the Company based on such profit attributable to the Shareholders and 2,134,261,654 Shares in issue as at the Latest Practicable Date would have also been approximately HK$3.78.

On the same basis, excluding one-off gains related to the disposal of a CKI subsidiary, the disposal of an associate and share of gain on disposal of HK Electric, the profit attributable to the CKI Shareholders (excluding one-off items) amounted to approximately HK$9,977 million for the year ended 31 December 2014 and the earnings per share, based on such profit attributable to CKI Shareholders and 2,439,610,945 CKI Shares in issue as at 31 December 2014, would have been approximately HK$4.09. The earnings per share, based on such profit attributable to CKI Shareholders and on 2,519,610,945 CKI Shares in issue as at the Latest Practicable Date would have been approximately HK$3.96.

On a pro forma basis, excluding one-off gains mentioned above for each of the merged entities and also excluding one-off consolidation adjustments related to the gain on re-measurement of CKI's existing interest in the Company and CKI's existing interests in co-owned projects which will be consolidated under the Enlarged CKI Group (net of transaction costs), the pro forma profit attributable to equity holders of the Enlarged CKI Group would have been approximately HK$14,916 million for the year ended 31 December 2014 and the earnings per share of the Enlarged CKI Group (excluding one-off items), based on such profit attributable to CKI Shareholders and based on 3,910,380,681 CKI Shares in issue upon completion of the Proposal, would have been approximately HK$3.81.

Therefore, we note that, excluding one-off items, the Proposal is earnings accretive to the Shareholders.

6.2 Effect on net asset value ("NAV") per share

As stated in the 2015 Interim Report of the Company, NAV attributable to equity holders of the Company was approximately HK$121,472 million as at 30 June 2015. The NAV per share of the Company, based on 2,134,261,654 Shares in issue as at the Latest Practicable Date, was approximately HK$56.92.

As stated in Appendix III of the Scheme Document, the NAV attributable to equity holders of CKI was approximately HK$99,409 million as at 30 June 2015. The NAV per share of CKI, based on 2,519,610,945 CKI shares in issue as at the Latest Practicable Date, was approximately HK$39.45.

As stated in the Appendix VI of the Scheme Document, the Enlarged CKI Group's NAV attributable to equity holders would have been approximately HK$206,596 million as of 30 June 2015. The NAV per share of the Enlarged CKI Group, based on 3,910,380,681 CKI Shares in issue upon completion of the Proposal, will be approximately HK$52.83.

Therefore, we note that on a NAV per share basis, the Proposal is dilutive for the Shareholders.

6.3 Effect on debt to equity ratio

Due to the consolidation of seven out of eleven projects co-owned by the Company and CKI Group, the statement of financial position of the Enlarged CKI Group will undergo a significant transformation compared to the statement of financial position of the individual merged entities.

While earnings and net assets (and therefore earnings per share and NAV per share) are only marginally impacted by the changes to the consolidation perimeter, the Enlarged CKI Group total assets and total liabilities will be significantly increased by the consolidation of the seven co-owned projects, with a significant impact to the debt to equity ratios.

As stated in Appendix V of the Scheme Document, the equity attributable to shareholders of the Company was approximately HK$121,472 million with a debt to equity ratio of approximately 8.18% as at 30 June 2015 (net debt to equity ratio not meaningful, as the Company was in a net cash position).

As stated in Appendix III to the Scheme Document, the equity attributable to CKI Shareholders was approximately HK$99,409 million with a debt to equity ratio of approximately 17.97% and a net debt to equity ratio of approximately 10.17% as at 30 June 2015.

As stated in Appendix VI to the Scheme Document, the Enlarged CKI Group's pro forma equity attributable to shareholders will be approximately HK$206,596 million. The debt to equity ratio of the Enlarged CKI Group will be approximately 70.42% and the net debt to equity ratio will be approximately 31.09% as of 30 June 2015.

Upon completion of the Proposal, the debt to equity ratio and the net debt to equity ratio will substantially increase for the merged entities shareholders. This is mostly due to the fact that the merged entities, previously operating individually as holding companies with limited operational assets, will consolidate assets and liabilities of seven out of eleven co-invested projects, as explained above. However, we note that as a benefit of this consolidation, operating cash flow for the year 2014 will increase from HK$5,079 million (the sum of the operating cash flow of the two merged entities prior to the completion of the Proposal) to HK$30,575 million, with an ample margin to cover the pro forma finance costs (HK$8,080 million) of the Enlarged CKI Group. In particular, following completion of the Proposal and subject to the confirmation of the rating agency, CKI is expected to maintain its current A- credit rating.

Moreover, we have compared the pro forma debt to equity ratios of the Enlarged CKI Group to the selected peers and we note that the Enlarged CKI Group pro forma debt to equity ratio and net debt to equity ratios are in line with the Comparable Companies debt ratios.

(HK$ million)	CKI	PAH	Enlarged CKI	Comparables: CLP	Comparables: HKEI and HKEIL	Comparables: HKC Gas	Average
As of 30 Jun 2015							
Bank balances and deposits	7,753	67,796	81,253	4,149	4,681	14,155	
Bank and other loans (Current)	38	–	8,113	16,715	–	9,902	
Bank and other loans (Non-Current)	17,828	9,938	137,371	52,631	47,373	23,287	
Equity attributable to shareholders	99,409	121,472	206,596	88,132	48,504	54,093	
Net debt to equity ratio	**10.17%**	**NA**	**31.09%**	**73.98%**	**88.02%**	**35.19%**	**65.73%**
Total debt to equity ratio	**17.97%**	**8.18%**	**70.42%**	**78.68%**	**97.67%**	**61.36%**	**79.24%**

Furthermore, it is expected that CKI will be deconsolidated from the financial statements of CKH Holdings upon completion of the Proposal, providing the Enlarged CKI Group with greater autonomy on capital allocation decisions.

In view of (i) positive accretion on the earnings per share of the Enlarged CKI Group (excluding one-off items) relative to the earnings per share of the Shares; (ii) the marginal dilution on the net asset value per share of the Enlarged CKI Group relative to the net asset value per share of the Shares; and (iii) the fact that the debt to equity ratios and the net debt to equity ratios, pro forma for the Proposal and the consolidation of seven out of eleven co-invested projects, are below the average debt ratios of Comparable Companies, we are of the view that the Proposal will have an overall positive financial effect on the Company's shareholders in the long run and be in the interest of its Shareholders as a whole.

RECOMMENDATION

We have considered the above principal factors and reasons and, in particular, taken into account the following in arriving at our opinion:

a) the completion of the Proposal may create a large and diversified infrastructure investment platform able to compete for investment opportunities on a worldwide basis, across infrastructure sectors and geographies;

b) the trading period selected as the basis for the Share Exchange Ratio is broadly consistent with the trading period selected in other comparable transactions (Merger Precedents). Shares trading volumes of both CKI and the Company were within the historical range and no abnormal trading behavior was observed in the run up to the First Joint Announcement Date;

c) the Cancellation Consideration is in line with the trading multiples for Comparable Companies, and also attributes a higher valuation multiple to the Company relative to CKI despite stronger underlying earnings and dividend performance recorded by CKI over the past 4 years;

d) the actual Scheme Shareholders' economic contribution across various metrics is in line with the theoretical economic contribution implied by the Share Exchange Ratio, and hence the Share Exchange Ratio reasonably reflects the economic contribution of the Scheme Shareholders to the combined entity;

e) the Share Exchange Ratio of 1.066 CKI Shares for each Scheme Share, without any premium or discount, is in line with relevant Merger Precedents. Furthermore, in mergers between entities with comparable market size (such as the Merger Precedents and the Proposal), a transaction without any premium or discount ensures that the merger benefits are shared equally by the entities shareholders, proportionally to their economic contribution to the enlarged entity, as demonstrated by our contribution analysis; and

f) a special dividend of HK$7.50 per CKI Share may be distributed to the CKI Shareholders upon completion of the Proposal (for clarity, the Proposal is not conditional upon the special dividend becoming unconditional and the Scheme may still become effective even if the CKI Special Dividend Resolution is not passed by the Shareholders at the General Meeting) and our recommendation in relation to the Proposal is not contingent upon the payment of the special dividend becoming unconditional.

Having considered the above, we are of the view that the terms of the Proposal are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Disinterested Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting and the Shareholders to vote in favour of the special resolution to approve the Scheme, including the reduction and restoration of the issued share capital of the Company under the Scheme at the General Meeting.

Yours faithfully,
For and on behalf of
Platinum Securities Company Limited

Liu Chee Ming
Managing Director

Li Lan
Director and Co-head of Corporate Finance

Both Mr. Liu Chee Ming and Mr. Li Lan are licensed persons registered with the Securities and Futures Commission and as responsible officers of Platinum Securities Company Limited to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. Mr. Liu Chee Ming and Mr. Li Lan have over thirty years and nine years of experience in corporate finance industry, respectively.

This Explanatory Statement constitutes the statement required under Section 671 of the Companies Ordinance.

SCHEME OF ARRANGEMENT

1. INTRODUCTION

On 8 September 2015, the respective boards of directors of CKI, the Offeror (a wholly-owned subsidiary of CKI), the Company and CKH Holdings jointly announced that, on the same date, the CKI Board and the Offeror Board requested the Board to put forward the Proposal to the Scheme Shareholders regarding the proposed merger of CKI and the Company by way of the Scheme. On 7 October 2015, the respective boards of directors of CKI, the Offeror, the Company and CKH Holdings jointly announced the new proposed Cancellation Consideration payable to the Scheme Shareholders.

The Scheme involves the proposed cancellation of all the Scheme Shares, in consideration for which each Scheme Shareholder (other than the Non-Qualifying Overseas Shareholders) will receive new CKI Shares in the share exchange ratio of 1.066 CKI Shares for every one Scheme Share held as at the Record Time, and the subsequent issue of new Shares to the Offeror.

On completion of the Proposal, (a) the Company will become an indirect wholly-owned subsidiary of CKI, (b) the listing of the Shares on the Stock Exchange will be withdrawn and (c) CKI will cease to be a subsidiary of CKH Holdings, which will remain the controlling shareholder of CKI immediately following completion of the Proposal and will hold (through its wholly-owned subsidiaries) approximately 48.76% of the CKI Shares then in issue.

The purpose of this Explanatory Statement is to explain the terms and effects of the Proposal and, in particular, the Scheme and to provide the Shareholders and the ADS Holders with other relevant information in relation to the Proposal and the Scheme.

In addition to this Explanatory Statement, your attention is drawn to (1) the letter from the Board set out on pages 1 to 6 of this document, (2) the letter from the Independent Board Committee set out on pages 7 and 8 of this document, (3) the letter from the Independent Financial Adviser set out on pages 9 to 62 of this document and (4) the Appendices. In addition, the terms of the Scheme are set out on pages S-1 to S-9 of this document.

2. THE PROPOSAL

2.1 Summary of the Proposal

Under the Proposal, it is proposed that on the Effective Date:

(a) the share capital of the Company will be reduced by cancelling and extinguishing the Scheme Shares (being all the Shares in issue as at the Record Time other than those held or beneficially owned by the Relevant CKI Subsidiaries);

(b) subject to and immediately upon such reduction of capital taking effect, the share capital of the Company will be increased to its former amount by the creation of such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished;

(c) the Company will apply all credit arising in its books of account as a result of such capital reduction in paying up the newly created Shares, which will be allotted and issued, credited as fully paid, to the Offeror (which is a wholly-owned subsidiary of CKI); and

(d) in consideration for the cancellation and extinguishment of the Scheme Shares, the Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders) will receive new CKI Shares (which will rank *pari passu* with each other and with all other CKI Shares then in issue) to be issued, credited as fully paid, in the following ratio, based on the holding of Scheme Shares as at the Record Time:

For every one Scheme Share held . . . . 1.066 CKI Shares

Scheme Shareholders whose names appear in the register of members of the Company as at the record date for the entitlement to a dividend declared by the Company on or before the Effective Date will be entitled to receive such dividend.

On completion of the Proposal, the Company will become an indirect wholly-owned subsidiary of CKI and the listing of the Shares on the Stock Exchange will be withdrawn.

2.2 Total Consideration under the Proposal

As at the Latest Practicable Date, 2,134,261,654 Shares were in issue, of which 829,599,612 Shares (representing approximately 38.87% of the Shares in issue) were held or beneficially owned by wholly-owned subsidiaries of CKI, and the remaining 1,304,662,042 Shares (representing approximately 61.13% of the Shares in issue) were held by the Scheme Shareholders.

Pursuant to the Scheme, upon the Scheme becoming effective, all the Scheme Shares will be cancelled and extinguished and the Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders) will receive new CKI Shares to be issued, credited as fully paid, in the ratio of 1.066 CKI Shares for every one Scheme Share held as at the Record Time.

The above share exchange ratio was determined by CKI and the Offeror based on the average closing prices of the CKI Shares and the Shares on the Stock Exchange for the 30 trading days up to (and including) 4 September 2015 (which was prior to the publication of the Announcement on 8 September 2015), without any premium or discount.

2.3 Comparisons of Value

Share Value

Based on the closing price of the CKI Shares as at the Latest Practicable Date and the share exchange ratio for the Proposal, the value of each Scheme Share of HK$75.63 under the Proposal represents:

(i) a premium of approximately 11.9% over the closing price of HK$67.60 for each Share on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 14.1% over the average closing price of HK$66.30 for each Share based on the daily closing prices of the Shares on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;

(iii) a premium of approximately 8.5% over the average closing price of HK$69.73 for each Share based on the daily closing prices of the Shares on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;

(iv) a premium of approximately 7.7% over the average closing price of HK$70.22 for each Share based on the daily closing prices of the Shares on the Stock Exchange for the 60 trading days up to and including the Last Trading Day; and

(v) a discount of approximately 0.7% to the closing price of HK$76.20 for each Share on the Stock Exchange on the Latest Practicable Date.

2.4 Rights Attaching to the CKI Shares

The CKI Shares to be issued pursuant to the Scheme as the Cancellation Consideration will, when issued, be credited as fully paid, free from all liens, charges and encumbrances, and will rank *pari passu* with all other CKI Shares then in issue. Holders of such CKI Shares will be entitled to receive all dividends and other distributions of CKI if the record time for determining the entitlement to such dividends and distributions falls at or after the time at which the Scheme becomes effective. As such, holders of CKI Shares to be issued pursuant to the Scheme will be entitled to receive the CKI Special Dividend referred to in "*Proposed Dividend Arrangement*" in this Explanatory Statement if it is paid.

CKI will make an application to the Stock Exchange for the listing of, and permission to deal in, the CKI Shares to be issued pursuant to the Scheme on the Main Board.

2.5 Fractional Entitlements to the CKI Shares under the Scheme

Fractions of CKI Shares will not be allotted to the Scheme Shareholders under the Scheme. The fractional entitlements of the Scheme Shareholders to CKI Shares under the Scheme will be aggregated (and, if necessary, rounded down to the nearest whole number of CKI Shares) and allotted to the Selected Person, who will sell the resulting CKI Shares on the market as soon as reasonably practicable after the Scheme becomes effective. The proceeds of sale of such fractional entitlements (net of expenses and taxes) will be paid to the Scheme Shareholders concerned according to their respective attributable entitlements thereto.

2.6 Board Lot Size of CKI Shares

CKI has proposed that, following completion of the Proposal, the board lot size for trading in CKI Shares on the Stock Exchange will be 500 CKI Shares (which is different from the current board lot size of 1,000 CKI Shares). This would align with the current board lot size for the Company, which is 500 Shares. The CKI Board is of the view that the smaller board lot size will result in the board lot value of CKI Shares being smaller than its current board lot value and could therefore improve the liquidity of the CKI Shares. The adoption of such different board lot size will not result in any change in the relative rights of the CKI Shareholders. Since the existing board lot size of CKI Shares is an integral multiple of the proposed new board lot size, no CKI Shareholder who currently does not hold an odd lot of CKI Shares will hold an odd lot of CKI Shares as a result of the adoption of the different board lot size.

The board lot size for trading in CKI Shares on the Stock Exchange will only be changed from 1,000 CKI Shares to 500 CKI Shares if the Proposal is completed. Accordingly, if the Scheme does not become effective and the Proposal is not completed, the board lot size for trading in CKI Shares on the Stock Exchange will remain as 1,000 CKI Shares.

Expected Timetable for Change in Board Lot Size of CKI Shares

The expected timetable for the change in board lot size of CKI Shares is set out below:

Earliest time for free exchange of existing share certificates in board lots of 1,000 CKI Shares each for new share certificates in board lots of 500 CKI Shares each	9:00 a.m. on Tuesday, 5 January 2016
Last day for trading of the CKI Shares in board lots of 1,000 CKI Shares in the original counter	Monday, 18 January 2016
Effective date of the change in board lot size from 1,000 CKI Shares to 500 CKI Shares	Tuesday, 19 January 2016

Original counter for trading in the CKI Shares in board lots of 1,000 CKI Shares each becomes counter for trading in the CKI Shares in board lots of 500 CKI Shares each	9:00 a.m. on Tuesday, 19 January 2016
Temporary counter for trading in the CKI Shares in board lots of 1,000 CKI Shares each opens	9:00 a.m. on Tuesday, 19 January 2016
Parallel trading in the CKI Shares (in board lots of 1,000 CKI Shares each and board lots of 500 CKI Shares each) starts	9:00 a.m. on Tuesday, 19 January 2016
Temporary counter for trading in the CKI Shares in board lots of 1,000 CKI Shares each closes	4:00 p.m. on Thursday, 11 February 2016
Parallel trading in the CKI Shares (in board lots of 1,000 CKI Shares each and board lots of 500 CKI Shares each) ends	4:00 p.m. on Thursday, 11 February 2016
Latest time for free exchange of existing share certificates in board lots of 1,000 CKI Shares each for new share certificates in board lots of 500 CKI Shares each	4:30 p.m. on Monday, 15 February 2016

The dates and times specified in the above timetable and in this section headed "–*Board Lot Size of CKI Shares*" are subject to change. Further announcement(s) will be made by CKI in the event that there is any change to the above timetable.

Free Exchange of CKI Share Certificates

Subject to completion of the Proposal, CKI Shareholders may submit their existing share certificate(s) in board lots of 1,000 CKI Shares each to CKI's branch share registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, in exchange for new share certificates in board lots of 500 CKI Shares each free of charge during the period from 9:00 a.m., Tuesday, 5 January 2016 to 4:30 p.m., Monday, 15 February 2016 (both days inclusive). The exchange of share certificates after such period ends will be accepted only on payment of a fee of HK$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each new share certificate in board lots of 500 CKI Shares each issued or each existing share certificate submitted, whichever number of share certificate involved is higher. It is expected that the new share certificates will be available for collection from CKI's branch share registrar by CKI Shareholders within 10 business days after delivery of the existing share certificates to CKI's branch share registrar for exchange purpose.

With effect from Tuesday, 19 January 2016, all new share certificates issued will represent CKI Shares trading in board lots of 500 CKI Shares. All existing share certificates issued representing CKI Shares trading in board lots of 1,000 CKI Shares will become share certificates representing CKI Shares trading in board lots of 500 CKI Shares and will continue to be good evidence of legal title to such CKI Shares and be valid for transfer, delivery and settlement purposes. The new share certificates will have the same format and colour as the existing share certificates.

3. CONDITIONS PRECEDENT TO THE PROPOSAL

The Scheme will become effective and binding on the Company and all Scheme Shareholders upon, and completion of the Proposal is subject to, the fulfilment (or, where relevant, waiver) of the following conditions precedent:

(a) the Scheme being approved by the Disinterested Shareholders representing at least 75% of the voting rights of Disinterested Shareholders present and voting, in person or by proxy, at the Court Meeting, with votes cast against the Scheme at the Court Meeting not exceeding 10% of the total voting rights attached to all disinterested Shares (as respectively defined in Note 6 to Rule 2 of the Takeovers Code and Division 2 of Part 13 of the Companies Ordinance);

(b) the passing of a special resolution by the Shareholders at the General Meeting to approve (1) the Scheme and (2) the implementation of the Scheme, including, in particular, the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and the issue of the new Shares to the Offeror;

(c) the passing of an ordinary resolution by the Independent CKI Shareholders at the CKI SGM to approve the Proposal and all transactions contemplated thereunder;

(d) the Scheme, with or without modification, being sanctioned and the proposed reduction of capital provided for in the Scheme being confirmed by the Court, and an office copy of the Court order together with the minute and a return that comply with subsections (2) and (3) of section 230 of the Companies Ordinance respectively being registered by the Companies Registrar;

(e) the Listing Committee granting approval for the listing of, and permission to deal in, the CKI Shares to be issued as consideration under the Scheme on the Main Board and such approval not having been revoked prior to the Scheme becoming effective;

(f) all applicable filings, notices and waivers required in connection with the Proposal and its implementation from or with any competent governmental or regulatory body being made, and if applicable, any waiting periods under any applicable antitrust or similar laws and regulations having expired or terminated; and

(g) all other Authorisations which may be required in connection with the Proposal under any existing contractual arrangements, including loan and other finance documentation, or regulatory requirements having been obtained and all regulatory filing obligations having been complied with.

The Offeror reserves the right to waive the conditions precedent in paragraphs (f) and (g) above in whole or in part and either generally or in respect of any particular matter. The other conditions precedent cannot be waived in any event. As at the Latest Practicable Date, none of the conditions precedent to the Proposal had been fulfilled (or, where relevant, waived).

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror will only be able to invoke any or all of the above conditions precedent as a basis for not proceeding with the Proposal if the circumstances which give rise to a right to invoke any such condition(s) precedent are of material significance to the Offeror in the context of the Proposal.

Under the repealed section 166 of the previous Companies Ordinance (Chapter 32 of the Laws of Hong Kong), a scheme of arrangement was required to be approved by a majority in number of the shareholders present and voting in person or by proxy at the court meeting (the so-called "headcount test"). Under the Companies Ordinance which came into effect on 3 March 2014, the headcount test does not apply to a scheme of arrangement that involves a takeover offer. The Scheme is a takeover offer under section 674 of the Companies Ordinance, and therefore the headcount test does not apply to it.

The Scheme is subject to the requirement under section 674(2) of the Companies Ordinance that members representing at least 75% of the voting rights of the members present and voting (in person or by proxy) at the Court Meeting agree to the Scheme, and the requirement under Rule 2.10 of the Takeovers Code that the Scheme must be approved by at least 75% of the votes attaching to the disinterested Shares (as defined in Note 6 to Rule 2 of the Takeovers Code) that are cast (in person or by proxy) at the meeting of the holders of the disinterested Shares. Accordingly:

(a) for the purpose of the Companies Ordinance, the 75% approval threshold will be determined by reference to the voting rights of the Scheme Shareholders, who attend and vote (in person or by proxy) at the Court Meeting. As the Offeror and the Relevant CKI Subsidiaries are not Scheme Shareholders and the other Offeror Concert Parties are required to abstain from voting at the Court Meeting, the voting rights in respect of the relevant Shares held by the Offeror and all the Offeror Concert Parties will not be taken into account in determining whether the 75% approval requirement under the Companies Ordinance has been satisfied; and

(b) for the purpose of the Takeovers Code, the 75% approval threshold will be determined by reference to the votes attaching to all the Scheme Shares held by the Scheme Shareholders (other than any held by the Offeror and the Offeror Concert Parties) which are cast (in person or by proxy) at the Court Meeting.

Therefore, in order to satisfy the requirements under both the Companies Ordinance and the Takeovers Code, the 75% approval threshold will be determined by reference to the Shares held by the Shareholders (other than the Offeror and the Offeror Concert Parties) who attend and vote at the Court Meeting.

The Scheme is also subject to the requirement under section 674(2) of the Companies Ordinance that the votes cast against the Scheme at the Court Meeting shall not exceed 10% of the voting rights attached to all disinterested Shares (as defined in Division 2 of Part 13 of the Companies Ordinance), and the requirement under Rule 2.10 of the Takeovers Code that the number of votes cast against the resolution to approve the Scheme at the meeting of the holders of disinterested Shares (as defined in Note 6 to Rule 2 of the Takeovers Code) shall not be more than 10% of the votes attaching to all disinterested Shares. Accordingly:

(a) for the purpose of the Companies Ordinance, all Scheme Shares (i.e. all the Shares in issue as at the Record Time, other than any held or beneficially owned by the Relevant CKI Subsidiaries) will be regarded as disinterested Shares; and

(b) for the purpose of the Takeovers Code, all Scheme Shares other than any held by the Offeror and the Offeror Concert Parties will be regarded as disinterested Shares.

The action necessary to make the Scheme effective will not be taken unless the Board is satisfied that the Scheme has been duly approved and the Proposal will become unconditional subject only to compliance with the relevant registration requirements and the Listing Committee granting approval for the listing of, and permission to deal in, the CKI Shares to be issued as the Cancellation Consideration under the Scheme and such approval not having been revoked prior to the Scheme becoming effective.

It is currently expected that, if the required approvals from the Disinterested Shareholders and the Shareholders are obtained at the Court Meeting and the General Meeting, respectively, the Scheme will become effective on Tuesday, 5 January 2016. If the Scheme has not become effective by Thursday, 31 March 2016 (or such later date as the Offeror may agree and as allowed by the Court), the Scheme will lapse and the Proposal will not proceed. An announcement will be made by the Company to advise Shareholders whether the Scheme has become effective and of the Effective Date.

4. OBJECTIVES AND BENEFITS OF THE PROPOSAL

The Proposal is intended to deliver value to the shareholders of both CKI and the Company. For CKI, as the listed company holding the merged businesses, the Proposal would equip it with a stronger balance sheet and significant cash balance to capture global opportunities for the Enlarged CKI Group in the broader infrastructure sectors, including both power and non-power sectors. For the Company, the Proposal would enable the Scheme Shareholders to exchange their shares in the Company for new shares in CKI, which has a proven track record of earnings and dividend growth, and allow them to remain invested in the enhanced infrastructure platform that will be created. From 2010 to 2014, CKI's dividend per share grew at a compound annual growth rate of approximately 10.7%.

Immediately following completion of the Proposal, CKH Holdings will remain as the controlling shareholder of CKI, with a shareholding of approximately 48.76%. The resulting significantly larger public float of CKI Shares, both in terms of percentage and the number of shares, should enhance the liquidity of the CKI Shares.

The Proposal would allow the shareholders of both CKI and the Company to participate in the future growth of the merged businesses. Upon completion of the Proposal, the Enlarged CKI Group will be in a stronger competitive position and shareholders of both CKI and the Company would benefit as a result of the following:

(a) Enhanced size and scale

The Proposal will create a world class, diversified infrastructure investment platform that is significantly enhanced in terms of size and scale over the existing individual businesses of CKI and the Company. It will control a wide range of businesses in the areas of energy infrastructure, transportation infrastructure, water infrastructure, waste management and other infrastructure related businesses. The unified platform will have a clear investment mandate and will unite the investor base currently split between CKI and the Company.

Following completion of the Proposal, seven projects[*(Note)*] in which both CKI and the Company have ownership interests are expected to become consolidated in CKI's financial statements (please refer to the table set out under "*Notes to the Unaudited Pro Forma Financial Information of the Enlarged CKI Group – (2) Accounting for entities co-owned by CKI and Power Assets and Purchase Price Allocation Adjustments*" in Appendix VI for further details). CKI's larger size and scale will better position it to achieve diversification within its portfolio across different infrastructure sectors and geographies.

Currently, the long-term credit ratings for both CKI and the Company are "A-" from Standard & Poor's. Following completion of the Proposal and subject to the confirmation of the rating agency, CKI is expected to maintain its current credit rating. The stronger balance sheet and significant cash balance will enable CKI to better compete for infrastructure projects given the capital intensive nature of the infrastructure industry.

(b) Expanded business focus and investment mandate

The Company's business consists solely of investments in the power infrastructure sector. CKI focuses its business on the non-power infrastructure sector, while also having a number of co-investments with the Company in power projects. The successful implementation of the Proposal will provide the merged businesses with enhanced flexibility to invest across the whole infrastructure sector (both power and non-power), thereby allowing the capture of a broader range of opportunities which meet the Enlarged CKI Group's return requirements.

Upon completion of the Proposal, it is expected that CKI will be deconsolidated from the financial statements of CKH Holdings. As a result, CKI would have greater flexibility to make independent capital allocation decisions without having regard to the impact on CKH Holdings' consolidated financial position.

(c) Increased transparency in CKI's financial performance

As at 30 June 2015, there were 11 projects*(Note)* in which both CKI and the Company had ownership interests. The total net assets of those projects attributable to each of CKI and the Company represented approximately 62.6% of the Adjusted Total Assets of CKI and 66.9% of the Adjusted Total Assets of the Company.

The results of operations of seven of the 11 projects*(Note)* are expected to become consolidated into the financial statements of CKI following completion of the Proposal, which would provide investors in CKI with greater transparency over CKI's financial performance. In addition, management expertise at the company level will be consolidated so that it can be efficiently deployed against the combined asset base. On the other hand, each of these projects is already operated on a day-to-day basis by the management teams of the respective projects. As a result, it is expected that the Proposal will carry minimal integration risks.

(d) Seek to continue to grow CKI's dividends year-on-year

The Proposal will optimise the balance sheet of the Enlarged CKI Group and, subject to the passing of the relevant ordinary resolution by the Shareholders at the General Meeting, allow the Enlarged CKI Group to immediately reward CKI Shareholders (including the holders of the CKI Shares issued pursuant to the Scheme) with a special dividend following completion of the Proposal as well as seeking to continue to grow its dividends year-on-year. This is consistent with CKI's long-term proven track record of expanding its business while growing its dividends year-on-year. Historical dividends per CKI Share grew at a compound annual growth rate of approximately 9.0% over the period between 2000 and 2014 and approximately 10.7% over the period between 2010 and 2014, respectively.

Please see "*Proposed Dividend Arrangement*" in this Explanatory Statement for further details.

Note: Subsequent to the issue of the Announcement, on 2 October 2015, the Company announced the formation of a 50:50 joint venture between the Group and the CKI Group, and a conditional agreement entered into by the joint venture group to acquire interests in the Iberwind group which is principally engaged in the business of generating electricity from wind in Portugal. Completion of the acquisition is conditional upon the satisfaction of a number of conditions (including examination or clearance by competition authorities and the obtaining of waivers from certain financing banks). For further details, please refer to the Company's announcement dated 2 October 2015. As at the Latest Practicable Date, the acquisition had not yet become unconditional.

Each of the Group and the CKI Group may, in the ordinary course of its business, either on its own or together in joint venture, enter into agreements from time to time relating to the acquisition or establishment of further or other infrastructure projects.

5. INTENTIONS OF CKI WITH REGARD TO THE GROUP

If the Proposal is completed, CKI intends to continue with the existing business of the Group and has no intention to introduce any major changes to the business of the Group or to redeploy any fixed assets of the Group. There is no intention by CKI to discontinue the employment of any of the management or employees of the Group. All existing Directors will be appointed to the CKI Board on completion of the Proposal (please refer to "*CKI Board Following Completion of the Proposal*" in this Explanatory Statement for further details).

The Board has noted CKI's intention in respect of the business of the Group following completion of the Proposal as described above and welcomes such intention.

6. EFFECTS OF THE PROPOSAL ON THE SHAREHOLDING STRUCTURE OF THE COMPANY AND CKI

6.1 Shareholding Structure of the Company

As at the Latest Practicable Date, there were 2,134,261,654 Shares in issue (including the Shares underlying the ADSs) and there were no options, derivatives, warrants or other securities issued by the Company which are convertible or exchangeable into Shares.

The table below sets out the shareholding structure of the Company (a) as at the Latest Practicable Date and (b) immediately following completion of the Proposal, assuming that there is no other change in the shareholding of the Company after the Latest Practicable Date:

	As at the Latest Practicable Date		Immediately following completion of the Proposal	
	Number of Shares	**%**	**Number of Shares**	**%**
Offeror[(1)]	–	–	1,304,662,042	61.13
Specified Offeror Concert Parties				
Shares held not subject to the Scheme				
– Relevant CKI Subsidiaries[(1)]	829,599,612	38.87	829,599,612	38.87
	829,599,612	**38.87**	**2,134,261,654**	**100.00**
Shares held subject to the Scheme				
– Mr. Li Tzar Kuoi, Victor[(2)]	151,000	0.01	–	–
– Mr. Kam Hing Lam[(3)]	100,000	0.00	–	–
– Mrs. Lee Pui Ling, Angelina[(4)]	8,800	0.00	–	–
– Ms. Eirene Yeung[(5)]	62,749	0.00	–	–
– HSBC group[(6)]	–	–	–	–
– Goldman Sachs group[(7)]	–	–	–	–
– Other Offeror Concert Parties[(8)]	28,500	0.00	–	–
	351,049	**0.02**	**–**	**–**
Aggregate number of Shares held by the Offeror and Offeror Concert Parties[(6)(7)(8)]	**829,950,661**	**38.89**	**2,134,261,654**	**100.00**
Aggregate number of Shares held by Disinterested Shareholders	**1,304,310,993**	**61.11**	**–**	**–**
Total	**2,134,261,654**	**100.00**	**2,134,261,654**	**100.00**
Total number of Scheme Shares	**1,304,662,042**	**61.13**	**–**	**–**

Notes:

(1) The Offeror and the Relevant CKI Subsidiaries are wholly-owned subsidiaries of CKI.

(2) Such 151,000 Shares were held as Mr. Li Tzar Kuoi, Victor's family interest (being Shares held by his wife). Mr. Li Tzar Kuoi, Victor, who is an executive CKI Director, an executive CKH Holdings Director and an Offeror Director, and his wife are presumed to be acting in concert with the Offeror in relation to the Company under the Takeovers Code.

(3) Such 100,000 Shares were held as Mr. Kam Hing Lam's family interest (being Shares held by his son). Mr. Kam Hing Lam, who is an executive CKI Director, an executive CKH Holdings Director and an Offeror Director, and his son are presumed to be acting in concert with the Offeror in relation to the Company under the Takeovers Code.

(4) Mrs. Lee Pui Ling, Angelina, who is a non-executive CKI Director, is presumed to be acting in concert with the Offeror in relation to the Company under the Takeovers Code.

(5) Such 62,749 Shares were held as Ms. Eirene Yeung's family interest (being Shares held by her mother). Ms. Eirene Yeung, who is an alternate CKI Director, and her mother are presumed to be acting in concert with the Offeror in relation to the Company under the Takeovers Code.

(6) HSBC is the financial adviser to CKI and the Offeror in relation to the Proposal. Accordingly, HSBC and relevant members of the HSBC group which hold Shares are presumed to be acting in concert with CKI and the Offeror in relation to the Company in accordance with class (5) of the definition of "acting in concert" under the Takeovers Code (except in respect of Shares held by exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code, and also excluding Shares of non-discretionary investment clients of the HSBC group).

(7) Goldman Sachs is the financial adviser to CKH Holdings in relation to the Proposal. Accordingly, Goldman Sachs and relevant members of the Goldman Sachs group which hold Shares are presumed to be acting in concert with CKI and the Offeror in relation to the Company in accordance with class (5) of the definition of "acting in concert" under the Takeovers Code (except in respect of Shares held by exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code, and also excluding Shares of non-discretionary investment clients of the Goldman Sachs group).

(8) Such 28,500 Shares were held by a pension fund of the CKI Group, which is presumed to be acting in concert with the Offeror in relation to the Company in accordance with class (3) of the definition of "acting in concert" under the Takeovers Code.

Following completion of the Proposal, the CKI Group will hold 100% of the Shares in issue, of which approximately 61.13% will be held by the Offeror and approximately 38.87% will be held or beneficially owned by the Relevant CKI Subsidiaries.

6.2 Shareholding Structure of CKI

As at the Latest Practicable Date, there were 2,519,610,945 CKI Shares in issue and there were no options, derivatives, warrants or other securities issued by CKI which are convertible or exchangeable into CKI Shares.

The table below sets out the shareholding structure of CKI (a) as at the Latest Practicable Date and (b) immediately following completion of the Proposal, assuming that there is no other change in the shareholding of CKI after the Latest Practicable Date:

	As at the Latest Practicable Date		CKI Shares to be issued under the Scheme	Immediately following completion of the Proposal(8)	
	Number of CKI Shares	%		Number of CKI Shares	%
CKH Holdings(1)	1,906,681,945	75.67	–	1,906,681,945	48.76
Mr. Li Tzar Kuoi, Victor(2)(3)	5,428,000	0.22	160,966	5,588,966	0.14
Mr. Kam Hing Lam(4)	100,000	0.00	106,600	206,600	0.01
Mrs. Lee Pui Ling, Angelina(5)	–	–	9,380	9,380	0.00
Ms. Eirene Yeung(6)	–	–	66,890	66,890	0.00
Mr. Tsai Chao Chung, Charles(7)	6,000	0.00	4,287	10,287	0.00
	1,912,215,945	75.89	348,123	1,912,564,068	48.91
Other CKI Shareholders	607,395,000	24.11	–	607,395,000	15.53
Other Shareholders	–	–	1,390,421,613	1,390,421,613	35.56
Total	**2,519,610,945**	**100.00**	**1,390,769,736**	**3,910,380,681**	**100.00**

Notes:

(1) Such 1,906,681,945 CKI Shares were held by Hutchison Infrastructure Holdings Limited, a subsidiary of Hutchison Whampoa Limited. CKH Holdings is deemed to be interested in such 1,906,681,945 CKI Shares as CKH Holdings holds more than one-third of the issued share capital of each of Cheung Kong (Holdings) Limited and CK Global Investments Limited, and certain subsidiaries of Cheung Kong (Holdings) Limited and CK Global Investments Limited hold more than one-third of the issued share capital of Hutchison Whampoa Limited.

(2) 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 the trustees of DT1 and 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 held a total of 5,428,000 CKI Shares.

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 interested in the CKI Shares 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 CKI Shares 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 CKI Director and a discretionary beneficiary of each of DT1 and DT2, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to CKI Shares held by TUT1 as trustee of UT1 under the SFO.

(3) Based on the share exchange ratio of 1.066 new CKI Shares for every one Scheme Share and the 151,000 Shares which were held as Mr. Li Tzar Kuoi, Victor's family interest as at the Latest Practicable Date, a total of 160,966 CKI Shares will be issued under the Scheme in respect of such interest of Mr. Li Tzar Kuoi, Victor if the Scheme becomes effective.

(4) As at the Latest Practicable Date, Mr. Kam Hing Lam was interested in 100,000 CKI Shares. Based on the share exchange ratio of 1.066 new CKI Shares for every one Scheme Share and the 100,000 Shares which were held as Mr. Kam Hing Lam's family interest as at the Latest Practicable Date, a total of 106,600 CKI Shares will be issued under the Scheme in respect of such interest of Mr. Kam Hing Lam if the Scheme becomes effective.

(5) Based on the share exchange ratio of 1.066 new CKI Shares for every one Scheme Share and the 8,800 Shares in which Mrs. Lee Pui Ling, Angelina was interested as at the Latest Practicable Date, a total of 9,380 CKI Shares will be issued under the Scheme in respect of such interest of Mrs. Lee Pui Ling, Angelina if the Scheme becomes effective.

(6) Based on the share exchange ratio of 1.066 new CKI Shares for every one Scheme Share and the 62,749 Shares which were held as Ms. Eirene Yeung's family interest as at the Latest Practicable Date, a total of 66,890 CKI Shares will be issued under the Scheme in respect of such interest of Ms. Eirene Yeung if the Scheme becomes effective.

(7) As at the Latest Practicable Date, 6,000 CKI Shares were held as Mr. Tsai Chao Chung, Charles' family interest (being CKI Shares held by his wife). Based on the share exchange ratio of 1.066 new CKI Shares for every one Scheme Share and the 4,022 Shares in which Mr. Tsai Chao Chung, Charles was interested as at the Latest Practicable Date, a total of 4,287 CKI Shares will be issued under the Scheme in respect of such interest of Mr. Tsai Chao Chung, Charles if the Scheme becomes effective.

(8) The number of CKI Shares to be issued to the relevant parties under the Proposal may be subject to change due to possible rounding down of the actual number of CKI Shares to be issued as a result of exclusion of their respective fractional entitlements under the Scheme (if any).

Following completion of the Proposal, CKH Holdings' shareholding in CKI will be diluted as a result of the issue of the new CKI Shares representing the Cancellation Consideration. CKH Holdings will remain as the controlling shareholder of CKI under the Listing Rules and will hold (through its wholly-owned subsidiaries) approximately 48.76% in CKI immediately following completion of the Proposal. However, CKI will cease to be a subsidiary of CKH Holdings and it is expected that its results will cease to be consolidated in CKH Holdings' financial statements.

7. INFORMATION ON THE CKI GROUP AND THE OFFEROR

7.1 General Information on CKI and the Offeror

CKI was incorporated in Bermuda on 28 May 1996 as an exempted company with limited liability, the shares of which are listed on the Main Board. As at 30 June 2015, the unaudited net asset value of CKI, based on the unaudited consolidated financial statements of CKI for the six months ended 30 June 2015, was approximately HK$107,414 million.

The principal activities of the CKI Group are development, investment and operation of infrastructure businesses in Hong Kong, Mainland China, the United Kingdom, the Netherlands, Australia, New Zealand and Canada.

The CKI Group is one of the largest infrastructure groups in Hong Kong with diversified investments in energy infrastructure, transportation infrastructure, water infrastructure, waste management and other infrastructure related businesses.

The Offeror is an investment holding company incorporated in the British Virgin Islands and a wholly-owned subsidiary of CKI.

Please refer to Appendices II and III to this document for further information and selected financial information of the CKI Group and the Offeror.

7.2 Financial and Trading Prospects of the CKI Group

Prior to the transactions contemplated by the Proposal, the principal activities of the CKI Group encompass development, investment and operation of infrastructure businesses. These core businesses have been the key drivers in providing steady streams of revenue to the CKI Group. The Company, CKI's major listed affiliate, has been a major contributor to the CKI Group's results. Principally engaged in power related businesses, the Group has interests in and participates in the management of businesses in power generation, transmission and distribution, gas distribution, and energy from waste and renewables worldwide, including Hong Kong, the United Kingdom, Australia, the PRC, New Zealand, Thailand, Canada and the Netherlands.

It is expected that following completion of the Proposal, the Enlarged CKI Group will be in a stronger competitive position and shareholders of both CKI and the Company would benefit as a result of (a) enhanced size and scale, which will better position the Enlarged CKI Group to achieve diversification within its portfolio across different infrastructure sectors and geographies, (b) expanded business focus and investment mandate to enhance flexibility to invest across the whole infrastructure sector (both power and non-power), (c) increased transparency in CKI's financial performance and (d) CKI seeking to continue to grow CKI's dividends year-on-year.

As the consideration for implementing the Scheme will be satisfied by way of the issue of CKI Shares, there is no requirement for financing the consideration for the Scheme on the part of the Offeror.

Following completion of the Proposal, expansion of the Enlarged CKI Group is expected to continue through acquisition. The Enlarged CKI Group will continue to seek new investment opportunities around the world that enhance its asset base and income stream. As always, the Enlarged CKI Group will approach these opportunities in accordance with its stringent investment criteria, and will not hold a "must win at any price" mentality when considering the merits of potential acquisitions. As demonstrated by its track record in balancing continued growth with a comfortable gearing position, the Enlarged CKI Group is committed to a business model which maintains a good balance between stability and growth.

Please refer to the unaudited pro forma financial information of the Enlarged CKI Group set out in "*Appendix VI – Unaudited Pro Forma Financial Information of the Enlarged CKI Group*", which has been prepared for the purpose of illustrating the effect of the Proposal as if it had taken place on the respective dates stated therein.

8. INFORMATION ON THE GROUP

The Company is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board. The Company is a constituent stock of the Hang Seng Index. As at 30 June 2015, the unaudited net asset value of the Company, based on the unaudited consolidated financial statements of the Company for the six months ended 30 June 2015, was approximately HK$121,472 million.

The Company is an investment holding company principally engaged in power related businesses. The Group has interests in and participates in the management of businesses in power generation, transmission and distribution, gas distribution, and energy from waste and renewables worldwide, including Hong Kong, the United Kingdom, Australia, the PRC, New Zealand, Thailand, Canada and the Netherlands.

9. PROPOSED DIVIDEND ARRANGEMENT

9.1 CKI Special Dividend

The CKI Board intends to declare, on a conditional basis, the CKI Special Dividend to all CKI Shareholders whose names appear in the register of members of CKI as at the CKI Dividend Record Time on the Effective Date (including the holders of CKI Shares issued pursuant to the Scheme) on the following basis:

For each CKI Share held . . . . HK$7.50 in cash

The payment of the CKI Special Dividend will be conditional upon the satisfaction of both of the following conditions:

(a) the passing of an ordinary resolution by the Shareholders at the General Meeting to agree to the payment by CKI of the CKI Special Dividend (namely, the CKI Special Dividend Resolution); and

(b) the Scheme having become effective.

The Proposal is not conditional upon the payment of the CKI Special Dividend becoming unconditional. Therefore, if the CKI Special Dividend Resolution referred to in paragraph (a) above is not passed but the Scheme becomes effective, the Proposal will be completed but the CKI Special Dividend will not be paid to the CKI Shareholders.

While the passing of the CKI Special Dividend Resolution is not required by law or regulation or the CKI Bye-laws for the CKI Special Dividend to be paid by CKI, and CKI and the Company have historically sought to reinvest in their businesses and not disburse cash by way of special dividends, CKI has agreed to make the payment of the CKI Special Dividend subject to the passing of such resolution so as to afford the Shareholders the ability to determine whether the Enlarged CKI Group should retain or distribute the cash represented by the proposed CKI Special Dividend.

CKI has informed the Company that it will procure the Relevant CKI Subsidiaries to voluntarily abstain from voting on the CKI Special Dividend Resolution at the General Meeting. Accordingly, the CKI Special Dividend Resolution will only be voted on by the Scheme Shareholders present and voting, in person or by proxy, at the General Meeting (except in relation to those Shares which each of Mr. Li Tzar Kuoi, Victor, Mr. Kam Hing Lam, Mrs. Lee Pui Ling, Angelina, Ms. Eirene Yeung and Mr. Tsai Chao Chung, Charles holds or is interested in, as each of them has indicated that he/she or his/her associates (as the case may be) will voluntarily abstain from voting those Shares in respect of the CKI Special Dividend Resolution).

If the conditions to the payment of the CKI Special Dividend are satisfied, the Selected Person will receive the CKI Special Dividend in respect of the CKI Shares which are allotted to it representing (i) the aggregated fractional entitlements of the Scheme Shareholders to CKI Shares under the Scheme and (ii) the CKI Shares which would otherwise have been allotted to the Non-Qualifying Overseas Shareholders under the Scheme. The Selected Person will pay such Scheme Shareholders their attributable entitlements to the CKI Special Dividend as soon as practicable after the payment date for the CKI Special Dividend.

It is expected that the CKI Special Dividend, if the payment becomes unconditional, will be paid on Wednesday, 20 January 2016.

9.2 Expected Dividend for the Financial Year Ending 2015 and Thereafter

If the Scheme becomes effective and assuming an existing CKI Shareholder continues to hold its existing CKI Shares or an existing Shareholder continues to hold the CKI Shares issued pursuant to the Scheme (as the case may be) and subject to business conditions and the maintenance of CKI's strong investment grade rating, it is expected that:

(a) in respect of the financial year ending 31 December 2015, the total dividends to be received by such CKI Shareholder or such Shareholder on its CKI Shares and, as applicable, Shares (excluding the CKI Special Dividend, if it is paid) will be more than the total dividends that such shareholder would have received on its existing CKI Shares or its existing Shares (as the case may be) in respect of the financial year ended 31 December 2014; and

(b) in respect of the financial year ending 31 December 2016, the total dividends to be received by such CKI Shareholder or such Shareholder on its CKI Shares will be more than the total dividends that such shareholder would have received on its CKI Shares and, as applicable, Shares in respect of the financial year ending 31 December 2015 (excluding the CKI Special Dividend, if it is paid).

Thereafter, subject to business conditions and maintenance of CKI's strong investment grade rating, CKI will seek to continue to increase its dividends year-on-year consistent with its business profile.

10. CKI BOARD FOLLOWING COMPLETION OF THE PROPOSAL

To ensure continuity of the current strong management teams of CKI and the Company which have extensive experience in the power and infrastructure sectors, it is proposed that on completion of the Proposal, the CKI Board will comprise all of the existing directors of CKI and the Company and the composition of the CKI Board will be as follows:

Executive CKI Directors
Mr. Li Tzar Kuoi, Victor *(Chairman)*
Mr. Kam Hing Lam *(Group Managing Director)*
Mr. Fok Kin Ning, Canning *(Deputy Chairman)*
Mr. Ip Tak Chuen, Edmond *(Deputy Chairman)*
Mr. Andrew John Hunter *(Deputy Managing Director)*
Mr. Chan Loi Shun *(Chief Financial Officer)*
Mrs. Chow Woo Mo Fong, Susan
Mr. Neil Douglas McGee
Mr. Frank John Sixt
Mr. Wan Chi Tin
Mr. Tsai Chao Chung, Charles

Independent Non-executive CKI Directors
Mrs. Sng Sow-mei alias Poon Sow Mei
Mr. Ralph Raymond Shea
Mr. Cheong Ying Chew, Henry
Mrs. Kwok Eva Lee
Mr. Lan Hong Tsung, David
Mr. Colin Stevens Russel
Mr. Wong Chung Hin
Mr. Barrie Cook
Mr. Wu Ting Yuk, Anthony
Mr. Ip Yuk-keung, Albert

Alternate CKI Directors
Mr. Man Ka Keung, Simon
(alternate to Mr. Ip Tak Chuen, Edmond)
Ms. Eirene Yeung
(alternate to Mr. Kam Hing Lam)

Non-executive CKI Directors
Mr. George Colin Magnus
Mrs. Lee Pui Ling, Angelina

The proposed change in the composition of the CKI Board is subject to the passing of an ordinary resolution to be proposed at the CKI SGM to increase the maximum number of CKI Directors from 20 to 30.

11. PROPOSED CHANGE OF COMPANY NAME OF CKI

11.1 Proposed Change of CKI Company Name

In connection with the Proposal, the CKI Board proposes to change the English name of CKI from "Cheung Kong Infrastructure Holdings Limited" to "CK Infrastructure Assets (Holdings) Limited" and to adopt "長江基建實業(集團)有限公司" as CKI's secondary name on completion of the Proposal. The stock short name of CKI will be changed consequently.

The Change of CKI Company Name is to signify the merger of CKI and the Company.

11.2 Conditions of the Change of CKI Company Name

The Change of CKI Company Name will be conditional upon:

(a) the passing of a special resolution by the CKI Shareholders at the CKI SGM to approve the Change of CKI Company Name;

(b) the approval of the proposed new name of CKI by the Registrar of Companies in Bermuda; and

(c) the Scheme having become effective.

Upon satisfaction of the above conditions, the Change of CKI Company Name will become effective on the date on which the Registrar of Companies in Bermuda enters the new English name in place of the existing name and enters the secondary name of CKI in the register of companies. Upon the Change of CKI Company Name becoming effective, CKI will comply with the necessary filing procedures in Hong Kong.

11.3 Effect of the Change of CKI Company Name

The Change of CKI Company Name does not affect any of the rights of the existing CKI Shareholders. All share certificates of CKI in issue bearing the existing name of CKI will, after the Change of CKI Company Name, continue to be evidence of title and valid for all purposes (including for the purposes of trading, settlement, registration and delivery). There will not be any arrangement for the exchange of the share certificates of CKI under its existing name for new share certificates under the new name of CKI. Share certificates of CKI which are issued after the Change of CKI Company Name having become effective will be in the new name of CKI. The CKI Shares will be traded on the Stock Exchange in the new stock short name after the Change of CKI Company Name has become effective.

Further announcements concerning the effective date of the Change of CKI Company Name and the date on which the CKI Shares will commence to be traded under the new stock short name on the Stock Exchange will be made by CKI in due course.

12. SHARE CERTIFICATES, DEALINGS AND LISTING

Upon the Scheme becoming effective, all the Scheme Shares (including the Scheme Shares underlying the ADSs) will be cancelled. The share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. An application will be made by the Company to the Stock Exchange for the voluntary withdrawal of the listing of the Shares on the Stock Exchange immediately following the Scheme becoming effective pursuant to Rule 6.15(2) of the Listing Rules.

It is currently expected that dealings in the Shares on the Main Board will cease at 4:00 p.m. on Monday, 21 December 2015 and the listing of the Shares on the Main Board will be withdrawn at 9:00 a.m. on Tuesday, 5 January 2016. The Company will make an announcement of the exact dates of the last day for dealing in the Shares and on which date the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective.

The listing of the Shares on the Stock Exchange will not be withdrawn if the Proposal is not approved, lapses or does not become unconditional for any reason. Under the relevant restrictions of the Takeovers Code relating to the making of subsequent offers, if the Proposal does not become unconditional or is withdrawn or lapses, neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Proposal is withdrawn or lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

13. REGISTRATION AND DESPATCH OF NEW CKI SHARE CERTIFICATES

In order to determine the entitlements to the Cancellation Consideration under the Scheme, the register of members of the Company will be closed from Monday, 28 December 2015 (or such other date as may be notified to the Scheme Shareholders by announcement). The Scheme Shareholders should ensure that their Shares are registered or lodged for registration in their names or in the names of their nominees before 4:30 p.m. on Thursday, 24 December 2015. The Company's share registrar is Computershare Hong Kong Investor Services Limited, which is located at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

In respect of the CKI Shares which the Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders) are entitled to receive as the Cancellation Consideration under the Scheme, each Scheme Shareholder will be sent (a) one share certificate representing CKI Shares that are a whole multiple of a board lot of 1,000 CKI Shares and (b) (if applicable) one share certificate for the remaining CKI Shares which represent less than a whole multiple of 1,000 CKI Shares (i.e. an odd lot of CKI Shares), except for HKSCC Nominees Limited which may request for share certificates to be issued in such denominations as it may specify.

Assuming that the Scheme is to become effective on Tuesday, 5 January 2016, the share certificates for the new CKI Shares are expected to be despatched to the Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders) on Monday, 4 January 2016.

In the absence of any specific instructions to the contrary received in writing by the branch share registrar of CKI before the Effective Date, the share certificates for the new CKI Shares representing the Cancellation Consideration under the Scheme will be sent to the Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders) whose names appear on the register of members of the Company as at the Record Time at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first on the register of members of the Company in respect of the joint holding. All such share certificates will be sent at the risk of the persons entitled thereto and none of CKI, the Offeror and the Company will be liable for any loss or delay in transmission.

Settlement of the Cancellation Consideration under the Scheme will be implemented in full in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which CKI may otherwise be, or claim to be, entitled against any Scheme Shareholders.

ADS Holders should note that the new CKI Shares to be issued as the Cancellation Consideration for the Scheme Shares underlying their ADSs will be issued to the Depositary, who will, at its discretion, either sell such CKI Shares on the Stock Exchange and distribute the net proceeds to ADS Holders or distribute such CKI Shares to the ADS Holders in the form of unsponsored depositary shares, in either case in accordance with the terms of the ADS Deposit Agreement. The Depositary has informed the Company that it intends to distribute to ADS Holders unsponsored depositary shares representing CKI Shares, subject to receipt of payment of applicable depositary receipt issuance and cancellation fees and satisfactory legal comfort that such distribution is exempt from registration under the Securities Act. ADS Holders should refer to the ADS Deposit Agreement for a complete description of their rights.

14. ARRANGEMENTS RELATING TO THE SALE OF ODD LOTS OF CKI SHARES

In order to assist CKI Shareholders to sell any odd lots of CKI Shares if they so wish, CKI has appointed Fulbright Securities Limited and One China Securities Limited (the "**Odd Lot Traders**") to provide, on a best efforts basis, a service to match the sale and purchase of odd lots of CKI Shares (the "**Matching Service**") during the period of 60 calendar days commencing from (and including) the Effective Date (which is expected to be Tuesday, 5 January 2016) (the "**Matching Period**").

In the event of successful matching, no brokerage will be charged by the Odd Lot Traders for the odd lots of CKI Shares sold as CKI has agreed to absorb this cost as part of the appointment of the Odd Lot Traders. The opening of trading accounts with the Odd Lot Traders for the purpose of the Matching Service is subject to satisfactory completion of requisite account opening procedures.

Any CKI Shareholder wishing to make use of the Matching Service may contact the following persons during the Matching Period:

Fulbright Securities Limited
33rd Floor, Cosco Tower
Grand Millennium Plaza
No. 183 Queen's Road Central
Hong Kong
Attention: Mr. Yu Kam Tong
Telephone Number: +852 2805 0727

One China Securities Limited
2nd Floor, Cheong K. Building
86 Des Voeux Road Central
Hong Kong
Attention: Mr. Marco Ko
Telephone Number: +852 3188 2676

CKI Shareholders who have brokerage accounts and who wish to sell any odd lots of CKI Shares may also approach and inform their brokers that the Odd Lot Traders will, on a best efforts basis during the Matching Period, provide liquidity for odd lots of CKI Shares. CKI Shareholders selling odd lots of CKI Shares through their brokers to the Odd Lot Traders will be responsible for all fees (if any) payable to their brokers, but no additional brokerage will be payable by them to the Odd Lot Traders.

You should note that the successful matching of odd lots of CKI Shares and the provision of liquidity referred to above are not guaranteed. You are advised to consult your own professional advisers if you are in doubt about any of these arrangements.

15. NON-QUALIFYING OVERSEAS SHAREHOLDERS

The making of the Proposal to certain Shareholders may be subject to the laws of jurisdictions other than Hong Kong. Overseas Shareholders and Beneficial Owners residing in jurisdictions other than Hong Kong should inform themselves about and observe all legal and regulatory requirements applicable to them. It is the responsibility of the Shareholders and the Beneficial Owners to satisfy themselves as to the full observance of the laws of the relevant jurisdictions applicable to them in connection with the Scheme, including obtaining any governmental, exchange control or other consents which may be required, and compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdictions.

The Scheme provides that, subject to the requirements of the Takeovers Code, if the law of any relevant jurisdiction precludes an offer of the CKI Shares, or precludes it except after compliance by CKI with conditions with which CKI is unable to comply or which CKI regards as unduly onerous, no CKI Shares will be issued to the relevant Non-Qualifying Overseas Shareholders.

In such case, the CKI Shares which would otherwise have been allotted to the relevant Non-Qualifying Overseas Shareholders under the Scheme will be allotted to the Selected Person, who will sell such CKI Shares on the market as soon as reasonably practicable after the Scheme becomes effective.

The aggregate proceeds of such sale (net of expenses and taxes) will be paid to the relevant Non-Qualifying Overseas Shareholders (*pro rata* to their shareholdings in the Company as at the Record Time) in Hong Kong dollars in full satisfaction of their rights to the relevant CKI Shares pursuant to the Scheme, provided that if the amount that a Non-Qualifying Overseas Shareholder would be entitled to receive is less than HK$50, such sum will be retained for the benefit of CKI. Such payment will be sent to the relevant Non-Qualifying Overseas Shareholders at their own risk within 14 days after any such sale but in any event within 28 days from the Effective Date. In the absence of bad faith or wilful default, none of CKI, the Offeror, the Company and the Selected Person shall have any liability for any loss or damage arising as a result of such sale.

In relation to the CKI Special Dividend payable in respect of the CKI Shares which would otherwise have been allotted to the relevant Non-Qualifying Overseas Shareholders under the Scheme, the CKI Special Dividend will be paid to the Selected Person, who shall pay such Non-Qualifying Overseas Shareholders their attributable entitlements to the CKI Special Dividend as soon as practicable after the payment date for the CKI Special Dividend.

As at the Latest Practicable Date, there were 360 Shareholders whose addresses as registered in the register of members of the Company, were outside Hong Kong, namely in Australia, Canada, France, Germany, Indonesia, Ireland, Macau, Malaysia, Malta, the Netherlands, New Zealand, Pakistan, Panama, the Philippines, Portugal, the PRC, Singapore, Taiwan, Thailand, the United Kingdom and the United States of America.

CKI and the Company have made enquiries with legal advisers in these jurisdictions regarding the legal restrictions under the applicable laws of each of these jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges regarding the issue or transfer of the CKI Shares to these Overseas Shareholders as a result of the implementation of the Scheme.

Based on the advice received and where relevant, taking into account the number of Overseas Shareholders in the relevant jurisdictions as at the Latest Practicable Date and/or the number of Shares they then held and assuming that the relevant legal requirements remain unchanged, there are not expected to be any Excluded Jurisdictions or any Non-Qualifying Overseas Shareholders.

If the address of any Shareholder as registered in the register of members of the Company as at the Record Time is located in any other jurisdiction outside Hong Kong which is not referred to above and such Shareholder should, in the view of CKI and the Company having made the relevant enquiries and having considered the circumstances, be excluded from receiving CKI Shares pursuant to the Scheme on the basis that the law of such jurisdiction precludes an offer of the CKI Shares, or precludes it except after compliance by CKI with conditions with which CKI is unable to comply or which CKI regards as unduly onerous, such jurisdiction will, subject to the Executive's consent, be an Excluded Jurisdiction and the Company will make an announcement to inform Shareholders.

Shareholders and Beneficial Owners should consult their professional advisers if they are in any doubt as to the potential applicability of, or consequences under, any provision of law or regulation or judicial or regulatory decisions or interpretations in any jurisdictions, territory or locality therein or thereof and, in particular, whether there will be any restriction or prohibition on the acquisition, retention, disposal or otherwise with respect to the Shares or the CKI Shares, as the case may be. It is emphasised that none of CKI, the Offeror, the Company, HSBC, BofAML, the Independent Financial Adviser, any of their respective directors, officers, employees, agents, affiliates or advisers or any other person involved in the Scheme accept any responsibility in relation to the above.

Overseas Shareholders should refer to "*Information for Overseas Shareholders*" in this document for further details of the requirements applicable to the jurisdictions where they are located or resident.

16. ADS HOLDERS

Upon the Scheme becoming effective, the Scheme Shares underlying the ADSs will be cancelled and extinguished together with all other Scheme Shares in consideration for the Cancellation Consideration. As the ADSs are governed by the ADS Deposit Agreement (which is governed by the laws of the State of New York) and not Hong Kong law, the terms of the Proposal do not provide for the cancellation of the ADSs.

As at the Latest Practicable Date, there were 2,834,432 ADSs outstanding. Each ADS represents one Share.

Please refer to "*Important Notice and Actions to be Taken*" in this document and "*Actions to be Taken*" in this Explanatory Statement for further information.

17. TAXATION

17.1 Certain Material Hong Kong Tax Considerations

As the Scheme does not involve the sale and purchase of Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation of the Scheme Shares upon the Scheme becoming effective.

17.2 Certain Material US Federal Income Tax Considerations

The following discussion is a summary of certain material US federal income tax considerations under present law of the exchange of Scheme Shares for CKI Shares pursuant to the Proposal, and the ownership and disposition of CKI Shares, in each case, by a US Holder (as defined below). This summary deals only with US Holders receiving CKI Shares in the Proposal that use the US dollar as their functional currency and that hold Scheme Shares, and will hold CKI Shares received pursuant to the Proposal, as capital assets. This summary does not address tax considerations applicable to investors subject to special rules, such as persons that immediately after the execution of the Proposal will own (directly, indirectly or constructively) 5% or more by vote or value of CKI equity interests, certain financial institutions, dealers or traders, insurance companies, mutual funds, regulated investment companies, real estate investment trusts, tax exempt entities, persons holding their Scheme Shares or their CKI Shares as part of a hedge, straddle, conversion, constructive sale or other integrated transaction. It also does not address US state and local or non-US tax considerations.

ADS Holders will be treated as owning the Scheme Shares underlying the ADSs and references in this section 17.2 to Scheme Shares and US Holders shall be understood as including ADSs and ADS Holders respectively.

As used here, "**US Holder**" means, for purposes of the Proposal, a beneficial owner of Scheme Shares and, after the the exchange of Scheme Shares for CKI Shares pursuant to the Proposal, CKI Shares that is, for US federal income tax purposes, (a) a citizen or individual resident of the United States, (b) a corporation or entity treated as such created or organised under the laws of the United States, any state thereof or the District of Columbia, (c) a trust subject to the control of a US person and the primary supervision of a US court or (d) an estate the income of which is subject to US federal income tax without regard to its source.

The tax consequences to a partner in a partnership (or other entity treated as a partnership for US federal income tax purposes) acquiring, holding or disposing of CKI Shares generally will depend on the status of the partner and the activities of the partnership. Partnerships holding Scheme Shares should consult their own tax advisers about the US federal income tax consequences to their partners from participating in the Proposal and acquiring, owning and disposing of CKI Shares. The Company believes, and this discussion assumes, that CKI and the Company will not be passive foreign investment companies ("**PFICs**") in the current year and future years, except as discussed with respect to the Company under "*The Proposal*" below.

The Proposal

The Company believes that the exchange of Scheme Shares for CKI Shares pursuant to the Proposal may qualify as a tax-deferred exchange under section 368(a)(1)(B) of the US Internal Revenue Code of 1986, as amended (the "**Code**") and therefore, except as described below, a US Holder receiving CKI Shares pursuant to the Proposal (i) should not recognise any income, gain or loss upon the receipt of those CKI Shares, (ii) should take an aggregate tax basis in the CKI Shares received equal to such US Holder's aggregate tax basis in its Scheme Shares that were exchanged pursuant to the Proposal, and (iii) should have a holding period for the CKI Shares that includes the period during which the US Holder held the exchanged Scheme Shares. Recipients of the proceeds of sale of any fractional entitlements, as described in "*Fractional Entitlements to the CKI Shares under the Scheme*" in this Explanatory Statement may be taxed on those proceeds as described under "*Sale or Other Disposition of the CKI Shares*" in this section 17.2 below.

However, the Company has neither requested nor received an opinion of US federal income tax counsel that the exchange pursuant to the Proposal qualifies under section 368(a)(1)(B) of the Code and no ruling has been sought or obtained from the US Internal Revenue Service ("**IRS**"). There can be no assurance that the IRS will not take a position that the Proposal does not qualify under section 368(a)(1)(B) of the Code, or that such position would not be sustained if asserted. If such a position were taken and were sustained, then a US Holder would be required to treat the exchange of Scheme Shares for CKI Shares pursuant to the Proposal as a taxable exchange in which such US Holder would recognise gain or loss in an amount equal to the difference between its tax basis in the Scheme Shares and fair market value of the CKI Shares received, each determined in US dollars, would take a tax basis in the CKI Shares equal to the fair market value of those CKI Shares, and would have a holding period in their CKI Shares that begins with the effective date of the Proposal. Any gain or loss generally would be capital gain or loss treated as from sources within the United States for foreign tax credit purposes and will generally be long-term capital gain or loss if such US Holder has owned its Scheme Shares for more than one year.

In addition, if the Company has been a PFIC for any taxable year of the Company in which a US Holder has owned Scheme Shares, such US Holder may be required to recognise gain, if any, as ordinary income and may be subject to certain additional taxes on the exchange of such US Holder's Scheme Shares for CKI Shares even if the exchange would otherwise qualify as a tax-deferred exchange under section 368(a)(1)(B) of the Code. The Company does not believe that it is a PFIC in its current taxable year, and although it has not undertaken to determine whether it had been a PFIC in any prior taxable year, it does not believe it was a PFIC in the immediately preceding taxable year. US Holders should consult their tax advisers concerning the PFIC rules and any potential considerations relevant to them arising from the Proposal.

Ownership of the Shares

Distributions on the CKI Shares

Distributions with respect to the CKI Shares, including taxes withheld therefrom, if any, will generally be included in a US Holder's gross income as foreign source ordinary dividend income when received. Any dividends will not be eligible for the dividends received deduction generally allowed to US corporations. Dividends received will generally be included in net investment income for purposes of the Medicare tax applicable to certain non-corporate US Holders.

Dividends paid in any currency other than US dollars will be includable in income in the US dollar amount calculated by reference to the exchange rate in effect on the day the dividends are actually or constructively received by the US Holder, regardless of whether the currency is converted into US dollars at that time. A US Holder will have a basis in the currency received equal to the US dollar value on the date of receipt. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend is includable in the income of the US Holder to the date such payment is converted into US dollars (or the US Holder otherwise disposes of the currency) will be exchange gain or loss and will be treated as US source ordinary income or loss for foreign tax credit limitation purposes. If dividends received in a currency other than US dollars are converted into US dollars on the day the dividends are received, the US Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income.

Dividends will also not be eligible for the preferential tax rate applicable to "qualified dividend income" received by certain non-corporate US Holders.

Sale or Other Disposition of the CKI Shares

A US Holder generally will recognise capital gain or loss on the sale or other disposition of CKI Shares in an amount equal to the difference between the US Holder's adjusted tax basis in the CKI Shares and the US dollar value of the amount realised from the disposition. The gain or loss will be long-term capital gain or loss if the holder has held the CKI Shares for more than one year. Deductions for capital losses are subject to significant limitations. Gains will be included in net investment income for purposes of the Medicare tax on net investment income generally applicable to certain non-corporate US Holders.

A US Holder that receives a currency other than US dollars on the disposition of CKI Shares will realise an amount equal to the US dollar value of the currency received at the spot rate on the date of sale (or, in the case of cash basis and electing accrual basis US Holders, the settlement date). An accrual basis US Holder that does not elect to determine the amount realised using the spot rate on the settlement date will recognise foreign currency gain or loss equal to the difference between the US dollar value of the amount received based on the spot exchange rates in effect on the date of sale or other disposition and the settlement date. A US Holder will have a tax basis in the currency received equal to the US dollar value of the currency received on the settlement date. Any gain or loss on a subsequent disposition or conversion of the currency will be US source ordinary income or loss.

Backup Withholding and Information Reporting

The receipt of CKI Shares pursuant to the Proposal, and payments of dividends and other proceeds with respect to the CKI Shares, may be reported to the IRS unless the holder is a corporation or otherwise establishes a basis for exemption. Backup withholding may apply to amounts subject to reporting if the holder fails to provide an accurate taxpayer identification number or otherwise establish a basis for exemption. A US Holder can claim a credit against its US federal income tax liability for amounts withheld under the backup withholding rules, and can claim a refund of amounts in excess of its tax liability by providing the appropriate information to the IRS in a timely manner.

Certain US Holders are required to furnish to the IRS information with respect to investments in the CKI Shares not held through an account with a financial institution. Investors who fail to report required information could become subject to substantial penalties. Potential investors are encouraged to consult with their own tax advisers about these and any other reporting obligations arising from their investment in the CKI Shares.

17.3 General

The Scheme Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of the Scheme and in particular, whether the receipt of the Cancellation Consideration under the Scheme would make such Scheme Shareholder liable to taxation in

Hong Kong or in other jurisdictions. It is emphasised that none of CKI, the Offeror, the Company, HSBC, BofAML, the Independent Financial Adviser, any of their respective directors, officers, employees, agents, affiliates or advisers or any other person involved in the Proposal or the Scheme accepts any responsibility in relation to any tax or other effects on, or liabilities of, any person in connection with the Scheme in Hong Kong or any other jurisdiction.

18. COURT MEETING AND GENERAL MEETING

In accordance with the direction of the Court, the Court Meeting will be convened for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modification).

The General Meeting will be held for the purpose of considering and, if thought fit, passing (a) a special resolution to approve the Scheme and the implementation of the Scheme, including the reduction and restoration of the issued share capital of the Company under the Scheme and (b) an ordinary resolution to agree to the payment by CKI of the CKI Special Dividend.

A notice convening the Court Meeting to be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Tuesday, 24 November 2015 at 2:00 p.m. is set out on pages N-1 and N-2 of this document. A notice convening the General Meeting to be held at the same venue on the same date at 2:30 p.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned) is set out on pages N-3 to N-5 of this document.

If tropical cyclone warning signal no. 8 or above is hoisted or a black rainstorm warning signal is in force at 9:00 a.m. on Tuesday, 24 November 2015, the Court Meeting and the General Meeting will be postponed and, by virtue of the same notices of the Court Meeting and the General Meeting, respectively, set out on pages N-1 to N-5 of this document, the Court Meeting and the General Meeting will be held instead on Wednesday, 25 November 2015 at 2:00 p.m. and 2:30 p.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned), respectively, or at a time on an alternative day to be announced that falls within seven Business Days of the original date scheduled for the Court Meeting and the General Meeting in the event that a tropical cyclone warning signal no. 8 or above is hoisted or a black rainstorm warning signal is in force at 9:00 a.m. on Wednesday, 25 November 2015. Shareholders may call the hotline at +852 2122 9122 during business hours from 9:00 a.m. to 5:00 p.m. on Mondays to Fridays, excluding public holidays, or visit the website of the Company at **www.powerassets.com** for details of alternative meeting arrangements. The Court Meeting and the General Meeting will be held as scheduled even when a tropical cyclone warning signal no. 3 or below is hoisted, or an amber or red rainstorm warning signal is in force. Shareholders should make their own decision as to whether to attend the Court Meeting and the General Meeting under bad weather conditions bearing in mind their own situation and, if they should choose to do so, they are advised to exercise care and caution.

The Offeror and the Specified Offeror Concert Parties will abstain from voting on the resolution to approve the Scheme at the Court Meeting.

19. RECOMMENDATIONS

19.1 Recommendation of the Directors (other than those on the Independent Board Committee)

Having taken into account the objectives and reasons for, and the benefits of, the Proposal and its effects as set out above, the Directors (other than those on the Independent Board Committee whose views are set out in "*Letter from the Independent Board Committee*" in this document) consider that (a) the terms of the Proposal are fair and reasonable and (b) the Proposal is in the interests of the Shareholders as a whole.

Accordingly, the Directors (other than those on the Independent Board Committee) recommend that:

(1) the Disinterested Shareholders vote in favour of the resolution to approve the Scheme at the Court Meeting; and

(2) the Shareholders vote in favour of the special resolution to approve the Scheme and the implementation of the Scheme, including the reduction and restoration of the issued share capital of the Company under the Scheme, at the General Meeting.

19.2 Advice of the Independent Financial Adviser

In the letter from the Independent Financial Adviser set out in this document, the Independent Financial Adviser has stated that based on the principal factors and reasons set out in its letter, it considers that the terms of the Proposal are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Financial Adviser has advised the Independent Board Committee to recommend the Disinterested Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting and the Shareholders to vote in favour of the special resolution to approve the Scheme, including the reduction and restoration of the issued share capital of the Company under the Scheme at the General Meeting.

Your attention is drawn to the advice and recommendation of the Independent Financial Adviser in "*Letter from the Independent Financial Adviser*" in this document.

19.3 Recommendation of the Independent Board Committee

The Board has established the Independent Board Committee, comprising Mr. Ip Yuk-keung, Albert, Mr. Ralph Raymond Shea, Mr. Wong Chung Hin and Mr. Wu Ting Yuk, Anthony, all of whom are independent non-executive Directors, to make recommendations to the Disinterested Shareholders in respect of the Proposal. Mr. Li Tzar Kuoi, Victor and Mr. Frank John Sixt, who are non-executive Directors, have not been appointed to the Independent Board Committee as they are also executive CKI Directors.

The Independent Board Committee, having considered (a) the objectives and reasons for, and the benefits of, the Proposal and its effects as set out above and (b) the terms of the Proposal and having taken into account the advice of the Independent Financial Adviser, and in particular, the factors, reasons and recommendation set out in "*Letter from the Independent Financial Adviser*" in this document, considers that the terms of the Proposal are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Independent Board Committee recommends that:

(1) the Disinterested Shareholders vote in favour of the resolution to approve the Scheme at the Court Meeting; and

(2) the Shareholders vote in favour of the special resolution to approve the Scheme and the implementation of the Scheme, including the reduction and restoration of the issued share capital of the Company under the Scheme, at the General Meeting.

Your attention is drawn to the recommendation of the Independent Board Committee in "*Letter from the Independent Board Committee*" in this document.

20. INDICATIONS AS TO VOTING

Each of the Relevant CKI Subsidiaries, Mr. Li Tzar Kuoi, Victor, Mr. Kam Hing Lam, Mrs. Lee Pui Ling, Angelina and Ms. Eirene Yeung has indicated that if the Scheme is approved at the Court Meeting, those Shares which it, he or she holds or which it, he or she is interested in (as the case may be) will be voted in favour of the special resolution to approve the Scheme and the implementation of the Scheme at the General Meeting, but it, he or she or its, his or her associates (as the case may be) will voluntarily abstain from voting those Shares on the CKI Special Dividend Resolution at the General Meeting.

In addition, Mr. Tsai Chao Chung, Charles, a Director, has indicated that those Shares held by him will be voted in favour of (a) the resolution to approve the Scheme at the Court Meeting and (b) the special resolution to approve the Scheme and the implementation of the Scheme at the General Meeting, but he will voluntarily abstain from voting those Shares on the CKI Special Dividend Resolution at the General Meeting.

21. ACTIONS TO BE TAKEN

21.1 Actions to be taken by Shareholders

A **pink** form of proxy for use at the Court Meeting and a **blue** form of proxy for use at the General Meeting are enclosed with copies of this document sent to the Registered Owners.

Whether or not you are able to attend the Court Meeting and/or the General Meeting, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and also the enclosed blue form of proxy in respect of

the General Meeting, in accordance with the respective instructions printed on them, and to lodge them at the Company's registered office at Rooms 1913-1914, 19th Floor, Hutchison House, 10 Harcourt Road, Hong Kong.

In order to be valid, the **pink** form of proxy for use at the Court Meeting should be lodged not later than 2:00 p.m. on Sunday, 22 November 2015. The **pink** form of proxy may also be handed to the Chairman of the Court Meeting at the Court Meeting. The **blue** form of proxy for use at the General Meeting should be lodged not later than 2:30 p.m. on Sunday, 22 November 2015. The completion and return of the relevant forms of proxy will not preclude you from attending and voting in person at the relevant meeting should you so wish. In such event, the returned form of proxy for that meeting will be deemed to have been revoked.

Even if you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the General Meeting, you will still be bound by the outcome of the Court Meeting and/or the General Meeting. You are therefore strongly urged to attend and vote at the Court Meeting and/or the General Meeting in person or by proxy.

Voting at the Court Meeting and the General Meeting will be taken by poll.

If any Shareholder has questions concerning administrative matters, such as dates, documentation and procedures relating to the Proposal, please call the Company's share registrar, Computershare Hong Kong Investor Services Limited, at +852 2862 8555 between 9:00 a.m. and 5:00 p.m. on Mondays to Fridays, excluding public holidays. This hotline cannot and will not provide advice on the merits of the Proposal or the Scheme or give financial or legal advice.

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the General Meeting, the register of members of the Company will be closed from Thursday, 19 November 2015 to Tuesday, 24 November 2015 (both days inclusive) and, during such period, no transfer of Shares will be effected.

In order to qualify to vote at the Court Meeting and the General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Wednesday, 18 November 2015.

An announcement will be made by the Company in relation to the results of the Court Meeting and the General Meeting, and if all of the requisite resolutions to approve the Scheme are passed at those meetings, further announcement(s) will be made in relation to, among other things, the results of the Court Hearing of the petition to sanction the Scheme, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange.

21.2 Actions to be taken by Beneficial Owners whose Shares are held by a Registered Owner

Except as required by law, no person shall be recognised by the Company as holding any Shares on trust.

If you are a Beneficial Owner whose Shares are registered in the name of a nominee, trustee, depositary or any other authorised custodian or third party, you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the General Meeting.

If you are a Beneficial Owner who wishes to attend the Court Meeting and/or the General Meeting personally, you should:

(a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the General Meeting and for such purpose, the Registered Owner may appoint you as its proxy; or

(b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name, if you wish to vote (in person or by proxy) at the Court Meeting and/or the General Meeting.

The appointment of a proxy by the Registered Owner at the relevant Court Meeting and/or the General Meeting shall be in accordance with all relevant provisions in the Articles of Association.

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and should be lodged in the manner and before the latest time for lodging the relevant forms of proxy as described in this document.

The completion and return of a form of proxy for the Court Meeting and/or the General Meeting will not preclude the Registered Owner from attending and voting in person at the Court Meeting or the General Meeting. In such event, the returned form of proxy will be deemed to have been revoked.

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time for the lodgement of the forms of proxy in respect of the Court Meeting and the General Meeting in order to provide the Registered Owner with sufficient time to complete his/her/its forms of proxy accurately and to lodge them by the deadline. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of the forms of proxy in respect of the Court Meeting and the General Meeting, such Beneficial Owner should comply with the requirements of such Registered Owner.

21.3 Actions to be taken by Beneficial Owners whose Shares are deposited in CCASS

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you should, unless you are admitted to participate in CCASS as an Investor Participant:

(a) contact your broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, a CCASS participant regarding voting instructions to be given to such persons; or

(b) arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name, if you wish to vote (in person or by proxy) at the Court Meeting and/or the General Meeting.

The procedure for voting by Investor Participants and Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the "Operating Guide for Investor Participants", the "General Rules of CCASS" and the "CCASS Operational Procedures" in effect from time to time.

21.4 Actions to be taken by ADS Holders

Completion of ADS Voting Instruction Card

If you are an ADS Holder, you cannot vote at the Court Meeting or the General Meeting directly, but as a registered ADS Holder as at 5:00 p.m. on Monday, 9 November 2015 (New York time), you may instruct the Depositary (as the holder of the Shares underlying the ADS(s) through its nominee HKSCC Nominees Limited) to vote the Shares underlying your ADS(s) at the Court Meeting and the General Meeting in accordance with the terms of the ADS Deposit Agreement and the ADS Voting Instruction Card. Voting at the Court Meeting and the General Meeting will be taken by poll. An ADS Voting Instruction Card is enclosed with copies of this document sent to the ADS Holders for this purpose and must be completed, signed and returned to the Depositary in accordance with the instructions printed on it as soon as possible but in any event so as to be received by the Depositary **not later than the ADS Voting Instruction Deadline, which is 10:00 a.m. on Monday, 16 November 2015 (New York time)**. ADS Voting Instruction Cards must be returned to the Depositary at its offices located at the address specified on the ADS Voting Instruction Card. You may not change the voting instructions indicated on your completed ADS Voting Instruction Card unless you notify the Depositary of such change in writing prior to the ADS Voting Instruction Deadline. If you hold ADS(s) indirectly through a financial intermediary, you must follow the procedures of the financial intermediary through which you hold your ADS(s) if you wish to vote.

If you transfer your ADS(s) or present your ADS(s) for cancellation prior to 5:00 p.m. on Monday, 9 November 2015 (New York time), any voting instructions provided by you to the Depositary will be disregarded by the Depositary.

If you only become an ADS Holder of record after 5:00 p.m. on Monday, 9 November 2015 (New York time), you will not be entitled to provide instructions to the Depositary to vote the Shares underlying your ADS(s) and, since the ADS facility will be closed for withdrawals of Shares from 5:00 p.m. on Monday, 9 November 2015 to Tuesday, 24 November 2015 (both days inclusive) (New York time), you will not be able to withdraw the Shares underlying your ADS(s) and become a Shareholder of record in time to have the right to attend and vote at the Court Meeting and/or the General Meeting.

Voting at the Court Meeting and the General Meeting and Attending the Court Hearing

If you are an ADS Holder and wish to attend and vote at the Court Meeting and/or the General Meeting (in person or by proxy), you must surrender your ADS(s) and withdraw the Shares represented by such ADS(s) in accordance with the terms of the ADS Deposit Agreement prior to 5:00 p.m. on Monday, 9 November 2015 (New York time) so that you can be registered as a Shareholder prior to the Court Meeting and/or the General Meeting. If you present your ADSs for cancellation prior to 5:00 p.m. on Monday, 9 November 2015 (New York time), any voting instructions that you may have provided to the Depositary will be disregarded by the Depositary, as you would not be an ADS Holder as at the ADS Record Time of 5:00 p.m. on Monday, 9 November 2015 (New York time). The ADS facility will be closed for withdrawals of Shares from 5:00 p.m. on Monday, 9 November 2015 to Tuesday, 24 November 2015 (both days inclusive) (New York time). Furthermore, if you are an ADS Holder and wish to be entitled to be present in person or be represented by counsel at the Court Hearing to support or oppose the petition for the sanction of the Scheme, you must surrender your ADS(s) and withdraw the Shares represented by such ADS(s) in accordance with the terms of the ADS Deposit Agreement by no later than 5:00 p.m. on Tuesday, 8 December 2015 (New York time) so that you can be registered as a Shareholder prior to the Court Hearing. Voting at the Court Meeting and the General Meeting will be taken by poll.

If you hold ADS(s) indirectly through a financial intermediary and wish to attend and vote at the Court Meeting and/or the General Meeting or be present in person or be represented by counsel at the Court Hearing, you must contact the financial intermediary through which you hold your ADS(s) and request it to surrender the ADS(s) beneficially owned by you and to withdraw the Shares prior to 5:00 p.m. on Monday, 9 November 2015 (New York time) so that you can be registered as a Shareholder prior to the Court Meeting and/or the General Meeting and/or prior to the Court Hearing. The ADS facility will be closed for withdrawals of Shares from 5:00 p.m. on Monday, 9 November 2015 to Tuesday, 24 November 2015 (both days inclusive) (New York time).

If you are an ADS Holder and you wish to attend and vote at the Court Meeting and/or the General Meeting and choose to surrender your ADS(s) and have the Shares withdrawn registered in the name of a nominee, trustee, depositary or any other authorised custodian or third party, or have the Shares withdrawn deposited in CCASS and registered under the name of HKSCC Nominees Limited, for which you will be the

Beneficial Owner, please refer to "*– Actions to be taken by Beneficial Owners whose Shares are held by a Registered Owner*" or "*– Actions to be taken by Beneficial Owners whose Shares are deposited in CCASS*" above, as appropriate.

If you only become an ADS Holder of record after 5:00 p.m. (New York time) on Monday, 9 November 2015, you will not be entitled to provide instructions to the Depositary to vote the Shares underlying your ADS(s) and, since the ADS facility will be closed for withdrawals of Shares from 5:00 p.m. on Monday, 9 November 2015 to Tuesday, 24 November 2015 (both days inclusive) (New York time), you will not be able to withdraw the Shares underlying your ADS(s) and become a Shareholder of record in time to have the right to attend and vote at the Court Meeting and/or the General Meeting.

The Company will pay to the Depositary its fees for the cancellation of your ADS(s) for the purposes of attending and voting at the Court Meeting and the General Meeting or to be present in person or represented by counsel at the Court Hearing, but you may incur taxes and governmental and other charges and fees in connection with such surrender and withdrawal. In order to cancel your ADS(s) and withdraw the underlying Shares, you should contact the Depositary at the following address: (by mail) Citibank, N.A., Corporate Actions, P.O. Box 43014, Providence, RI 02940-3014, or (by overnight courier) Citibank, N.A., Corporate Actions, 250 Royall Street, Canton, MA 02021; or by telephone at +1-877-248-4237 from 9:00 a.m. to 5:00 p.m. (New York time), Mondays to Fridays, excluding public holidays. If you present your ADS(s) for cancellation prior to 5:00 p.m. on Monday, 9 November 2015 (New York time), any voting instructions provided by you to the Depositary will be disregarded, as you would not be an ADS Holder as at the ADS Record Time of 5:00 p.m. on Monday, 9 November 2015 (New York time).

The Depositary will provide ADS Holders with copies of this document and the ADS Voting Instruction Card, which, among other things, will contain instructions as to the actions to be taken by the ADS Holders in order to be registered as Shareholders and be entitled to attend and vote at the Court Meeting and/or the General Meeting and to be present in person or be represented by counsel at the Court Hearing.

If you would like to obtain further information on surrendering your ADS(s) or have any questions relating to this document or the completion and return of the ADS Voting Instruction Card, please contact the Depositary at +1-877-248-4237 from 9:00 a.m. to 5:00 p.m. (New York time), Mondays to Fridays, excluding public holidays. This hotline cannot and will not provide advice on the merits of the Proposal or the Scheme or give financial or legal advice.

22. COSTS OF THE SCHEME

CKI, the Offeror and the Company have agreed that (a) if the Scheme does not proceed or is withdrawn or lapses, all costs and expenses incurred by the Company in connection with the Scheme will be borne by CKI and (b) if the Scheme becomes effective, all costs and expenses incurred in connection with the Scheme will be borne by CKI and the Company in equal shares. The costs and expenses for the implementation of the Scheme are estimated to be approximately HK$205 million.

23. FURTHER INFORMATION

This document will be despatched to the Shareholders, and the Depositary will arrange for the despatch of copies of this document to ADS Holders, in each case at no cost to them. In addition, Shareholders and ADS Holders may obtain electronic copies of this document free of charge from the Company's website at **www.powerassets.com** and the Stock Exchange's website at **www.hkexnews.hk**.

Further information is set out in the Appendices to, and elsewhere in, this document, all of which form part of this Explanatory Statement.

In addition to the documents available for inspection set out in "*Appendix VII – Documents Available for Inspection*", each of CKI and the Company publishes its annual and interim reports, announcements and other corporate communications on their websites at **www.cki.com.hk** and **www.powerassets.com**, respectively, and on the Stock Exchange's website at **www.hkexnews.hk**. Information published by CKI and the Company on the Stock Exchange's website can be found on such website by reference to their respective stock codes or stock names.

You should rely only on the information contained in this document in order to vote your Shares at the Court Meeting and the General Meeting. None of CKI, the Offeror, the Company, HSBC, BofAML, the Independent Financial Adviser, any of their respective directors, officers, employees, agents, affiliates or advisers or any other person involved in the Proposal or the Scheme has authorised anyone to provide you with information that is different from what is contained in this document.

Shareholders and holders of other securities of either CKI or the Company and potential investors in the securities of either CKI or the Company should note that the Proposal and all transactions thereunder are subject to, among other things, compliance with applicable legal and regulatory requirements, including the requirements for approval by shareholders of the companies concerned at general meeting(s), sanction by the Court and approval of the Stock Exchange and/or other regulators. Accordingly, there is no certainty as to whether, and if so when, any such proposed transactions will proceed and/or become effective.

Shareholders and holders of other securities of either CKI or the Company and potential investors in the securities of either CKI or the Company, should exercise caution when dealing in the shares or other securities of either CKI or the Company. Any person who is in doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

24. LANGUAGE

In case of any inconsistency, the English language text of this document and the accompanying forms of proxy shall prevail over the Chinese language text.

1. GENERAL

The making of the Proposal to certain Shareholders may be subject to the laws of jurisdictions other than Hong Kong. Overseas Shareholders and Beneficial Owners residing in jurisdictions other than Hong Kong should inform themselves about and observe all legal and regulatory requirements applicable to them. It is the responsibility of the Shareholders and the Beneficial Owners to satisfy themselves as to the full observance of the laws of the relevant jurisdictions applicable to them in connection with the Scheme, including obtaining any governmental, exchange control or other consents which may be required, and compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdictions.

Shareholders and Beneficial Owners should consult their professional advisers if they are in any doubt as to the potential applicability of, or consequences under, any provision of law or regulation or judicial or regulatory decisions or interpretations in any jurisdictions, territory or locality therein or thereof and, in particular, whether there will be any restriction or prohibition on the acquisition, retention, disposal or otherwise with respect to the Shares or the CKI Shares, as the case may be. It is emphasised that none of CKI, the Offeror, the Company, HSBC, BofAML, the Independent Financial Adviser, any of their respective directors, officers, employees, agents, affiliates or advisers or any other person involved in the Proposal or the Scheme accepts any responsibility in relation to the above.

A summary of the requirements applicable to Overseas Shareholders or persons in certain jurisdictions is set out below.

2. OVERSEAS SHAREHOLDERS RESIDING OR LOCATED IN AUSTRALIA

The Company and CKI are not licensed in Australia to provide financial advice in respect of the CKI Shares. The Company and CKI also advise that no cooling off period applies in respect of the CKI Shares.

3. OVERSEAS SHAREHOLDERS RESIDING OR LOCATED IN FRANCE

This document does not constitute an offer of securities and has not been approved by the French financial markets authority (the *Autorités des marchés financiers*). Any offer of securities to the public must be made in accordance with the relevant regulations which may impose the publication of a prospectus approved by the *Autorités des marchés financiers*.

4. OVERSEAS SHAREHOLDERS RESIDING OR LOCATED IN ISRAEL

This document does not constitute an offer of securities within its meaning in the Israeli Securities Law, 1968 (the "**Israeli Securities Law**") and is based on an exemption under the Israeli Securities Law.

This document has not been submitted or approved by the Israeli Securities Authority or any other Israeli regulator, and a prospectus was not issued under the Israeli Securities Law. No action has been or will be taken in the State of Israel that would permit a public offering in Israel of the securities described in the Scheme.

This document does not constitute or include an advice within its meaning under the Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management Law, 5755-1995 and in making any investment decision, investors must only rely on their own examination of the securities and the terms of the Scheme, including the merits and risks involved, and should seek advice from appropriate advisors with respect to the legal, accounting, tax and financial ramifications of purchasing the securities.

5. OVERSEAS SHAREHOLDERS RESIDING OR LOCATED IN PORTUGAL

No offer or sale of CKI Shares may be made in Portugal except under circumstances that will result in compliance with the rules concerning marketing of such shares and with the laws of Portugal generally. No notification has been made nor has any been requested from the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*, "**CMVM**") for the issue and allotment of the CKI Shares referred to in this document, therefore the same cannot be offered to the public in Portugal. Likewise, no prospectus or equivalent document has been or will be registered, approved or passported into Portugal in respect of the Scheme and therefore the CKI Shares may not be or caused to be offered, marketed or distributed in Portugal nor may this document be or be caused to be distributed, disseminated or specifically addressed to Portuguese-resident investors in circumstances which would constitute an offer of securities to the public under the Portuguese Securities Code, as amended from time to time. Accordingly, no CKI Shares have been or may be offered or sold to unidentified addressees or to 150 or more non-qualified Portuguese resident investors and no issue or allotment of CKI Shares has been preceded or followed by promotion or solicitation to unidentified investors, public advertisement, nor publication of any promotional material or in any similar manner.

6. OVERSEAS SHAREHOLDERS RESIDING OR LOCATED IN SINGAPORE

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the Scheme (including the notices convening the Court Meeting and the General Meeting and the enclosed forms of proxy in respect of the Court Meeting and the General Meeting) may not be circulated or distributed, nor may CKI Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except under or pursuant to a prospectus registration exemption under Subdivision (4) of Division 1 of Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**") (other than section 280 of the SFA).

7. OVERSEAS SHAREHOLDERS RESIDING OR LOCATED IN TAIWAN

The issue of CKI Shares as described in this document has not been and will not be registered with the Financial Supervisory Commission of Taiwan, the Republic of China pursuant to relevant securities laws and regulations and the CKI Shares may not be offered or sold in Taiwan, the Republic of China through a public offering or in circumstance which constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan, the Republic of China that requires a registration or approval of the Financial Supervisory

Commission of Taiwan, the Republic of China. No person or entity in Taiwan, the Republic of China has been authorised to offer or sell the CKI Shares in Taiwan, the Republic of China.

8. OVERSEAS SHAREHOLDERS RESIDING OR LOCATED IN THAILAND

CKI shall not sign to certify the accuracy of information in any registration statement and draft prospectus submitted to the Office of the Securities and Exchange Commission of Thailand by any Thailand Shareholder participating in the Scheme for the offer of the CKI Shares received pursuant to the Scheme to the public in Thailand within two years from the effective date of the Scheme, unless expressly permitted under the laws of Thailand.

9. OVERSEAS SHAREHOLDERS RESIDING OR LOCATED IN THE UNITED KINGDOM

This document does not constitute an offer of securities to the public within the meaning of section 85(1) of the Financial Services and Markets Act 2000 (the "**FSMA**") or a financial promotion to which section 21(1) of the FSMA applies. This document has not been approved by the Financial Conduct Authority (the "**FCA**"). Any offer of securities to the public in the United Kingdom must be made in accordance with the FSMA and other relevant regulations which may require the publication of a prospectus approved by the FCA.

10. US INVESTORS

This document is not an offer of securities for sale in the United States. The CKI Shares to be issued in connection with the Scheme will not be, and are not required to be, registered under the Securities Act or the securities laws of any state of the United States and will be issued in reliance upon the exemption from the registration requirements of the Securities Act provided by section 3(a)(10) of the Securities Act and available exemptions from such state law registration requirements.

The Proposal relates to the securities of CKI, which is incorporated in Bermuda, and the Company, which is incorporated in Hong Kong. The Proposal will be effected under a scheme of arrangement under Hong Kong law. Accordingly, the Scheme is subject to the disclosure requirements, rules and practices applicable to Hong Kong schemes of arrangement, and the information disclosed in this document may not be the same as that which would have been disclosed if this document had been prepared for the purpose of complying with the requirements of US federal securities laws or in accordance with the laws and regulations of any other jurisdiction. The financial information included in this document has not been, and will not be, prepared in accordance with US GAAP and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with US GAAP. US GAAP differ in certain significant respects from HKFRS. None of the financial information in this document has been audited in accordance with auditing standards generally accepted in the United States or the auditing standards of the Public Company Accounting Oversight Board (United States).

It may be difficult for US holders of the Shares to enforce their rights and any claim arising out of US securities laws, since CKI and the Company are incorporated outside of the United States, some or all of their respective officers and directors are resident outside of the United States and a substantial portion of their respective assets are located outside of the United States. US holders of Shares may not be able to sue a foreign company or its officers or directors in a foreign court for violations of US securities laws, or enforce against them a judgement rendered by a US court. Further, it may be difficult to compel a foreign company and its affiliates to subject themselves to a US court's jurisdiction.

CKI Shares issued to a Shareholder that is neither an "affiliate" (within the meaning of the Securities Act), for the purposes of the Securities Act, of CKI or the Company prior to the Effective Date, nor an affiliate of CKI after the Effective Date, should not be "restricted securities" under the Securities Act, and such CKI Shares may be sold by such persons in ordinary secondary market transactions without restriction under the Securities Act. CKI Shares issued pursuant to the Scheme will not be registered under any US state securities laws and may only be issued to persons resident in a state pursuant to an exemption from the registration requirements of the securities laws of such state.

Persons who are affiliates of CKI or the Company prior to the Effective Date, or an affiliate of CKI after the Effective Date, may not resell CKI Shares received pursuant to the Scheme in the United States without registration under the Securities Act, except pursuant to an applicable exemption from the registration requirements of the Securities Act or in a transaction not subject to such requirements. Persons who may be deemed to be affiliates of CKI or the Company, as the case may be, include individuals who, or entities that, control, directly or indirectly, or are controlled by or are under common control with, CKI or the Company, as the case may be, and may include certain officers and directors of such company and such company's principal shareholders (such as a holder of more than 10% of the outstanding capital stock). Persons who believe they may be affiliates for the purposes of the Securities Act should consult their own legal advisers prior to any sale of CKI Shares received pursuant to the Scheme.

The CKI Shares have not been and will not be listed on a US securities exchange or quoted on any inter-dealer quotation system in the United States. CKI does not intend to facilitate a market in CKI Shares in the United States. Consequently, CKI believes that it is unlikely that an active trading market in the United States will develop for the CKI Shares. CKI does not intend to establish a sponsored American depositary share facility. The Depositary has informed the Company that it intends to distribute to ADS Holders unsponsored depositary shares representing CKI Shares, subject to receipt of payment of applicable depositary receipt issuance and cancellation fees and satisfactory legal comfort that such distribution is exempt from registration under the Securities Act.

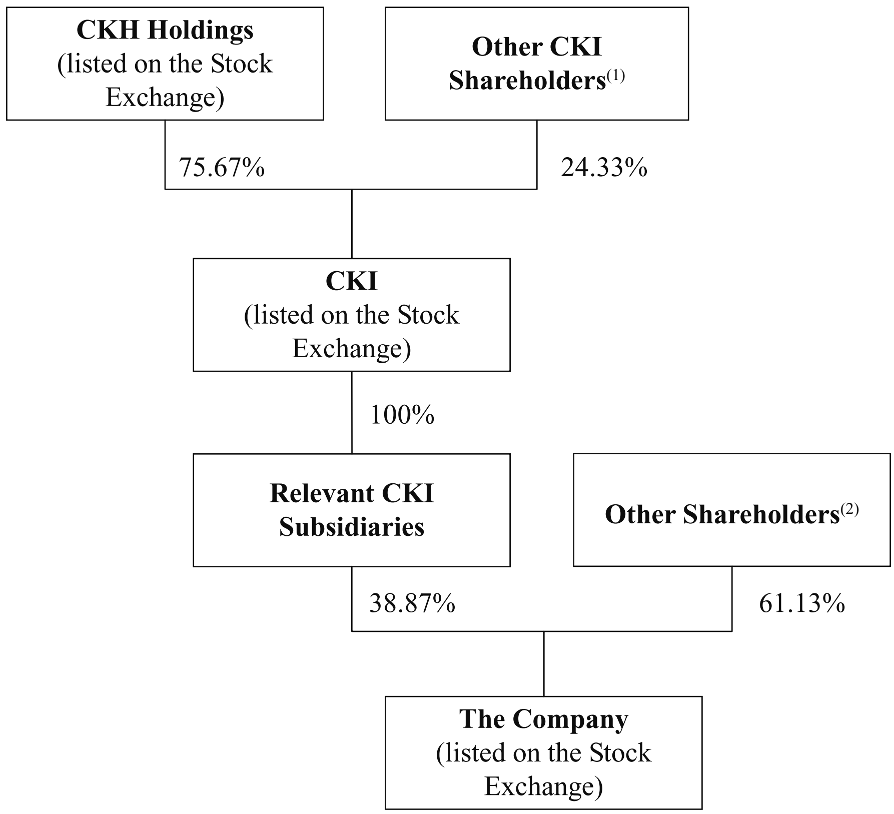
Neither the SEC nor any other US federal or state securities commission or regulatory authority has approved or disapproved of the CKI Shares or passed an opinion on the adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

For the purposes of qualifying for the exemption from the registration requirements of the Securities Act afforded by section 3(a)(10) thereof, the Company will advise the Court at the Court Hearing that its sanctioning of the Scheme will be relied upon by CKI and the Company for such purpose as an approval of the Scheme following a hearing on the fairness of the terms and conditions of the Scheme to the Shareholders, at which hearing all such holders are entitled to attend in person or through counsel to support or oppose the sanctioning of the Scheme and with respect to which notification has been given to all such holders.

Financial Adviser to CKI and the Offeror	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
Financial Adviser to the Company	Merrill Lynch (Asia Pacific) Limited 55th Floor, Cheung Kong Center 2 Queen's Road Central Hong Kong
Independent Financial Adviser to the Independent Board Committee of the Company	Platinum Securities Company Limited 21st Floor, LHT Tower 31 Queen's Road Central Hong Kong
Legal Adviser to the Company as to Hong Kong Law	Woo Kwan Lee & Lo 26th Floor, Jardine House 1 Connaught Place Central Hong Kong
Legal Adviser to CKI and the Offeror as to Hong Kong and United States Laws	Freshfields Bruckhaus Deringer 11th Floor, Two Exchange Square Hong Kong
Legal Adviser to the Financial Adviser to CKI and the Offeror as to Hong Kong and United States Laws	Norton Rose Fulbright 38th Floor, Jardine House 1 Connaught Place Central Hong Kong
Legal Adviser to the Financial Adviser to the Company as to Hong Kong and United States Laws	Kirkland & Ellis 26th Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Auditor of the Company	KPMG *Certified Public Accountants* 8th Floor, Prince's Building 10 Chater Road Central Hong Kong
Auditor of CKI and Reporting Accountant	Deloitte Touche Tohmatsu *Certified Public Accountants* 35th Floor, One Pacific Place 88 Queensway Hong Kong

1. SIMPLIFIED GROUP STRUCTURE AS AT THE LATEST PRACTICABLE DATE

As at the Latest Practicable Date, the simplified group structure of the CKI Group and the Group was as follows:



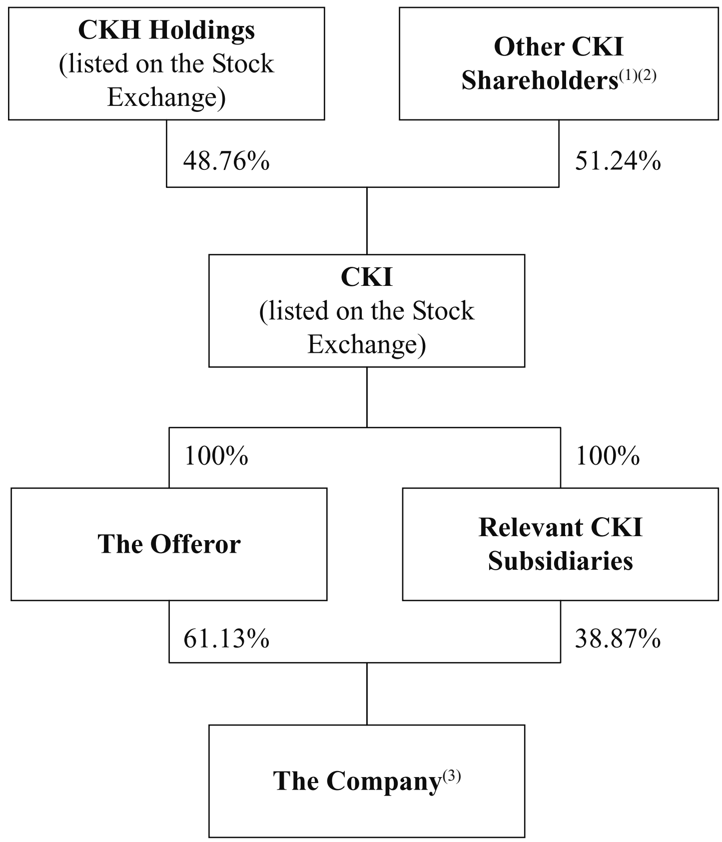
Notes:

(1) The other CKI Shareholders include certain core connected persons of CKI (including, among others, certain CKI Directors), who are not regarded as public shareholders of CKI under the Listing Rules.

(2) The other Shareholders include certain core connected persons of the Company (including, among others, certain Directors), who are not regarded as public Shareholders under the Listing Rules.

2. SIMPLIFIED GROUP STRUCTURE IMMEDIATELY FOLLOWING COMPLETION OF THE PROPOSAL

Immediately following completion of the Proposal, the simplified group structure of the CKI Group is expected to be as follows:



Notes:

(1) The other CKI Shareholders are expected to include certain core connected persons of CKI (including, among others, certain CKI Directors), who are not regarded as public shareholders of CKI under the Listing Rules.

(2) Such other CKI Shareholders comprise (i) persons who are shown as "Other CKI Shareholders" in the simplified group structure chart on page I-1, who are expected to own in aggregate approximately 15.67% of the CKI Shares in issue immediately following completion of the Proposal and (ii) persons who are shown as "Other Shareholders" in the simplified group structure chart on page I-1, who are expected to own in aggregate approximately 35.57% of the CKI Shares in issue immediately following completion of the Proposal.

(3) The listing status of the Company on the Main Board will be withdrawn upon the Scheme becoming effective.

1. RESPONSIBILITY STATEMENT

The issue of this document has been approved by the CKI Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this document (other than information relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document (other than those expressed by the Company or the Directors) have been arrived at after due and careful consideration and there are no other facts (other than those relating to the Group) not contained in this document, the omission of which would make any statement in this document misleading.

The issue of this document has been approved by the Offeror Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this document (other than information relating to the Group), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document (other than those expressed by the Company or the Directors) have been arrived at after due and careful consideration and there are no other facts (other than those relating to the Group) not contained in this document, the omission of which would make any statement in this document misleading.

2. SHARE CAPITAL

2.1 Share Capital of CKI

(a) As at the Latest Practicable Date, the share capital of CKI was as follows:

Authorised Share Capital

Number of authorised shares	4,000,000,000
Amount of authorised share capital	HK$4,000,000,000

Issued and Fully Paid-up Share Capital

Number of shares in issue	2,519,610,945
Amount of issued and paid-up share capital	HK$2,519,610,945

(b) All the CKI Shares in issue and to be issued in connection with the Scheme are or will be fully paid or credited as fully paid and rank *pari passu* in all respects with each other, including as to rights to capital, dividends and voting.

(c) On 27 February 2014, CKI repurchased 56,234,455 CKI Shares at a repurchase price of HK$42.82 per CKI Share by private arrangement.

(d) On 30 January 2015, CKI allotted and issued 80,000,000 CKI Shares at a subscription price of HK$58.00 per CKI Share (less the costs and expenses in connection with the placing and subscription) pursuant to a placing and subscription agreement. Save as aforesaid, no CKI Shares have been issued or bought back by CKI since 31 December 2014, being the end of the last financial year of CKI, up to and including the Latest Practicable Date.

(e) As at the Latest Practicable Date, CKI did not have any outstanding options, warrants or conversion rights affecting CKI Shares.

(f) Save as disclosed in paragraphs 2.1(c) and 2.1(d) above, there has been no reorganisation of capital of CKI during the two financial years preceding the date of the Announcement.

2.2 Share Capital of the Offeror

(a) The Offeror is authorised to issue a maximum of 50,000 shares (with or without par value) of a single class. As at the Latest Practicable Date, there was one share in the Offeror in issue. Hyford Limited, a wholly-owned subsidiary of CKI and the sole shareholder of the Offeror, is entitled to rights to capital, dividends and voting in respect of the issued share in the Offeror.

(b) On 28 August 2015, one share in the Offeror was allotted and issued to Hyford Limited. Save for the foregoing, no shares in the capital of the Offeror had been issued or bought back by the Offeror since 28 August 2015, being the date of its incorporation, up to the Latest Practicable Date.

(c) As at the Latest Practicable Date, the Offeror did not have any outstanding options, warrants or conversion rights affecting shares in the Offeror.

(d) There has been no reorganisation of capital of the Offeror during the two financial years preceding the date of the Announcement.

3. MARKET PRICES

The table below shows the closing prices of CKI Shares on the Stock Exchange on (a) the Latest Practicable Date, (b) the Last Trading Day and (c) at the end of each calendar month during the Relevant Period:

Date	Closing Price of each CKI Share
	(HK$)
31 March 2015	66.65
30 April 2015	65.80
29 May 2015	64.00
30 June 2015	60.20
31 July 2015	67.45
31 August 2015	63.90
8 September 2015 (Last Trading Day)	66.15
30 September 2015	69.25
16 October 2015 (Latest Practicable Date)	70.95

During the Relevant Period, the highest closing price of CKI Shares on the Stock Exchange was HK$70.95 each on 16 October 2015 and the lowest closing price of the CKI Shares on the Stock Exchange was HK$57.70 each on 8 July 2015.

4. DISCLOSURE OF INTERESTS IN CKI SHARES

(a) As at the Latest Practicable Date, the following CKI Directors had the following interests in CKI Shares. For the purpose of this paragraph, "interested" and "interests" have the same meanings given to those terms in Part XV of the SFO:

		Number of CKI Shares					
Name of CKI Director	Capacity	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	Approximate % of shareholding
Li Tzar Kuoi, Victor	Beneficiary of trusts	–	–	–	5,428,000[(1)]	5,428,000	0.22%
Kam Hing Lam	Beneficial owner	100,000	–	–	–	100,000	0.003%

Note:

(1) 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 the trustees of DT1 and 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 holds a total of 5,428,000 CKI Shares.

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 interested in CKI Shares 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 CKI Shares 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 CKI Director and a discretionary beneficiary of each of DT1 and DT2, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to CKI Shares held by TUT1 as trustee of UT1 under the SFO.

(b) As at the Latest Practicable Date, the following Offeror Concert Parties (other than CKI Directors) owned or controlled CKI Shares:

Name of Offeror Concert Parties (other than CKI Directors)	Number of CKI Shares	Approximate % of shareholding
CKH Holdings(1)	1,906,681,945	75.67%
HSBC group(2)	275,967	0.01%

Notes:

(1) Such 1,906,681,945 CKI Shares were held by Hutchison Infrastructure Holdings Limited, a subsidiary of Hutchison Whampoa Limited. CKH Holdings is deemed to be interested in such 1,906,681,945 CKI Shares as CKH Holdings holds more than one-third of the issued share capital of each of Cheung Kong (Holdings) Limited and CK Global Investments Limited, and certain subsidiaries of Cheung Kong (Holdings) Limited and CK Global Investments Limited hold more than one-third of the issued share capital of Hutchison Whampoa Limited.

(2) HSBC is the financial adviser to CKI and the Offeror in relation to the Proposal. As such, HSBC and relevant members of the HSBC group (except those which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code) as regards CKI Shares they own or control are presumed to be acting in concert with CKI and the Offeror in relation to the Company in accordance with class (5) of the definition of "acting in concert" under the Takeovers Code.

(c) As at the Latest Practicable Date, save as disclosed above in this paragraph 4:

(i) none of the CKI Directors or the Offeror Directors was interested in any CKI Shares or any convertible securities, warrants, options or derivatives in respect of CKI Shares;

(ii) none of the Offeror Concert Parties owned or controlled any CKI Shares or any convertible securities, warrants, options or derivatives in respect of CKI Shares; and

(iii) none of CKI, the Offeror or any of the Offeror Concert Parties had borrowed or lent any CKI Shares or any convertible securities, warrants, options or derivatives in respect of CKI Shares, save for any borrowed CKI Shares which had been either on-lent or sold.

5. DISCLOSURE OF INTERESTS IN THE OFFEROR SHARES

The Offeror is a wholly-owned subsidiary of CKI.

6. DISCLOSURE OF INTERESTS IN THE SHARES

As at the Latest Practicable Date, save as disclosed in "*Effects of the Proposal on the Shareholding Structure of the Company and CKI – Shareholding Structure of the Company*" in the Explanatory Statement:

(a) none of CKI, the Offeror or any of their respective directors was interested in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;

(b) none of the Offeror Concert Parties owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares; and

(c) none of CKI, the Offeror or any of the Offeror Concert Parties had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares, save for any borrowed Shares which have been either on-lent or sold.

7. DEALINGS IN CKI SHARES

(a) Details of dealings in CKI Shares by members of the HSBC group (except those which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code) during the Relevant Period are set out below:

Name	Trade Date	Purchase/Sale	Number of CKI Shares	Price per CKI Share (HK$)
HSBC Bank USA, National Association	12 March 2015	Purchase	525	65.30
	12 March 2015	Purchase	476	65.30
	24 March 2015	Purchase	1,450	66.50
	24 March 2015	Purchase	425	66.50
	24 March 2015	Sale	2,760	66.25
	24 March 2015	Sale	528	65.40
	1 April 2015	Purchase	225	66.05
	1 April 2015	Purchase	325	66.05
	1 April 2015	Purchase	325	66.05
	8 April 2015	Purchase	375	65.50
	9 April 2015	Purchase	200	65.70
	14 April 2015	Purchase	400	68.15
	16 April 2015	Purchase	200	66.00
	16 April 2015	Purchase	1,650	66.00
	22 April 2015	Sale	915	66.50

Name	Trade Date	Purchase/Sale	Number of CKI Shares	Price per CKI Share (HK$)
	22 April 2015	Sale	9,490	67.00
	23 April 2015	Purchase	150	66.25
	28 April 2015	Purchase	75	65.30
	29 April 2015	Sale	915	65.45
	30 April 2015	Purchase	175	65.90
	30 April 2015	Purchase	400	65.90
	6 May 2015	Sale	357	64.95
	12 May 2015	Purchase	575	64.75
	22 May 2015	Purchase	275	64.25
	27 May 2015	Sale	25	63.55
	28 May 2015	Purchase	400	65.00
	28 May 2015	Purchase	25	65.00
	4 June 2015	Sale	25	64.35
	9 June 2015	Purchase	191	64.25
	9 June 2015	Purchase	380	64.25
	9 June 2015	Purchase	650	64.25
	11 June 2015	Purchase	150	62.05
	11 June 2015	Purchase	225	62.05
	11 June 2015	Purchase	225	62.05
	11 June 2015	Purchase	150	62.05
	12 June 2015	Purchase	85	62.35
	12 June 2015	Sale	25	61.90
	16 June 2015	Purchase	750	61.50
	17 June 2015	Purchase	5,000	61.85
	19 June 2015	Purchase	175	60.90
	19 June 2015	Purchase	900	60.90
	23 June 2015	Purchase	825	62.40
	2 July 2015	Purchase	125	60.20
	2 July 2015	Purchase	725	60.20
	2 July 2015	Sale	120	59.40
	9 July 2015	Purchase	135	59.40
	9 July 2015	Purchase	250	59.40
	9 July 2015	Purchase	25	59.40
	9 July 2015	Purchase	130	59.40
	10 July 2015	Purchase	750	59.05
	10 July 2015	Sale	11,645	58.95
	14 July 2015	Purchase	525	61.45
	14 July 2015	Purchase	175	61.45
	15 July 2015	Purchase	87	62.05
	21 July 2015	Purchase	525	62.30
	3 August 2015	Purchase	325	68.80
	11 August 2015	Purchase	375	67.65
	14 August 2015	Purchase	1,340	66.95
	14 August 2015	Purchase	225	66.95
	14 August 2015	Purchase	1,528	66.95
	14 August 2015	Sale	50	66.55
	14 August 2015	Sale	25	66.55
	20 August 2015	Sale	50	65.35

Name	Trade Date	Purchase/Sale	Number of CKI Shares	Price per CKI Share (HK$)
	27 August 2015	Purchase	335	63.80
	27 August 2015	Purchase	100	63.80
	27 August 2015	Purchase	225	63.80
	27 August 2015	Purchase	75	63.80
	27 August 2015	Sale	915	63.70
	1 September 2015	Purchase	150	63.95
	4 September 2015	Sale	835	63.45
HSBC Trust Company (Delaware), N.A.	16 April 2015	Purchase	50	66.00
	5 August 2015	Purchase	50	68.10
Portfolio Management Team of Private Banking Division of The Hongkong and Shanghai Banking Corporation Limited	11 March 2015	Sale	1,000	64.95
	11 March 2015	Sale	1,000	64.95
	11 March 2015	Sale	1,000	64.95
	11 March 2015	Sale	1,000	64.95
	11 March 2015	Sale	1,000	64.95
	11 March 2015	Sale	1,000	64.95
	11 March 2015	Sale	1,000	64.70
	11 March 2015	Sale	1,000	64.70
	11 March 2015	Sale	1,000	64.70
	11 March 2015	Sale	1,000	64.70
	11 March 2015	Sale	1,000	64.75
	11 March 2015	Sale	1,000	64.80
	11 March 2015	Sale	1,000	64.80
	11 March 2015	Sale	1,000	64.80
	11 March 2015	Sale	1,000	64.80
	11 March 2015	Sale	1,000	64.70
	25 March 2015	Sale	6,000	66.20
	2 April 2015	Sale	1,000	66.15
	2 April 2015	Sale	1,000	65.40
	2 April 2015	Sale	1,000	65.60
	9 April 2015	Sale	1,000	65.60
	9 April 2015	Sale	1,000	65.50
	9 April 2015	Sale	1,000	65.60
	9 April 2015	Sale	1,000	65.60
	9 April 2015	Sale	1,000	65.50
	20 April 2015	Sale	4,000	65.20
	20 April 2015	Sale	1,000	64.65
	20 April 2015	Sale	1,000	64.65
	20 April 2015	Sale	2,000	64.65
	22 April 2015	Sale	1,000	66.00
	5 May 2015	Sale	1,000	66.05
	5 May 2015	Sale	1,000	66.05
	5 May 2015	Sale	1,000	66.05
	5 May 2015	Sale	1,000	66.05
	5 May 2015	Sale	1,000	66.05
	5 May 2015	Sale	1,000	66.05
	5 May 2015	Sale	1,000	66.05

Name	Trade Date	Purchase/Sale	Number of CKI Shares	Price per CKI Share (HK$)
	5 May 2015	Sale	1,000	66.10
	5 May 2015	Sale	1,000	66.10
	5 May 2015	Sale	1,000	66.15
	5 May 2015	Sale	1,000	66.15
	5 May 2015	Sale	1,000	66.15
	5 May 2015	Sale	1,000	66.15
	5 May 2015	Sale	1,000	66.10
	5 May 2015	Sale	1,000	66.10
	5 May 2015	Sale	1,000	66.10
	5 May 2015	Sale	1,000	66.10
	5 May 2015	Sale	1,000	66.10
	5 May 2015	Sale	1,000	66.10
	5 May 2015	Sale	1,000	66.15
	5 May 2015	Sale	1,000	66.15
	5 May 2015	Sale	1,000	66.10
	5 May 2015	Sale	1,000	66.10
	5 May 2015	Sale	1,000	66.10
	5 May 2015	Sale	1,000	66.10
	5 May 2015	Sale	1,000	66.10
	5 May 2015	Sale	1,000	66.05
	5 May 2015	Sale	1,000	66.05
	5 May 2015	Sale	1,000	66.05
	5 May 2015	Sale	1,000	66.05
	5 May 2015	Sale	1,000	66.05
	5 May 2015	Sale	1,000	66.05
	5 May 2015	Sale	1,000	66.05
	5 May 2015	Sale	1,000	66.10
	5 May 2015	Sale	1,000	66.10
	5 May 2015	Sale	1,000	66.05
	5 May 2015	Sale	1,000	66.05
	5 May 2015	Sale	1,000	66.05
	5 May 2015	Sale	1,000	66.05
	5 May 2015	Sale	1,000	66.05
	5 May 2015	Sale	1,000	66.05
	5 May 2015	Sale	1,000	66.00
	5 May 2015	Sale	1,000	66.00
	5 May 2015	Sale	1,000	66.05
	5 May 2015	Sale	1,000	66.00
	5 May 2015	Sale	1,000	66.00
	5 May 2015	Sale	1,000	66.00
	5 May 2015	Sale	1,000	66.00
	5 May 2015	Sale	1,000	66.00
	5 May 2015	Sale	1,000	66.00
	5 May 2015	Sale	1,000	66.00
	5 May 2015	Sale	1,000	65.95
	5 May 2015	Sale	1,000	65.85
	5 May 2015	Sale	1,000	65.85
	5 May 2015	Sale	1,000	65.85

Name	Trade Date	Purchase/Sale	Number of CKI Shares	Price per CKI Share (HK$)
	5 May 2015	Sale	1,000	65.80
	5 May 2015	Sale	1,000	65.90
	5 May 2015	Sale	1,000	65.90
	5 May 2015	Sale	1,000	65.90
	5 May 2015	Sale	1,000	65.80
	5 May 2015	Sale	1,000	65.85
	5 May 2015	Sale	1,000	65.75
	5 May 2015	Sale	1,000	65.85
	5 May 2015	Sale	1,000	65.75
	5 May 2015	Sale	1,000	65.75
	5 May 2015	Sale	1,000	65.75
	5 May 2015	Sale	1,000	65.70
	5 May 2015	Sale	1,000	65.70
	5 May 2015	Sale	1,000	65.70
	5 May 2015	Sale	1,000	65.70
	5 May 2015	Sale	1,000	65.70
	5 May 2015	Sale	1,000	65.75
	5 May 2015	Sale	1,000	65.70
	5 May 2015	Sale	1,000	65.70
	5 May 2015	Sale	1,000	65.75
	5 May 2015	Sale	1,000	65.60
	5 May 2015	Sale	1,000	65.60
	5 May 2015	Sale	1,000	65.60
	5 May 2015	Sale	1,000	65.60
	5 May 2015	Sale	1,000	65.60
	5 May 2015	Sale	1,000	65.65
	5 May 2015	Sale	1,000	65.50
	5 May 2015	Sale	1,000	65.50
	5 May 2015	Sale	1,000	65.50
	5 May 2015	Sale	1,000	65.50
	5 May 2015	Sale	1,000	65.50
	5 May 2015	Sale	1,000	65.50
	5 May 2015	Sale	1,000	65.55
	5 May 2015	Sale	1,000	65.50
	5 May 2015	Sale	1,000	65.55
	5 May 2015	Sale	1,000	65.55
	5 May 2015	Sale	1,000	65.50
	5 May 2015	Sale	1,000	65.50
	5 May 2015	Sale	1,000	65.50
	5 May 2015	Sale	1,000	65.50
	5 May 2015	Sale	1,000	65.50
	5 May 2015	Sale	1,000	65.55
	5 May 2015	Sale	1,000	65.55
	5 May 2015	Sale	1,000	65.45
	5 May 2015	Sale	1,000	65.40
	5 May 2015	Sale	1,000	65.40
	5 May 2015	Sale	1,000	65.45
	5 May 2015	Sale	1,000	65.40

Name	Trade Date	Purchase/Sale	Number of CKI Shares	Price per CKI Share (HK$)
	5 May 2015	Sale	1,000	65.40
	5 May 2015	Sale	1,000	65.40
	5 May 2015	Sale	1,000	65.40
	5 May 2015	Sale	1,000	65.40
	5 May 2015	Sale	1,000	65.40
	5 May 2015	Sale	1,000	65.40
	5 May 2015	Sale	1,000	65.45
	5 May 2015	Sale	1,000	65.45
	5 May 2015	Sale	1,000	65.40
	5 May 2015	Sale	1,000	65.40
	5 May 2015	Sale	1,000	65.40
	5 May 2015	Sale	1,000	65.40
	5 May 2015	Sale	1,000	65.40
	5 May 2015	Sale	1,000	65.40
	5 May 2015	Sale	1,000	65.40
	5 May 2015	Sale	1,000	65.40
	5 May 2015	Sale	1,000	65.40
	5 May 2015	Sale	1,000	65.40
	5 May 2015	Sale	1,000	65.45
	5 May 2015	Sale	1,000	65.40
	5 May 2015	Sale	1,000	65.45
	5 May 2015	Sale	1,000	65.40
	5 May 2015	Sale	1,000	65.40
	5 May 2015	Sale	1,000	65.45
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.35
	5 May 2015	Sale	1,000	65.35
	5 May 2015	Sale	1,000	65.35
	5 May 2015	Sale	1,000	65.35
	5 May 2015	Sale	1,000	65.35
	5 May 2015	Sale	1,000	65.35
	5 May 2015	Sale	1,000	65.35
	5 May 2015	Sale	1,000	65.35
	5 May 2015	Sale	1,000	65.35
	5 May 2015	Sale	1,000	65.35
	5 May 2015	Sale	1,000	65.35
	5 May 2015	Sale	1,000	65.35
	5 May 2015	Sale	1,000	65.35
	5 May 2015	Sale	1,000	65.35
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30

Name	Trade Date	Purchase/Sale	Number of CKI Shares	Price per CKI Share (HK$)
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.35
	5 May 2015	Sale	1,000	65.35
	5 May 2015	Sale	1,000	65.35
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	5,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.35
	5 May 2015	Sale	1,000	65.35
	5 May 2015	Sale	1,000	65.35
	5 May 2015	Sale	1,000	65.35
	5 May 2015	Sale	1,000	65.35
	5 May 2015	Sale	1,000	65.35
	5 May 2015	Sale	1,000	65.35
	5 May 2015	Sale	1,000	65.35
	5 May 2015	Sale	1,000	65.35
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30

Name	Trade Date	Purchase/Sale	Number of CKI Shares	Price per CKI Share (HK$)
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	3,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	3,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	1,000	65.30
	5 May 2015	Sale	2,000	65.30
	5 May 2015	Sale	4,000	65.35
	5 May 2015	Sale	3,000	65.35
	5 May 2015	Sale	1,000	65.35
	5 May 2015	Sale	6,000	65.35
	29 May 2015	Sale	1,000	64.50
	10 June 2015	Sale	1,000	62.35
	10 June 2015	Sale	1,000	62.30
	10 June 2015	Sale	1,000	62.25
	10 June 2015	Sale	1,000	61.75
	10 June 2015	Sale	1,000	61.85
	10 June 2015	Sale	1,000	61.75
	10 June 2015	Sale	1,000	61.75
	10 June 2015	Sale	1,000	61.80
Portfolio Management Team of Private Banking Division of The Hongkong and Shanghai Banking Corporation Limited (Singapore Branch)	13 May 2015	Purchase	1,000	64.85
	2 July 2015	Purchase	20,000	60.05
	21 July 2015	Purchase	16,000	62.65

(b) Save as disclosed in paragraph 7(a) above, none of CKI, the Offeror or any of their respective directors or any of the Offeror Concert Parties had dealt for value in any CKI Shares or any convertible securities, warrants, options or derivatives in respect of CKI Shares during the Relevant Period.

(c) No person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with CKI, the Offeror or any of the Offeror Concert Parties had dealt for value in CKI Shares or any convertible securities, warrants, options or derivatives in respect of CKI Shares during the Relevant Period.

8. DEALINGS IN THE SHARES

(a) Save as disclosed below, none of CKI, the Offeror or any of their respective directors or any of the Offeror Concert Parties had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares during the Relevant Period:

Name	Date	Type of Transaction	Number of Shares	Price per Share (HK$)
Staff Provident Fund of Cheung Kong (Holdings) Limited	28 July 2015	Purchase[(1)]	28,500	70.7244[(2)]

Notes:

(1) CKI is one of the relevant employers within the meaning of the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong) in relation to the Staff Provident Fund of Cheung Kong (Holdings) Limited (the "**CKH Staff Provident Fund**"). The CKH Staff Provident Fund is presumed to be acting in concert with CKI in relation to the Company under class (3) of the definition of "acting in concert" in the Takeovers Code. The CKH Staff Provident Fund is managed on a discretionary basis by, among others, HSBC Global Asset Management (Hong Kong) Limited ("**HSBCGAM**"). The 28,500 Shares were acquired by HSBCGAM for the account of the CKH Staff Provident Fund at the discretion of HSBCGAM and without consultation with the trustees of the CKH Staff Provident Fund and prior to HSBCGAM being made aware of the Proposal. Accordingly, such acquisition is not treated as a dealing of a concert party of the Offeror for the purposes of the Takeovers Code.

(2) CKI was notified by HSBCGAM that on 28 July 2015, HSBCGAM acquired a number of Shares on-market for cash for the account of various clients, out of which 28,500 Shares were allocated to the CKH Staff Provident Fund. As the Shares were acquired on a pooled basis, the exact purchase price at which each of the 28,500 Shares was acquired on behalf of the CKH Staff Provident Fund is not available and accordingly, the average purchase price for the aggregate number of Shares acquired on 28 July 2015 has been disclosed.

(b) No person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with CKI, the Offeror or any of the Offeror Concert Parties had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of the Shares during the Relevant Period.

9. MATERIAL LITIGATION

As at the Latest Practicable Date, none of the members of the CKI Group (including the Offeror) was engaged in any litigation of material importance and there was no litigation or claim of material importance known to the CKI Directors and/or the Offeror Directors to be pending or threatened by or against any member of the CKI Group (including the Offeror).

10. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of the business carried on or intended to be carried on by any member of the CKI Group) have been entered into by members of the CKI Group after the date which was two years before the commencement of the Offer Period, up to and including the Latest Practicable Date and which are material:

(a) a deed dated 10 January 2014 entered into between the Company and CKI in relation to the undertaking by CKI to refer opportunities to invest in power projects to the Company for evaluation, and certain restrictions regarding CKI's investments in power projects. Such deed took effect upon the date on which the share stapled units jointly issued by HK Electric Investments and HK Electric Investments Limited were first listed on the Stock Exchange and shall terminate at the earliest of (1) the date on which the CKI Group ceases to own, directly or indirectly, at least 30% of the issued share capital of the Company; or (2) the date on which the Shares cease to be listed on the Stock Exchange;

(b) a shareholders' agreement dated 30 May 2014 entered into between Cheung Kong (Holdings) Limited ("**Cheung Kong**"), CKI, the Company and CK ENV UK Limited ("**CK ENV**") under which each of Cheung Kong, CKI and the Company would contribute capital of up to A$666 million in cash to CK ENV, a joint venture formed for the acquisition (through an off-market takeover bid) and operation of Envestra Limited (now known as Australian Gas Networks Limited) and its subsidiaries;

(c) an agreement dated 26 August 2014 entered into between PG (April) (Number 2) Limited ("**PG UK**", an indirect wholly-owned subsidiary of CKI), CK ENV UK 2 Limited ("**JV Newco**", a company incorporated by CK ENV and PG UK and a direct subsidiary of CK ENV), and CK ENV Investments Pty Ltd ("**AusBidco**", an indirect wholly-owned subsidiary of CK ENV), under which PG UK agreed to transfer to AusBidco the entire issued share capital of Cheung Kong Infrastructure Holdings (Malaysian) Limited, which held certain shares of Envestra Limited (now known as Australian Gas Networks Limited), in return for the allotment and issue of approximately 17.46% interest in JV Newco to PG UK; and

(d) a shareholders' agreement dated 20 January 2015 entered into between Cheung Kong, Portbrook Limited (an indirect wholly-owned subsidiary of Cheung Kong), CKI, Portcobrook Limited (an indirect wholly-owned subsidiary of CKI) and CK Investments S.à r.l. ("**CK Investments**"), under which each of Cheung Kong and CKI, through one or more of their respective subsidiaries, would contribute capital of up to GBP600 million (in the form of equity or loan) to CK Investments, a joint venture formed for the acquisition and operation of Eversholt Rail Group.

11. ARRANGEMENTS IN CONNECTION WITH THE SCHEME

As at the Latest Practicable Date:

(a) save for the arrangements contemplated under the Proposal, there were no agreements, arrangements or understanding (including any compensation arrangements) between CKI, the Offeror or any of the Offeror Concert Parties (on the one part) and any of the Directors, recent Directors, Shareholders or recent Shareholders (on the other part) having any connection with or dependence upon the Scheme;

(b) there were no agreements or arrangements to which CKI and/or the Offeror is a party which relate to any circumstances in which either of them may or may not invoke or seek to invoke a condition of the Scheme;

(c) none of the CKI Directors or the Offeror Directors will be affected in terms of their emoluments by the merger of CKI and the Company or by any other associated transaction;

(d) there was no agreement, arrangement or understanding that the Shares acquired by the Offeror pursuant to the Scheme would be transferred, charged or pledged to any other persons; and

(e) save for the arrangements contemplated under the Proposal, there were no arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between CKI, the Offeror or any of the Offeror Concert Parties and any other person.

12. EXPERT

The following is the qualification of the expert which has given advice which is contained in this document:

Name of Expert	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants

13. CONSENTS

Each of HSBC, Goldman Sachs, Anglo Chinese Corporate Finance, Limited and Deloitte Touche Tohmatsu has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or references to its name in the form and context in which they respectively appear.

14. MISCELLANEOUS

(a) The Offeror is a wholly-owned subsidiary of CKI. The ultimate controlling shareholder of CKI is CKH Holdings.

(b) The addresses and the names of the directors of the Offeror are as follows:

Registered Office:	East Asia Corporate Services (BVI) Limited East Asia Chambers P.O. Box 901 Road Town, Tortola British Virgin Islands
Board of Directors:	Li Tzar Kuoi, Victor Kam Hing Lam Ip Tak Chuen, Edmond Chow Woo Mo Fong, Susan

The Offeror does not have a principal office in Hong Kong.

(c) The addresses and the names of the directors of the principal members of the Offeror's concert group are as follows:

CKI

Address:

Registered Office
Clarendon House, Church Street, Hamilton HM11, Bermuda

Principal Place of Business
12th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong

Board of Directors:

Executive Directors
Li Tzar Kuoi, Victor *(Chairman)*
Kam Hing Lam *(Group Managing Director)*
Ip Tak Chuen, Edmond *(Deputy Chairman)*
Fok Kin Ning, Canning *(Deputy Chairman)*
Andrew John Hunter *(Deputy Managing Director)*
Chan Loi Shun *(Chief Financial Officer)*
Chow Woo Mo Fong, Susan*
Frank John Sixt

* *Also alternate to Fok Kin Ning, Canning and Frank John Sixt*

Independent Non-executive Directors
Cheong Ying Chew, Henry
Kwok Eva Lee
Sng Sow-mei alias POON Sow Mei
Colin Stevens Russel
Lan Hong Tsung, David
Barrie Cook

Non-executive Directors
Lee Pui Ling, Angelina
George Colin Magnus

Alternate Directors
Man Ka Keung, Simon *(alternate to Ip Tak Chuen, Edmond)*
Eirene Yeung *(alternate to Kam Hing Lam)*

(d) HSBC is the financial adviser to CKI and the Offeror in relation to the Proposal and its address is at 1 Queen's Road Central, Hong Kong. Goldman Sachs is the financial adviser to CKH Holdings in relation to the Proposal and its address is at 68/F, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

(e) Anglo Chinese Corporate Finance, Limited is the independent financial adviser to the CKI Board, the Offeror Board, the independent board committee of CKI and the Independent CKI Shareholders and its address is at 40th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

(f) As at the Latest Practicable Date, no person who owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares had irrevocably committed themselves to vote their Shares in favour of or against the resolutions in respect of the Scheme at the Court Meeting and/or the General Meeting. However, each of the Relevant CKI Subsidiaries, Mr. Li Tzar Kuoi, Victor, Mr. Kam Hing Lam, Mrs. Lee Pui Ling, Angelina and Ms. Eirene Yeung has indicated that if the Scheme is approved at the Court Meeting, those Shares which it, he or she holds or which it, he or she is interested in (as the case may be) will be voted in favour of the special resolution to approve the Scheme and the implementation of the Scheme at the General Meeting. In addition, Mr. Tsai Chao Chung, Charles, a Director, has indicated that those Shares held by him will be voted in favour of (a) the resolution to approve the Scheme at the Court Meeting and (b) the special resolution to approve the Scheme and the implementation of the Scheme at the General Meeting.

1. THREE YEAR FINANCIAL SUMMARY

The Offeror, a wholly-owned subsidiary of CKI, was incorporated on 28 August 2015 and has no operations.

CKI's consolidated financial statements for each of the years ended 31 December 2012, 2013 and 2014 have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants, as stated in their unqualified audit reports dated 7 March 2013, 25 February 2014 and 25 February 2015, respectively.

During each of the years ended 31 December 2012, 2013 and 2014, the CKI Group adopted all of the new and revised standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") that are relevant to the CKI Group's operations and mandatory for annual accounting periods beginning 1 January 2012, 2013 and 2014 respectively. The 2012 financial information has been restated as a result of the adoption of HKFRS 11 "Joint Arrangements" ("**HKFRS 11**") issued by HKICPA.

The following summary financial information (i) for each of the years ended 31 December 2012, 2013 and 2014 is extracted from the consolidated financial statements of CKI for the years ended 31 December 2013 and 2014 as set forth in the annual report of CKI for the years ended 31 December 2013 and 2014 and (ii) for the six months ended 30 June 2014 and 2015 is extracted from the consolidated financial statements of CKI for the six months ended 30 June 2015 as set forth in the interim report of CKI for the six months ended 30 June 2015. Defined terms used in this document have been used in the financial information below.

Summary Consolidated Income Statements of CKI

HK$ million	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	(restated)[1]			(unaudited)	
CKI Group turnover	4,105	5,018	6,100	2,968	2,879
Share of turnover of joint ventures	17,527	19,413	22,226	10,811	11,235
Turnover	21,632	24,431	28,326	13,779	14,114
CKI Group turnover	4,105	5,018	6,100	2,968	2,879
Other income	439	544	318	123	361
Operating costs	(3,082)	(4,538)	(4,395)	(2,100)	(1,500)
Finance costs	(732)	(765)	(906)	(410)	(405)
Exchange gain/(loss)	289	571	207	52	(106)
Gain on disposal of a subsidiary	–	–	2,236	–	–
Share of results of associates	4,290	4,741	23,156	21,170	1,374
Share of results of joint ventures	4,747	6,683	5,630	2,619	2,914
Profit before taxation	10,056	12,254	32,346	24,422	5,517
Taxation	19	58	(26)	(21)	(11)
Profit for the year/period	10,075	12,312	32,320	24,401	5,506
Profit attributable to					
Shareholders of CKI	9,427	11,639	31,782	24,119	5,253
Owners of perpetual capital securities	655	681	543	284	258
Non-controlling interests	(7)	(8)	(5)	(2)	(5)
	10,075	12,312	32,320	24,401	5,506
Earnings per share	HK$3.93	HK$4.77	HK$13.03	HK$9.89	HK$2.10

Note:

(1) The financial information in 2012 has been restated as a result of the adoption of HKFRS 11 "Joint Arrangements".

Except for (i) the spin-off of the Hong Kong electricity business of the Company in 2014 which resulted for CKI in a share of the gain of the Company of approximately HK$19 billion, (ii) the disposal of a subsidiary of CKI in 2014 which generated for CKI a gain of approximately HK$2 billion in 2014, (iii) the disposal of joint ventures of CKI which generated for CKI gains of approximately HK$2 million in 2012, HK$111 million in 2013 and HK$34 million in 2015, (iv) the disposal of an associate of CKI which generated for CKI a gain of approximately HK$12 million in 2014 and (v) CKI's and the Company's disposals of share stapled units of HK Electric Investments and HK Electric Investments Limited in 2015 which resulted for CKI in an accounting loss and share of loss of the Company of approximately HK$297 million, no item which was exceptional because of its size, nature or incidence was recorded in the financial statements of CKI Group for the years ended 31 December 2012, 2013 and 2014 or the six months ended 30 June 2014 and 2015.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

The following financial information has been extracted from the audited consolidated financial statements of the CKI Group for the year ended 31 December 2014 as set forth in the annual report of CKI for the year ended 31 December 2014 which was released on 31 March 2015.

CONSOLIDATED INCOME STATEMENT
for the year ended 31st December

HK$ million	*Notes*	**2014**	**2013**
CKI Group turnover	*6*	6,100	5,018
Share of turnover of joint ventures	*6*	22,226	19,413
		28,326	24,431
CKI Group turnover	*6*	6,100	5,018
Other income	*7*	318	544
Operating costs	*8*	(4,395)	(4,538)
Finance costs	*9*	(906)	(765)
Exchange gain		207	571
Gain on disposal of a subsidiary	*39*	2,236	–
Share of results of associates		23,156	4,741
Share of results of joint ventures		5,630	6,683
Profit before taxation	*10*	32,346	12,254
Taxation	*11(a)*	(26)	58
Profit for the year	*12*	32,320	12,312
Attributable to:			
Shareholders of CKI		31,782	11,639
Owners of perpetual capital securities		543	681
Non-controlling interests		(5)	(8)
		32,320	12,312
Earnings per share	*13*	HK$13.03	HK$4.77

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31st December

HK$ million	2014	2013
Profit for the year	32,320	12,312
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Gain from fair value changes of available-for-sale financial assets	688	420
Gain from fair value changes of derivatives designated as effective cash flow hedges	32	127
Gain/(Loss) from fair value changes of derivatives designated as effective net investment hedges	1,698	(26)
Exchange differences on translation of financial statements of foreign operations	(2,980)	(1,021)
Share of other comprehensive (expense)/income of associates	(671)	208
Share of other comprehensive (expense)/income of joint ventures	(506)	38
Reserves released upon disposal of a subsidiary	(1,929)	–
Income tax relating to components of other comprehensive income	18	(195)
	(3,650)	(449)
Items that will not be reclassified to profit or loss:		
Actuarial gain of defined benefit retirement schemes	–	10
Share of other comprehensive (expense)/income of associates	(81)	599
Share of other comprehensive income/(expense) of joint ventures	73	(50)
Income tax relating to components of other comprehensive income	21	(230)
	13	329
Other comprehensive expense for the year	(3,637)	(120)
Total comprehensive income for the year	28,683	12,192
Attributable to:		
Shareholders of CKI	28,147	11,516
Owners of perpetual capital securities	543	681
Non-controlling interests	(7)	(5)
	28,683	12,192

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31st December

HK$ million	*Notes*	**2014**	**2013**
Property, plant and equipment	*15*	2,452	2,408
Investment properties	*16*	305	268
Interests in associates	*17*	54,135	34,583
Interests in joint ventures	*18*	52,999	46,244
Investments in securities	*19*	3,889	4,599
Derivative financial instruments	*20*	86	42
Goodwill and intangible assets	*21*	2,877	2,966
Deferred tax assets	*28*	15	20
Total non-current assets		116,758	91,130
Inventories	*22*	175	215
Investment in securities	*19*	–	1,341
Derivative financial instruments	*20*	825	80
Debtors and prepayments	*23*	1,204	1,162
Bank balances and deposits	*24*	7,108	5,958
		9,312	8,756
Assets classified as held for sale	*25*	–	22
Total current assets		9,312	8,778
Bank and other loans	*26*	1,690	44
Derivative financial instruments	*20*	24	491
Creditors and accruals	*27*	4,749	4,413
Taxation		108	92
Total current liabilities		6,571	5,040
Net current assets		2,741	3,738
Total assets less current liabilities		119,499	94,868
Bank and other loans	*26*	16,947	12,985
Derivative financial instruments	*20*	214	416
Deferred tax liabilities	*28*	552	838
Other non-current liabilities		40	31
Total non-current liabilities		17,753	14,270
Net assets		101,746	80,598
Representing:			
Share capital	*30*	2,440	2,496
Reserves		91,296	67,689
Equity attributable to shareholders of CKI		93,736	70,185
Perpetual capital securities	*31*	7,933	10,329
Non-controlling interests		77	84
Total equity		101,746	80,598

LI TZAR KUOI, VICTOR
Director

IP TAK CHUEN, EDMOND
Director

25th February, 2015

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December

	Attributable to shareholders of CKI												
HK$ million	Share capital	Share premium	Treasury shares	Contributed surplus	Property revaluation reserve	Investment revaluation reserve	Hedging reserve	Exchange translation reserve	Retained profits	Sub-total	Perpetual capital securities	Non-controlling interests	Total
At 1st January, 2013	2,496	13,900	(2,291)	6,062	68	1,546	(1,422)	2,191	40,413	62,963	10,329	89	73,381
Profit for the year	–	–	–	–	–	–	–	–	11,639	11,639	681	(8)	12,312
Gain from fair value changes of available-for-sale financial assets	–	–	–	–	–	420	–	–	–	420	–	–	420
Gain from fair value changes of derivatives designated as effective cash flow hedges	–	–	–	–	–	–	127	–	–	127	–	–	127
Loss from fair value changes of derivatives designated as effective net investment hedges	–	–	–	–	–	–	–	(26)	–	(26)	–	–	(26)
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	–	(1,024)	–	(1,024)	–	3	(1,021)
Actuarial gain of defined benefit retirement schemes	–	–	–	–	–	–	–	–	10	10	–	–	10
Share of other comprehensive income/ (expense) of associates	–	–	–	–	–	–	443	(235)	599	807	–	–	807
Share of other comprehensive income/ (expense) of joint ventures	–	–	–	–	–	–	38	–	(50)	(12)	–	–	(12)
Income tax relating to components of other comprehensive income	–	–	–	–	–	(64)	(131)	–	(230)	(425)	–	–	(425)
Total comprehensive income/ (expense) for the year	–	–	–	–	–	356	477	(1,285)	11,968	11,516	681	(5)	12,192
Final dividend for the year 2012 paid	–	–	–	–	–	–	–	–	(3,074)	(3,074)	–	–	(3,074)
Interim dividend paid	–	–	–	–	–	–	–	–	(1,220)	(1,220)	–	–	(1,220)
Interest paid on perpetual capital securities	–	–	–	–	–	–	–	–	–	–	(681)	–	(681)
At 31st December, 2013	2,496	13,900	(2,291)	6,062	68	1,902	(945)	906	48,087	70,185	10,329	84	80,598
Profit for the year	–	–	–	–	–	–	–	–	31,782	31,782	543	(5)	32,320
Gain from fair value changes of available-for-sale financial assets	–	–	–	–	–	688	–	–	–	688	–	–	688
Gain from fair value changes of derivatives designated as effective cash flow hedges	–	–	–	–	–	–	32	–	–	32	–	–	32
Gain from fair value changes of derivatives designated as effective net investment hedges	–	–	–	–	–	–	–	1,698	–	1,698	–	–	1,698
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	–	(2,978)	–	(2,978)	–	(2)	(2,980)
Share of other comprehensive expense of associates	–	–	–	–	–	–	(48)	(623)	(81)	(752)	–	–	(752)
Share of other comprehensive (expense)/income of joint ventures	–	–	–	–	–	–	(506)	–	73	(433)	–	–	(433)
Reserves released upon disposal of a subsidiary (note 39)	–	–	–	–	–	(1,807)	–	(122)	–	(1,929)	–	–	(1,929)
Income tax relating to components of other comprehensive income	–	–	–	–	–	(61)	79	–	21	39	–	–	39
Total comprehensive (expense)/ income for the year	–	–	–	–	–	(1,180)	(443)	(2,025)	31,795	28,147	543	(7)	28,683
Final dividend for the year 2013 paid	–	–	–	–	–	–	–	–	(3,318)	(3,318)	–	–	(3,318)
Interim dividend paid	–	–	–	–	–	–	–	–	(1,281)	(1,281)	–	–	(1,281)
Interest paid on perpetual capital securities	–	–	–	–	–	–	–	–	–	–	(599)	–	(599)
Redemption of perpetual capital securities (note 31)	(56)	(2,235)	2,291	–	–	–	–	–	3	3	(2,340)	–	(2,337)
At 31st December, 2014	2,440	11,665	–	6,062	68	722	(1,388)	(1,119)	75,286	93,736	7,933	77	101,746

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31st December

HK$ million	*Notes*	**2014**	**2013**
OPERATING ACTIVITIES			
Cash from operations	*33*	2,912	2,729
Income taxes (paid)/recovered		(26)	23
Net cash from operating activities		2,886	2,752
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(292)	(405)
Disposals of property, plant and equipment		1	1
Additions to intangible assets		(14)	(11)
Disposal of interest in an associate		29	–
Advances to associates		(5)	(27)
Repayment from an associate		–	1
Investments in joint ventures		(4,705)	(2,287)
Disposal of interest in a joint venture		–	111
Return of capital from a joint venture		5	–
Advances to joint ventures		(11)	(2,067)
Repayment from joint ventures		–	1,102
Acquisition of businesses	*38(a)*	(147)	–
Acquisition of a subsidiary	*38(b)*	–	(3,208)
Purchases of securities		(1,641)	(62)
Redemption of securities		1,341	–
Loan note repayment from stapled securities		33	32
Dividends received from associates		2,342	2,276
Dividends received from joint ventures		2,450	3,284
Interest received		116	156
Net cash utilised in investing activities		(498)	(1,104)
Net cash before financing activities		2,388	1,648
FINANCING ACTIVITIES			
New bank and other loans		7,308	3,071
Repayments of bank and other loans		(113)	(31)
Finance costs paid		(900)	(738)
Dividends paid		(4,599)	(4,294)
Interest paid on perpetual capital securities		(599)	(681)
Redemption of perpetual capital securities		(2,340)	–
Net cash utilised in financing activities		(1,243)	(2,673)
Net increase/(decrease) in cash and cash equivalents		1,145	(1,025)
Cash and cash equivalents at 1st January		5,955	6,980
Cash and cash equivalents at 31st December		7,100	5,955
Analysis of balances of cash and cash equivalents:			
Bank balances and deposits	*24*	7,108	5,958
Bank overdrafts		(8)	(3)
		7,100	5,955

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

CKI is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange"). The addresses of its registered office and principal place of business are disclosed in the section headed "Corporate Information" of the CKI Group's Annual Report. The Directors consider that CKI's ultimate holding company is Hutchison Whampoa Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on Hong Kong Stock Exchange.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of CKI.

The CKI Group's principal activities are the development, investment and operation of infrastructure businesses in Hong Kong, Mainland China, the United Kingdom, the Netherlands, Australia, New Zealand and Canada.

2. CHANGES IN ACCOUNTING POLICIES

In the current year, the CKI Group has adopted a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective to the CKI Group for accounting periods beginning on or after 1st January, 2014. The adoption of those HKFRSs has no material impact on the CKI Group's results and financial position for the current or prior years and does not result in any significant change in accounting policies of the CKI Group.

The CKI Group has not early adopted the following new and revised HKFRSs issued by HKICPA that have been issued but are not yet effective. Except for the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" of which the Directors are assessing the impact on the results and financial position of the CKI Group, the Directors anticipate that the adoption of the following new and revised HKFRSs will have no material impact on the results and financial position of the CKI Group.

HKFRS 9	Financial Instruments
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 15	Revenue from Contracts with Customers
HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements
HKFRSs (Amendments)	Annual improvement to HKFRSs 2010-2012 Cycle
HKFRSs (Amendments)	Annual improvement to HKFRSs 2011-2013 Cycle
HKFRSs (Amendments)	Annual improvement to HKFRSs 2012-2014 Cycle

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on Hong Kong Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as explained in the principal accounting policies set out below.

(a) Basis of Consolidation

The consolidated financial statements include the financial statements of CKI and its subsidiaries made up to the year together with the CKI Group's interests in associates and joint ventures on the basis set out in (e) below.

The results of subsidiaries, share of results of associates and joint ventures acquired or disposed of during the year are included in the consolidated income statement from the date the CKI Group gains control/exercises significant influences/gains joint control until the date when the CKI Group ceases to control/ceases to exercise significant influences/ceases to joint control, as appropriate.

(b) Goodwill

In relation to business combination that took place on or after 1st January, 2010, goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the subsidiaries, and the fair value of the CKI Group's previously held equity interests in the subsidiaries (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill recognised prior to 1st January, 2010 was measured as the excess of costs of acquisition over the net fair value of the CKI Group's share of the identifiable assets, liabilities and contingent liabilities of the subsidiaries, associates and joint ventures acquired.

Goodwill is recognised as an asset less any identified impairment loss. Goodwill recognised in reserves prior to 1st January, 2001 continues to be held in the reserves and are transferred to retained profits when the business to which the goodwill relates is disposed of or becomes impaired.

For the purpose of impairment testing, goodwill is allocated to each of the CKI Group's cash-generating units that is expected to benefit from the synergies of the business acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of a subsidiary, associate, joint venture or relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

(c) Intangible Assets

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are carried at cost less accumulated amortisation and accumulated impairment losses, on the same basis that are acquired separately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(c) Intangible Assets (Cont'd)

Amortisation of intangible assets is provided over their estimated useful lives using the straight-line method, at the following rates per annum:

Brand name & trademarks	Indefinite useful lives
Customer contracts	Over the expected contract lives
Resource consents (excluding landfills)	4% or over the expected contract lives
Computer software	33% or over the expected license period
Others	Over the expected contract lives

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired through business combination are carried at cost less accumulated impairment losses.

The useful life of the resource consents for the landfills is dependent on the total capacity of the landfills, the level of tonnage of waste, the compacting rate and other variable. As such the landfills useful life is reassessed annually and the amortisation rate of the landfills resource consents is adjusted accordingly.

The carrying amount of intangible assets with indefinite useful life is tested for impairment annually. The carrying amount of intangible assets with finite useful life is reviewed for indications of impairment at the end of each reporting period. An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(d) Subsidiaries

A subsidiary is an entity that is controlled by CKI. CKI controls an entity when it has power over the investees; it is exposed, or has rights, to variable returns from its involvement with the entity; and has the ability to affect those returns through its power over the entity.

The acquisition of a subsidiary is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the CKI Group in exchange for control of the acquiree. After 1st January, 2010, acquisition-related costs are generally recognised in profit or loss as incurred.

Prior to 1st January, 2010, any costs directly attributable to business combination were included as part of the cost of the acquisition.

The acquiree's identifiable assets, liabilities and contingent liabilities, where appropriate, are recognised at their fair values at the acquisition date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(e) Associates and Joint Ventures

An associate is a company, other than a subsidiary or joint venture, in which the CKI Group has a long-term equity interest and over which the CKI Group is in a position to exercise significant influence over its management, including participation in the financial and operating policy decisions.

A joint venture is a contractual arrangement whereby the venturers agree to share control of the arrangement which exists only when the decisions about the relevant activities require unanimous consent of the parties sharing control, and have rights to the net assets of the arrangement.

The results and assets and liabilities of associates/joint ventures are incorporated in the CKI Group's consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates/joint ventures are carried in the consolidated statement of financial position at cost and adjusted for post-acquisition changes in the CKI Group's share of the net assets of the associates/joint ventures, less impairment in the values of individual investments.

Losses of an associate/joint venture in excess of the CKI Group's interest in that associate/joint venture (which includes any long-term interests that, in substance, form part of the CKI Group's net investment in the associate/joint venture) are not recognised.

(f) Property, Plant and Equipment

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Freehold land is not depreciated. Depreciation of property, plant and equipment is provided to write off their depreciable amounts over their estimated useful lives using the straight-line method, at the following rates per annum:

Leasehold land	over the unexpired lease term
Buildings	2% to 3% or over the unexpired lease terms of the land, whichever is the higher
Mains, pipes, other plant and machinery	3% to 26% or over the expected contract lives
Furniture, fixtures and others	3% to 33% or over the expected useful lives

When an asset is disposed of or retired, any gain or loss, representing the difference between the carrying value and the sales proceeds, if any, is included in the consolidated income statement.

(g) Investment Properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are stated at its fair value at the end of the reporting period. Gains or losses arising from changes in the fair values of investment properties are recognised in the consolidated income statement for the period in which they arise.

(h) Inventories

Inventories are stated at the lower of cost, computed on a weighted-average or a first-in first-out basis as appropriate, and net realisable value. Cost includes cost of purchase and where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value is determined on the basis of anticipated sales proceeds less estimated costs to completion and selling expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(i) Contract Work

When the outcome of a contract can be estimated reliably, revenue and costs associated with the contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period, that is the proportion that contract costs incurred for work performed to date bears to the estimated total contract costs.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that will probably be recoverable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(j) Assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition.

Assets classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell.

(k) Financial Instruments

Investments in securities

The CKI Group's investments in securities are classified as either available-for-sale financial assets, which are measured at fair value or at cost less accumulated impairment losses when the fair value cannot be measured reliably, or financial assets at fair value through profit or loss which are measured at fair value.

The CKI Group designates the securities intended to be held for long term strategic purposes as available-for-sale financial assets. Gains and losses arising from changes in fair values of these assets are dealt with as movements in investment revaluation reserve, until the assets are disposed of or are determined to be impaired, at which time the cumulative gains or losses previously recognised in the reserve is included in the consolidated income statement for the period. When a significant or prolonged decline in the fair value of an available-for-sale financial asset has been identified, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the consolidated income statement even though the financial asset has not been disposed of. Impairment losses recognised in the consolidated income statement for equity or stapled securities classified as available-for-sale financial assets are not subsequently reversed in the consolidated income statement.

Securities which are managed and their performances are evaluated based on a fair value basis are designated as financial assets at fair value through profit or loss. The management considers that such designation is appropriate given that the basis of internal risk assessments and performance evaluations on these assets is different from other investments and assets of the CKI Group. Gains and losses arising from changes in fair values of these assets are dealt with in the consolidated income statement. The relevant dividend or interest accrued on the financial assets are also recognised in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(k) Financial Instruments (Cont'd)

Derivative financial instruments and hedge accounting

Derivative financial instruments are initially measured at fair values on the dates at which the contracts are entered into, and are remeasured to their fair values at subsequent reporting dates.

Changes in the fair values of derivative financial instruments that are designated as effective in hedging future cash flows are recognised directly in hedging reserve. Amount deferred in the equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. Any ineffective portion is recognised immediately in the consolidated income statement.

Changes in fair values of derivative financial instruments that are designated and qualify as net investment hedges are recognised directly in exchange translation reserve. Any ineffective portion is recognised immediately in the consolidated income statement.

Changes in the fair values of derivative financial instruments that do not qualify for hedge accounting are recognised in the consolidated income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or the hedge no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the hedged risk associated with the hedged item is ultimately recognised in profit or loss. The cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss when a forecast transaction is no longer expected to occur in relation to hedging of a forecast transaction.

Debtors

Debtors are classified as loans and receivables in accordance with HKAS 39, and are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in the consolidated income statement when there is objective evidence that the assets are impaired.

Cash and cash equivalents

Cash and cash equivalents are classified as loans and receivables in accordance with HKAS 39, and comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Bank and other loans

Interest-bearing bank and other loans are initially measured at fair values, and are subsequently measured at amortised cost, using the effective interest method.

Creditors

Creditors are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by CKI are recorded at the proceeds received, net of direct issue costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(k) Financial Instruments (Cont'd)

Equity instruments (Con't)

Perpetual capital securities issued by the CKI Group are classified as equity instruments and are initially recorded at the proceeds received.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the CKI Group, which is not designated as a fair value through profit or loss, is recognised initially at its fair value less transaction costs directly attributable to the issue of the financial guarantee contract.

Fair value

Fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. Fair value of derivative financial instruments and certain available-for-sale financial assets not traded on active liquid markets are determined with reference to fair value estimated by independent professionals or the present value of the estimated future cash flows discounted at the effective interest rate.

(l) Revenue Recognition

Sales of goods

Revenue from sales of goods is recognised at the time when the goods are delivered or title to the goods passes to the customers. Revenue is measured at the fair value of the consideration received or receivable and is arrived at after deduction of any sales returns and discounts and taxes.

Sales of services

Sales of services including waste collection, commercial refuse and recycling services together with refuse transfer station operations and landfill operations are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Interest income

Interest income from a financial asset excluding financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Income from investments in securities

Dividend and interest income from investments in securities are recognised when the CKI Group's right to receive payment is established.

Contract revenue

Income from contracts is recognised according to the stage of completion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(m) Foreign Currencies

The individual financial statements of each group entity is prepared and presented in the currency of the primary economic environment in which the entity operates ("functional currency"). For the purpose of the consolidated financial statements, the result and financial position of each entity are presented in Hong Kong dollars, which is the functional currency of CKI and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was measured. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated income statement for the year, except for exchange differences arising on a monetary item that forms part of the CKI Group's net investment in a foreign operation, in which case, such exchange differences are recognised directly in equity. Exchange differences arising on the retranslation of non-monetary items carried at fair values are included in the consolidated income statement for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income and accumulated in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the CKI Group's foreign operations are translated into Hong Kong dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and included in the CKI Group's exchange translation reserve. Such translation differences are recognised in the consolidated income statement in the year in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the exchange translation reserve.

(n) Taxation

Hong Kong profits tax is provided for at the prevailing tax rate on the estimated assessable profits less available tax relief for losses brought forward of each individual company comprising the CKI Group. Overseas tax is provided for at the applicable local tax rates on the estimated assessable profits less available tax losses of the individual company concerned.

Deferred tax is provided for all temporary differences arising between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit of the corresponding year. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(n) Taxation (Cont'd)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the CKI Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(o) Operating Leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Rentals payable under operating leases are recorded in the consolidated income statement on a straight-line basis over the respective lease terms.

(p) Finance Leases

Leases that transfer substantially all the risks and rewards of ownership of the leased assets to the lessees are accounted for as finance leases.

The amounts due from the lessees under finance lease contracts are recorded as finance lease debtors. The finance lease debtors comprise the gross investment in leases less unearned finance lease income allocated to future accounting periods. The unearned finance lease income is allocated to future accounting periods so as to reflect constant periodic rates of return on the CKI Group's net investments outstanding in respect of the leases.

Assets held under finance leases are recognised as assets at their fair values or, if lower, at the present value of the minimum lease payment at the dates of inception. The corresponding liabilities to the lessor are shown within bank and other loans in the consolidated statement of financial position as obligations under finance leases. Finance costs are charged to the consolidated income statement over the terms of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(q) Employee Retirement Benefits

The CKI Group operates defined contribution and defined benefit retirement plans for its employees.

The costs of defined contribution plans are charged to the consolidated income statement as an expense when employees have rendered service entitling them to the contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(q) Employee Retirement Benefits (Cont'd)

The cost of providing retirement benefits under the CKI Group's defined benefit retirement plans is determined using the projected unit credit method, with actuarial valuations being carried out annually. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Past service cost is recognised in profit or loss in the period of a planned amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. The amount recognised in the consolidated statement of financial position represents the actual deficit or surplus in the CKI Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plans.

(r) Borrowing Costs

Borrowing costs are expensed in the consolidated income statement in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the financing of certain infrastructure projects considered as qualified assets up to the commencement of revenue contribution or upon commencement of operation of the projects, whichever is the earlier.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The CKI Group's major financial instruments include investments in securities, derivative financial instruments, bank balances and deposits, bank and other loans, and debtors and creditors. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Currency Risk

The CKI Group is exposed to currency risk primarily arising from foreign investments and borrowings denominated in currencies other than the functional currency of individual subsidiaries, which accounted for 23 per cent of the CKI Group's borrowings (2013: 17 per cent). The CKI Group generally hedges those investments with the appropriate level of borrowings denominated in the local currencies of relevant countries. The CKI Group also entered into currency swaps to hedge most foreign investments financed by internal resources. Given this, the management considers that the net exposure to currency risk is kept to an appropriate level. Details of the currency swaps entered into by the CKI Group at the end of the reporting period are set out in note 20.

The CKI Group is also exposed to currency risk arising from bank deposits denominated in foreign currencies, which accounted for 80 per cent of the CKI Group's bank balances and deposits at the end of the reporting period (2013: 87 per cent). Those bank balances and deposits are mainly denominated in United States dollars, Australian dollars, Pounds sterling, Canadian dollars, New Zealand dollars and Euros. The management maintains the portfolio of bank deposits denominated in different currencies and the exposure to currency risk is kept to an appropriate level.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Currency Risk (Cont'd)

Sensitivity analysis

The following table indicates the approximate change in the CKI Group's profit for the year and other comprehensive income in response to a 10 per cent strengthening in foreign currencies (except for United States dollars) against Hong Kong dollars to which the CKI Group has significant exposure related to monetary financial assets and liabilities and derivative financial instruments in existence at the end of the reporting period:

	2014		2013	
HK$ million	**Effect on profit for the year increase/ (decrease)**	**Effect on other comprehensive income increase/ (decrease)**	**Effect on profit for the year increase/ (decrease)**	**Effect on other comprehensive income increase/ (decrease)**
Australian dollars	47	(203)	72	(236)
Pounds sterling	230	(2,383)	239	(2,564)
Japanese yen	(200)	–	(227)	–
Canadian dollars	36	(122)	31	(134)
New Zealand dollars	33	(167)	16	(173)

A 10 per cent weakening in the above foreign currencies against Hong Kong dollars would have had an equal but opposite effect on the CKI Group's profit for the year and other comprehensive income.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the CKI Group's entities exposure to currency risk for both monetary financial assets and liabilities and derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the next reporting period. In this respect, the management does not expect any significant movements in the pegged rate of 7.8 between the United States dollars and Hong Kong dollars. It is also assumed that such pegged rate would be materially unaffected by any changes in movement in value of the United States dollars against other currencies. The analysis was performed on the same basis for 2013.

(b) Interest Rate Risk

The CKI Group's interest rate risk relates primarily to floating rate borrowings and deposits. In relation to these floating rate borrowings, the management aims at keeping borrowings at fixed rates at appropriate level by entering into interest rate swaps. In order to achieve this result, the CKI Group entered into interest rate swaps to hedge against certain exposures to changes in interest rates of the borrowings. The management adopts a policy of ensuring that all the material borrowings of the CKI Group are effectively on a fixed rate basis, either through the contractual terms of the loan facilities agreements or through the use of interest rate swaps.

Details of the CKI Group's interest rate swaps and borrowings entered into by the CKI Group at the end of the reporting period are set out in notes 20 and 26, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Interest Rate Risk (Cont'd)

Sensitivity analysis

At 31st December, 2014, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would increase the CKI Group's profit for the year by HK$610 million (2013: HK$88 million). Other comprehensive income would increase by HK$96 million (2013: HK$162 million) in response to the general increase in interest rates. A decrease of 100 basis points in interest rate would have had an equal but opposite effect on the CKI Group's profit for the year and other comprehensive income.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period. The analysis was performed on the same basis for 2013.

(c) Credit Risk

The CKI Group's credit risk is primarily attributable to debt securities investments, derivative financial instruments entered into for hedging purposes, bank balances and deposits, trade debtors and other receivables.

In respect of trade debtors and other receivables, local management teams of subsidiaries are responsible for monitoring the procedures to ensure that follow-up actions are taken to recover overdue debts of the subsidiaries. In addition, the teams review the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Normally, the CKI Group does not obtain collateral covering the outstanding balances.

Debt securities investments are normally in liquid securities quoted on a recognised stock exchange or financial institutions with high credit standing, except where entered into for long term strategic purposes. Transactions involving derivative financial instruments and liquid funds are also with banks or financial institutions of high credit standing.

The CKI Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. Except for the guarantees given by the CKI Group as set out in note 36, the CKI Group does not provide any other guarantees which would expose the CKI Group to credit risk. The maximum exposure to credit risk in respect of these guarantees at the end of the reporting period is disclosed in note 36.

Further quantitative disclosures in respect of the CKI Group's exposure to credit risk arising from trade debtors and other receivables are set out in note 23.

The CKI Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Liquidity Risk

The CKI Group's treasury activities are centralised to achieve better risk control and minimise the cost of funds. Cash is generally placed in short-term deposits mostly denominated in United States dollars, Hong Kong dollars, Australian dollars, Pounds sterling, Canadian dollars, New Zealand dollars and Euros. The management aims to maintain a balance between continuity of adequate funding and the flexibility through the use of bank and other borrowings. The CKI Group's liquidity and financing requirements are reviewed regularly to mitigate the effects of fluctuations in cash flows. The management will consider new financing while maintaining appropriate gearing for new investments and refinancing of existing debts.

The following table details the remaining contractual maturities at the end of the reporting period of the CKI Group's non-derivative financial liabilities and derivative financial assets and liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the CKI Group can be required to pay:

	2014						2013					
HK$ million	Carrying amount	Total contractual undiscounted cash outflows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Carrying amount	Total contractual undiscounted cash outflows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
Unsecured bank loans	13,674	14,536	2,006	315	12,215	–	10,303	11,073	249	2,005	8,819	–
Secured bank loans	1,124	1,342	109	67	1,148	18	1,009	1,243	85	56	1,086	16
Obligations under finance leases	60	68	39	18	10	1	97	110	45	35	28	2
Unsecured notes	3,779	4,309	61	61	2,670	1,517	1,617	2,164	43	43	131	1,947
Trade creditors	282	282	282	–	–	–	333	333	333	–	–	–
Amount due to a joint venture	1	1	1	–	–	–	1	1	1	–	–	–
Other payables and accruals	557	557	531	2	–	24	374	374	347	–	–	27
	19,477	21,095	3,029	463	16,043	1,560	13,734	15,298	1,103	2,139	10,064	1,992
Derivatives settled gross:												
Forward foreign exchange contracts held as net investment hedging instruments (note 20):												
– outflow		29,336	22,786	–	2,426	4,124		30,876	24,658	4,949	1,269	–
– inflow		(30,371)	(23,596)	–	(2,502)	(4,273)		(30,493)	(24,501)	(4,737)	(1,255)	–
		(1,035)	(810)	–	(76)	(149)		383	157	212	14	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(e) Other Price Risk

The CKI Group is exposed to other price risk through its investments in securities as set out in note 19. The management manages this exposure by maintaining a portfolio of investments with different risks. For strategic purposes, the CKI Group holds primarily equity or debt instruments operating in energy sector.

Sensitivity analysis

At 31st December, 2014, it is estimated that a 5 per cent decrease in the prices of the respective instruments, with all other variables held constant, would decrease the CKI Group's profit for the year by HK$2 million (2013: HK$69 million). Other comprehensive income would decrease by HK$165 million (2013: HK$180 million) in response to 5 per cent decrease in the prices. A 5 per cent increase in prices would have had an equal but opposite effect on the CKI Group's profit for the year and other comprehensive income.

The sensitivity analysis above has been determined assuming that the change in prices had occurred at the end of the reporting period and had been applied to the exposure to price risk for the CKI Group's investments in securities in existence at that date (as set out in note 19). The 5 per cent decrease in prices represents management's assessment of a reasonably possible change in the prices of those instruments over the period until the end of the next reporting period. The analysis is performed on the same basis for 2013.

(f) Fair Value

Except for certain investments in securities which are stated at cost, the carrying values of all financial assets and financial liabilities approximate to their fair values.

The fair value of the CKI Group's financial instruments and non-financial instruments are grouped into level 1 to 3 with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(f) Fair Value (Cont'd)

The following table provides an analysis of the CKI Group's financial instruments and non-financial instruments that are measured at fair value at the end of the reporting period:

Assets measured at fair value

	Level 1		Level 2		Level 3		Total	
HK$ million	2014	2013	2014	2013	2014	2013	2014	2013
Investment properties (note 16)	–	–	305	268	–	–	305	268
Financial assets at fair value through profit or loss (note 19)								
Notes, listed overseas	–	1,341	–	–	–	–	–	1,341
Equity securities, unlisted	–	–	46	46	–	–	46	46
Available-for-sale financial assets (note 19)								
Stapled securities, listed overseas	1,526	1,266	–	–	–	–	1,526	1,266
Equity securities, listed overseas	–	2,460	–	–	–	–	–	2,460
Stapled securities, listed in Hong Kong	1,526	–	–	–	–	–	1,526	–
Debt securities, unlisted	–	–	207	217	–	–	207	217
Equity securities, unlisted	–	–	32	32	–	–	32	32
Derivative financial instruments (note 20)								
Forward foreign exchange contracts	–	–	897	80	–	–	897	80
Interest rate swaps	–	–	14	42	–	–	14	42
Total	3,052	5,067	1,501	685	–	–	4,553	5,752

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(f) Fair Value (Cont'd)

Liabilities measured at fair value

HK$ million	Level 1 2014	Level 1 2013	Level 2 2014	Level 2 2013	Level 3 2014	Level 3 2013	Total 2014	Total 2013
Derivative financial instruments (note 20)								
Forward foreign exchange contracts	–	–	1	744	–	–	1	744
Interest rate swaps	–	–	237	163	–	–	237	163
Total	–	–	238	907	–	–	238	907

The fair values of the financial assets and financial liabilities included in Level 2 category above have been determined in accordance with generally accepted pricing models.

There were no transfers between Level 1 and 2 during the year (2013: nil).

(g) Offsetting Financial Assets and Financial Liabilities

The following tables set out the carrying amounts of financial assets and financial liabilities that are subject to enforceable master netting arrangements or similar agreements, irrespective of whether they are offset in the CKI Group's consolidated statement of financial position.

As at 31st December, 2014 *HK$ million*	Gross amounts of recognised financial assets (liabilities)	Gross amounts offset in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position: Financial assets (liabilities)	Related amounts not offset in the consolidated statement of financial position: Cash collateral pledged (received)	Net amounts
Financial asset						
Derivative financial instruments	620	–	620	(135)	–	485
Financial liability						
Derivative financial instruments	(135)	–	(135)	135	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(g) Offsetting Financial Assets and Financial Liabilities (Cont'd)

As at 31st December, 2013 *HK$ million*	Gross amounts of recognised financial assets (liabilities)	Gross amounts offset in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position: Financial assets (liabilities)	Related amounts not offset in the consolidated statement of financial position: Cash collateral pledged (received)	Net amounts
Financial asset						
Derivative financial instruments	62	–	62	(62)	–	–
Financial liability						
Derivative financial instruments	(192)	–	(192)	62	–	(130)

5. CRITICAL ACCOUNTING JUDGMENT AND ESTIMATES

Significant estimates and assumptions concerning the future may be required in selecting and applying the appropriate accounting methods and policies in the financial statements. The CKI Group bases its estimates and judgments on historical experience and various other assumptions that it believes are reasonable under various circumstances. Actual results may differ from these estimates and judgments under different assumptions and conditions.

(a) Impairment testing of goodwill

Goodwill are tested for impairment annually or more frequently when there is any indication of impairment which required the CKI Group to estimate the value in use of the relevant cash-generating unit. The value in use calculation requires the CKI Group to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value. The carrying value of goodwill as at 31st December, 2014 is HK$1,030 million (2013: HK$1,024 million). Details of the impairment testing of goodwill are disclosed in note 21.

(b) Impairment testing of intangible assets

Impairment testing of intangible assets requires significant judgment and estimate. Intangible assets with indefinite useful lives are tested for impairment annually and intangible assets with definite useful lives are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use calculation requires the CKI Group to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value. The carrying value of intangible assets as at 31st December, 2014 is HK$1,847 million (2013: HK$1,942 million).

6. GROUP TURNOVER AND SHARE OF TURNOVER OF JOINT VENTURES

CKI Group turnover represents net sales of infrastructure materials, interest income from loans granted to associates and joint ventures, sales of waste management services, distribution from investments in securities classified as infrastructure investments, and income from the supply of water.

In addition, the CKI Group presents its proportionate share of turnover of joint ventures. Turnover of associates is not included.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

6. GROUP TURNOVER AND SHARE OF TURNOVER OF JOINT VENTURES (CONT'D)

The CKI Group turnover and share of turnover of joint ventures for the current year is analysed as follows:

HK$ million	**2014**	**2013**
Sales of infrastructure materials	2,642	2,192
Interest income from loans granted to associates	452	484
Interest income from loans granted to joint ventures	1,473	1,295
Sales of waste management services	1,298	819
Distribution from investments in securities	185	186
Income from the supply of water	50	42
CKI Group turnover	6,100	5,018
Share of turnover of joint ventures	22,226	19,413
	28,326	24,431

7. OTHER INCOME

Other income includes the following:

HK$ million	**2014**	**2013**
Bank and other interest income	78	157
Gain on disposal of an associate	12	–
Gain on disposal of a joint venture	–	111
Change in fair values of investment properties	37	30

8. OPERATING COSTS

HK$ million	**2014**	**2013**
Staff costs including directors' emoluments	777	609
Depreciation of property, plant and equipment	232	152
Amortisation of intangible assets	30	17
Cost of inventories sold	3,023	2,431
Other operating expenses	333	1,329
Total	4,395	4,538

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

9. FINANCE COSTS

HK$ million	2014	2013
Interest and other finance costs on		
Bank borrowings wholly repayable within 5 years	541	441
Notes wholly repayable within 5 years	22	–
Notes repayable after 5 years	38	45
Others	305	279
Total	906	765

10. PROFIT BEFORE TAXATION

HK$ million	2014	2013
Profit before taxation is arrived at after (crediting)/charging:		
Contract revenue	(193)	(282)
Operating lease rental for land and buildings	21	19
Directors' emoluments (note 34)	82	78
Auditor's remuneration	7	6

11. TAXATION

(a) Taxation is provided for at the applicable tax rate on the estimated assessable profits less available tax losses. Deferred taxation is provided on temporary differences under the liability method using tax rates applicable to the CKI Group's operations in different countries.

HK$ million	2014	2013
Current taxation – Hong Kong	3	–
Current taxation – outside Hong Kong	44	3
Deferred taxation (note 28)	(21)	(61)
Total	26	(58)

(b) A subsidiary of CKI paid AUD64 million (2013: AUD61 million) in aggregate, to the Australian Tax Office ("ATO") being an amount equivalent to 50 per cent (which percentage is based on ATO Administrative Guidelines) of the tax in dispute, including interest and penalties, claimed by the ATO, pending the resolution of a dispute with the ATO regarding the deductibility of certain fees paid by that subsidiary for income tax purposes. The subsidiary is of the view that the fees are deductible and that no amount should be payable to the ATO and that the above amount paid is expected to be recovered from the ATO. The subsidiary has obtained legal advice and is poised to vigorously defend its position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

11. TAXATION (CONT'D)

(c) Reconciliation between tax charge/(credit) and accounting profit at Hong Kong profits tax rate:

HK$ million	**2014**	**2013**
Profit before taxation	32,346	12,254
Less: share of results of associates	(23,156)	(4,741)
share of results of joint ventures	(5,630)	(6,683)
	3,560	830
Tax at 16.5% (2013: 16.5%)	587	137
Tax impact on:		
Different domestic rates of subsidiaries operating in other tax jurisdictions	(533)	(238)
Income not subject to tax	(151)	(185)
Expenses not deductible for tax purpose	93	232
Tax losses and other temporary differences not recognised	7	20
Others	23	(24)
Tax charge/(credit)	26	(58)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

12. PROFIT FOR THE YEAR AND SEGMENT INFORMATION

for the year ended 31st December

	Investment in the Company*		Infrastructure Investments: United Kingdom		Infrastructure Investments: Australia		Infrastructure Investments: Mainland China		Infrastructure Investments: New Zealand		Infrastructure Investments: Canada and Netherlands		Infrastructure Investments: Sub-total		Infrastructure related business		Unallocated items		Consolidated	
HK$ million	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
CKI Group turnover #	–	–	1,318	1,148	637	670	–	–	1,362	886	141	122	3,458	2,826	2,642	2,192	–	–	6,100	5,018
Share of turnover of joint ventures	–	–	17,678	16,426	545	2	635	661	667	588	1,494	740	21,019	18,417	1,207	996	–	–	22,226	19,413
	–	–	18,996	17,574	1,182	672	635	661	2,029	1,474	1,635	862	24,477	21,243	3,849	3,188	–	–	28,326	24,431
CKI Group turnover	–	–	1,318	1,148	637	670	–	–	1,362	886	141	122	3,458	2,826	2,642	2,192	–	–	6,100	5,018
Bank and other interest income	–	–	–	–	–	–	2	3	–	–	–	–	2	3	47	61	29	93	78	157
Gain on disposal of a subsidiary	–	–	–	–	2,236	–	–	–	–	–	–	–	2,236	–	–	–	–	–	2,236	–
Gain on disposal of an associate	–	–	–	–	12	–	–	–	–	–	–	–	12	–	–	–	–	–	12	–
Gain on disposal of a joint venture	–	–	–	–	–	–	–	111	–	–	–	–	–	111	–	–	–	–	–	111
Other income	–	–	4	–	–	–	108	91	1	1	–	–	113	92	62	180	53	4	228	276
Change in fair value of derivative financial instruments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(134)	–	(134)	–
Depreciation and amortisation	–	–	(5)	(5)	–	–	–	–	(159)	(97)	–	–	(164)	(102)	(97)	(67)	(1)	–	(262)	(169)
Other operating expenses	–	–	(48)	(42)	–	–	(67)	(13)	(929)	(588)	–	–	(1,044)	(643)	(2,454)	(2,130)	(501)	(1,596)	(3,999)	(4,369)
Finance costs	–	–	(2)	(2)	–	–	–	–	(84)	(55)	–	–	(86)	(57)	(1)	(3)	(819)	(705)	(906)	(765)
Exchange gain	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2	4	205	567	207	571
Share of results of associates and joint ventures	22,695	4,315	4,918	6,369	583	456	267	199	14	(8)	145	(6)	5,927	7,010	164	99	–	–	28,786	11,424
Profit/(Loss) before taxation	22,695	4,315	6,185	7,468	3,468	1,126	310	391	205	139	286	116	10,454	9,240	365	336	(1,168)	(1,637)	32,346	12,254
Taxation	–	–	31	40	–	–	(23)	4	(13)	15	(1)	–	(6)	59	(20)	(1)	–	–	(26)	58
Profit/(Loss) for the year	22,695	4,315	6,216	7,508	3,468	1,126	287	395	192	154	285	116	10,448	9,299	345	335	(1,168)	(1,637)	32,320	12,312
Attributable to:																				
Shareholders of CKI	22,695	4,315	6,216	7,508	3,468	1,126	287	395	192	154	285	116	10,448	9,299	350	343	(1,711)	(2,318)	31,782	11,639
Owners of perpetual capital securities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	543	681	543	681
Non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(5)	(8)	–	–	(5)	(8)
	22,695	4,315	6,216	7,508	3,468	1,126	287	395	192	154	285	116	10,448	9,299	345	335	(1,168)	(1,637)	32,320	12,312

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

12. PROFIT FOR THE YEAR AND SEGMENT INFORMATION (CONT'D)

for the year ended 31st December

			Infrastructure Investments																		
	Investment in the Company*		United Kingdom		Australia		Mainland China		New Zealand		Canada and Netherlands		Sub-total		Infrastructure related business		Unallocated items		Consolidated	
HK$ million	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Other information																				
Expenditure for segment non-current assets:																				
– Additions to property, plant and equipment	–	–	–	–	–	–	–	–	195	132	–	–	195	132	96	270	1	3	292	405
– Additions to intangible assets	–	–	–	–	–	–	–	–	14	11	–	–	14	11	–	–	–	–	14	11
– Investments in joint ventures	–	–	–	–	4,705	27	–	–	–	159	–	2,101	4,705	2,287	–	–	–	–	4,705	2,287
– Acquisition of business (note 38)	–	–	–	–	–	–	–	–	78	–	–	–	78	–	–	–	–	–	78	–
– Acquisition of a subsidiary (note 38)	–	–	–	–	–	–	–	–	–	2,159	–	–	–	2,159	–	–	–	–	–	2,159
– Disposal of a subsidiary (note 39)	–	–	–	–	(759)	–	–	–	–	–	–	–	(759)	–	–	–	–	–	(759)	–
as at 31st December																				
Assets																				
Interests in associates and joint ventures	47,384	27,458	40,810	40,424	13,637	7,159	546	718	1,156	1,233	3,226	3,515	59,375	53,049	375	320	–	–	107,134	80,827
Property, plant and equipment and investment properties §	–	–	83	91	–	–	–	–	780	696	–	–	863	787	1,890	1,885	4	4	2,757	2,676
Other segment assets	–	–	787	826	1,526	3,748	5	–	3,095	3,169	–	–	5,413	7,743	2,001	1,699	–	–	7,414	9,442
Unallocated corporate assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	8,765	6,963	8,765	6,963
Total assets	47,384	27,458	41,680	41,341	15,163	10,907	551	718	5,031	5,098	3,226	3,515	65,651	61,579	4,266	3,904	8,769	6,967	126,070	99,908
Liabilities																				
Segment liabilities	–	–	57	65	47	233	27	31	1,843	1,747	7	9	1,981	2,085	841	792	–	–	2,822	2,877
Unallocated corporate liabilities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	21,502	16,433	21,502	16,433
Total liabilities	–	–	57	65	47	233	27	31	1,843	1,747	7	9	1,981	2,085	841	792	21,502	16,433	24,324	19,310

Notes:

* During the year, the CKI Group has a 38.87 per cent (2013: 38.87 per cent) equity interest in the Company. The share of the results of the Company during the year ended 31st December, 2014 included the share of gain on disposal from spin-off and separate listing of the Hong Kong electricity business which is operated by The Hongkong Electric Company, Limited amounting to approximately HK$19 billion.

\# Sales of infrastructure materials comprise sales in Hong Kong of HK$1,611 million (2013: HK$1,520 million), sales in Mainland China of HK$1,030 million (2013: HK$670 million) and sales in other region of HK$1 million (2013: HK$2 million).

§ The carrying value of HK$575 million (2013: HK$544 million) and HK$1,316 million (2013: HK$1,341 million) of the property, plant and equipment and investment properties of infrastructure related business are located in Hong Kong and Mainland China respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

12. PROFIT FOR THE YEAR AND SEGMENT INFORMATION (CONT'D)

Segment profit attributable to shareholders of CKI represents the profit earned by each segment after the profit attributable to owners of perpetual capital securities and non-controlling interests without allocation of gains or losses from treasury activities, corporate overheads and other expenses of the CKI Group's head office.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than financial assets of the CKI Group's head office; and
- all liabilities are allocated to reportable segments other than financial and other liabilities of the CKI Group's head office.

13. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of CKI of HK$31,782 million (2013: HK$11,639 million) and on 2,439,610,945 shares (2013: 2,439,610,945 shares) in issue during the year.

During the year ended 31st December, 2013, the shares issued in connection with the issue of perpetual capital securities in February 2012 (note 31) were excluded from the calculation of earnings per share since these shares are disregarded for the purpose of determining the number of shares held by the public.

14. DIVIDENDS

(a)

HK$ million	**2014**	**2013**
Interim dividend paid of HK$0.525 per share (2013: HK$0.50 per share)	1,281	1,220
Proposed final dividend of HK$1.475 per share (2013: HK$1.36 per share)	3,716	3,318
Total	4,997	4,538

During the year ended 31st December, 2013, dividends of HK$4,538 million were stated after elimination of HK$104 million paid/proposed for the shares issued in connection with the issue of perpetual capital securities in February 2012. There is no such elimination for the dividend in 2014 since CKI redeemed the corresponding perpetual capital securities in February 2014 (note 31).

(b)

HK$ million	**2014**	**2013**
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$1.36 per share (2013: HK$1.26 per share)	3,318	3,074

Proposed final dividend for the year ended 31st December, 2012, approved and paid during the year ended 31st December, 2013, is stated after elimination of HK$71 million for the shares issued in connection with the issue of perpetual capital securities in February 2012. There is no such elimination for the dividend in 2014 since CKI redeemed the corresponding perpetual capital securities in February 2014 (note 31).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

15. PROPERTY, PLANT AND EQUIPMENT

HK$ million	Medium term leasehold land in Hong Kong	Medium term leasehold land outside Hong Kong	Freehold land outside Hong Kong	Buildings	Mains, pipes, other plant and machinery	Furniture, fixtures and others	Total
Cost							
At 1st January, 2013	393	114	–	649	2,521	51	3,728
Acquisition of a subsidiary	–	–	145	64	452	–	661
Transfer between categories	–	–	–	576	(577)	1	–
Additions	–	–	24	2	344	35	405
Disposals	–	–	–	–	(4)	(1)	(5)
Exchange translation differences	–	4	(4)	8	26	–	34
At 31st December, 2013	393	118	165	1,299	2,762	86	4,823
Acquisition of businesses	–	–	–	–	65	–	65
Transfer between categories	–	–	–	79	(79)	–	–
Additions	–	–	22	1	264	5	292
Disposals	–	–	–	–	(19)	(13)	(32)
Exchange translation differences	–	(3)	(10)	(25)	(108)	(1)	(147)
At 31st December, 2014	393	115	177	1,354	2,885	77	5,001
Accumulated depreciation							
At 1st January, 2013	166	41	–	625	1,382	37	2,251
Charge for the year	8	3	–	9	126	6	152
Disposals	–	–	–	–	(3)	(1)	(4)
Exchange translation differences	–	1	–	9	5	1	16
At 31st December, 2013	174	45	–	643	1,510	43	2,415
Charge for the year	7	2	–	19	196	8	232
Disposals	–	–	–	–	(19)	(13)	(32)
Exchange translation differences	–	(1)	–	(12)	(52)	(1)	(66)
At 31st December, 2014	181	46	–	650	1,635	37	2,549
Carrying value							
At 31st December, 2014	212	69	177	704	1,250	40	2,452
At 31st December, 2013	219	73	165	656	1,252	43	2,408

The carrying value of the CKI Group's mains, pipes, other plant and machinery includes an amount of HK$62 million (2013: HK$105 million) in respect of assets held under finance leases, and another amount of HK$73 million (2013: HK$84 million) in respect of assets pledged as security for certain bank loans of the CKI Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

16. INVESTMENT PROPERTIES

HK$ million	
Medium term leases in Hong Kong, at fair value	
At 1st January, 2013	238
Change in fair values	30
At 31st December, 2013	268
Change in fair values	37
At 31st December, 2014	305

The fair values of the CKI Group's investment properties at 31st December, 2014 and 2013 are determined based on a valuation carried out by Mr. K. B. Wong for and on behalf of DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the CKI Group. Mr. K. B. Wong is a member of the Hong Kong Institute of Surveyors. The valuation which reflects the highest and best use was arrived at by reference to comparable market transactions and also taking reference of capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties.

17. INTERESTS IN ASSOCIATES

HK$ million	**2014**	**2013**
Investment costs		
– Listed in Hong Kong	8,687	8,687
– Unlisted	1,010	1,010
Share of post-acquisition reserves	40,549	20,670
	50,246	30,367
Amounts due by unlisted associates (note 37)	3,889	4,216
	54,135	34,583
Market value of investment in a listed associate	62,386	51,145

Included in the amounts due by unlisted associates are subordinated loans of HK$3,764 million (2013: HK$4,091 million). The rights in respect of these loans are subordinated to the rights of any other lenders to the associates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

17. INTERESTS IN ASSOCIATES (CONT'D)

Summarised financial information of the Company, the only material associate, are adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below.

(a) Financial information of the material associate as at 31st December

	Company	
HK$ million	**2014**	**2013**
Current assets	62,101	10,494
Non-current assets	72,988	96,701
Current liabilities	(2,700)	(4,952)
Non-current liabilities	(10,486)	(31,603)
Equity	121,903	70,640
Reconciled to the CKI Group's interests in the material associate		
CKI Group's effective interest	38.87%	38.87%
CKI Group's shares of net assets of the material associate and its carrying amount in the consolidated financial statements	47,384	27,458

(b) Financial information of the material associate for the year ended 31st December

	Company	
HK$ million	**2014**	**2013**
Turnover	2,131	11,578
Profit for the year	58,385	11,101
Other comprehensive (expense)/income	(1,870)	530
Total comprehensive income	56,515	11,631
Dividend received from the material associate	2,132	2,057

(c) Aggregate information of associates that are not individually material

HK$ million	**2014**	**2013**
Aggregate carrying amount of individually insignificant associates in the consolidated financial statements	2,862	2,909
Aggregate amounts of the CKI Group's share of those associates'		
Profit for the year	461	426
Other comprehensive (expense)/income	(11)	349
Total comprehensive income	450	775

Particulars of the principal associates are set out in Appendix 2 on pages 146 and 147.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

18. INTERESTS IN JOINT VENTURES

HK$ million	**2014**	**2013**
Investment costs	30,594	22,898
Share of post-acquisition reserves	7,671	7,810
	38,265	30,708
Impairment losses	(97)	(31)
	38,168	30,677
Amounts due by joint ventures (note 37)	14,831	15,567
	52,999	46,244

Included in the amounts due by joint ventures are subordinated loans of HK$6,330 million (2013: HK$6,666 million). The rights in respect of these loans are subordinated to the rights of any other lenders to the joint ventures.

The Directors reviewed certain joint ventures' operations and financial positions as at 31st December, 2014. Due to the suspension of the annual pass system in Changsha, Hunan Province, China with effect from January 2015, an impairment loss of HK$66 million (2013: nil) was made against interest in joint ventures, which operated Wujialing and Wuyilu Bridges in Changsha, Hunan Province, China.

Summarised financial information of UK Power Networks Holdings Limited ("UK Power Networks") and Northumbrian Water Group Limited ("Northumbrian Water"), the material joint ventures, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

18. INTERESTS IN JOINT VENTURES (CONT'D)

(a) Financial information of the material joint ventures as at 31st December

	UK Power Networks		Northumbrian Water	
HK$ million	**2014**	**2013**	**2014**	**2013**
Current assets	5,604	5,528	3,215	3,360
Non-current assets	124,050	122,172	77,979	80,450
Current liabilities	(10,340)	(9,718)	(3,038)	(3,254)
Non-current liabilities	(76,647)	(79,117)	(62,435)	(63,844)
Equity	42,667	38,865	15,721	16,712
Reconciled to the CKI Group's interest in the joint ventures				
CKI Group's effective interest	40%	40%	40%	40%
CKI Group's share of net assets of the joint ventures	17,067	15,546	6,288	6,685
Consolidation adjustments at CKI Group level and non-controlling interests	143	149	61	57
Carrying amount of the joint ventures in the consolidated financial statements	17,210	15,695	6,349	6,742
Included in the above assets and liabilities:				
Cash and cash equivalents	2,172	1,939	796	1,181
Current financial liabilities (excluding trade and other payables and provisions)	–	–	(182)	(381)
Non-current financial liabilities (excluding trade and other payables and provisions)	(60,560)	(61,593)	(49,277)	(50,741)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

18. INTERESTS IN JOINT VENTURES (CONT'D)

(b) Financial information of the material joint ventures for the year ended 31st December

	UK Power Networks		Northumbrian Water	
HK$ million	**2014**	**2013**	**2014**	**2013**
Turnover	22,938	21,327	10,772	10,047
Profit for the year	8,381	9,823	1,439	2,197
Other comprehensive income/ (expense)	347	(944)	(345)	566
Total comprehensive income	8,728	8,879	1,094	2,763
Dividend received from the joint ventures	1,109	1,114	533	426
Included in the above profit:				
Depreciation and amortisation	(2,732)	(1,942)	(1,948)	(1,403)
Interest income	423	406	11	3
Interest expense	(3,426)	(3,147)	(3,212)	(3,071)
Income tax (expense)/credit	(1,988)	(473)	345	910

(c) Aggregate information of joint ventures that are not individually material

HK$ million	**2014**	**2013**
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	14,609	8,240
Aggregate amounts of the CKI Group's share of those joint ventures'		
Profit for the year	1,702	1,875
Other comprehensive (expense)/income	(355)	43
Total comprehensive income	1,347	1,918

Particulars of the principal joint ventures are set out in Appendix 3 on pages 148 and 149.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

19. INVESTMENTS IN SECURITIES

HK$ million	**2014**	**2013**
Financial assets at fair value through profit or loss*		
Notes, listed overseas	–	1,341
Equity securities, unlisted	46	46
Available-for-sale financial assets		
Stapled securities, listed overseas, at fair value	1,526	1,266
Equity securities, listed overseas, at fair value	–	2,460
Stapled securities, listed in Hong Kong, at fair value	1,526	–
Equity securities, unlisted, at cost	552	578
Debt securities, unlisted, at fair value	207	217
Equity securities, unlisted, at fair value	32	32
Total	3,889	5,940
Portion classified as:		
Non-current	3,889	4,599
Current	–	1,341
Total	3,889	5,940

* designated as financial assets at fair value through profit or loss in accordance with HKAS 39

Overseas listed stapled securities comprise various subordinated loan notes and fully paid ordinary shares whereas Hong Kong listed stapled securities represent a combination of (i) a unit in a fixed single investment trust ("Unit"); (ii) a beneficial interest in a specifically identified ordinary share linked to the Unit; and (iii) a specifically identified preference share stapled to the Unit. Both stapled securities are quoted at a single combined price and cannot trade separately.

Neither the subordinated loan notes nor the debt securities are past due nor impaired, which are issued by corporate entities with credit ratings ranging from A- to BBB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

20. DERIVATIVE FINANCIAL INSTRUMENTS

	2014		2013	
HK$ million	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Forward foreign exchange contracts	897	(1)	80	(744)
Interest rate swaps	14	(237)	42	(163)
	911	(238)	122	(907)
Portion classified as:				
Non-current	86	(214)	42	(416)
Current	825	(24)	80	(491)
	911	(238)	122	(907)

Currency Derivatives

During the current year, the CKI Group utilised currency derivatives to hedge long-term foreign investments. The CKI Group is a party to a variety of foreign currency forward contracts in the management of its exchange rate exposures. No material cash flow is expected to occur in the coming year.

The following contracts are outstanding as at the end of the reporting period and the major terms of these contracts are as follows:

As at 31st December, 2014

Notional amount	**Maturity**
Sell AUD 319 million*	2015
Sell CAD 184.2 million*	2015
Sell NZD 280.0 million*	2015
Sell GBP 1,471.8 million*	2015
Sell GBP 100.0 million*	2017
Sell GBP 100.0 million*	2019
Sell GBP 240.0 million*	2020
Sell GBP 100.0 million*	2021

As at 31st December, 2013

Notional amount	**Maturity**
Sell AUD 323.8 million*	2014
Sell CAD 184.2 million*	2014
Sell NZD 280.0 million*	2014
Sell GBP 1,521.8 million*	2014
Sell GBP 390.0 million*	2015
Sell GBP 100.0 million*	2017

* designated as hedging instrument in accordance with HKAS 39

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

20. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

Currency Derivatives (Cont'd)

The fair values of the above currency derivatives that are designated and effective as net investment hedges totalling HK$896 million (net assets to the CKI Group) (2013: HK$664 million (net liabilities to the CKI Group)) have been deferred in equity at 31st December, 2014.

None of above currency derivatives is designated and effective as cash flow hedges at 31st December, 2014 and 2013.

Interest Rate Swaps

During the current year, the CKI Group utilised interest rate swaps to manage its exposure to interest rate movements on its bank borrowings by swapping a proportion of those borrowings from floating rates to fixed rates. The notional principal amounts of the interest rate swap contracts outstanding as at 31st December, 2014 and the major terms of these contracts are as follows:

As at 31st December, 2014 *HK$ million*	**Floating interest rate**	**Weighted average fixed interest rate**	**Notional principal amount**
Contracts maturing in 2015	BBSW*	5.66%	3,222
Contract maturing in 2018	EURIBOR*	2.00%	1,872
Contracts maturing in 2018	BKBM*	3.43%	902
Contracts maturing in 2022	LIBOR*	1.89%	7,278

As at 31st December, 2013 *HK$ million*	**Floating interest rate**	**Weighted average fixed interest rate**	**Notional principal amount**
Contracts maturing in 2015	BBSW*	5.66%	3,502
Contract maturing in 2018	EURIBOR*	2.00%	2,084
Contracts maturing in 2018	BKBM*	3.43%	954
Contracts maturing in 2022	LIBOR*	1.89%	7,614

* BBSW – Australian Bank Bill Swap Reference Rate
EURIBOR – Euro Interbank Offered Rate
BKBM – New Zealand Bank Bill Reference Rate
LIBOR – London Interbank Offered Rate

The fair values of the above interest rate swaps that are designated and effective as cash flow hedges totalling HK$89 million (net liabilities to the CKI Group) (2013: HK$121 million) have been deferred in equity at 31st December, 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

21. GOODWILL AND INTANGIBLE ASSETS

HK$ million	**2014**	**2013**
Goodwill	1,030	1,024
Intangible assets	1,847	1,942
Total	2,877	2,966

Goodwill

HK$ million	**2014**	**2013**
At 1st January	1,024	–
Acquisition of businesses	69	–
Acquisition of a subsidiary	–	1,052
Exchange difference	(63)	(28)
At 31st December	1,030	1,024

During the year ended 31st December, 2014, the goodwill is recognised on acquisition of the entire interest in the recycling and waste collection business in New Zealand (note 38(a)).

During the year ended 31st December, 2013, the goodwill is recognised on acquisition of the entire interest in Enviro Waste Services Limited ("EnviroWaste"), a diversified, vertically integrated waste management business that has national coverage across New Zealand (note 38(b)).

For the purpose of impairment test, the recoverable amount of the cash-generating units is determined based on value in use calculations.

The CKI Group prepared its cash flow projections of each cash-generating unit based on the latest approved budget and extrapolated cash flows for the subsequent 5 years (2013: 10 years). Cash flow projections for each cash-generating unit are based on the expected growth rate of 3 per cent (2013: 3 per cent). The CKI Group considers that cash flow projections of 5 years (2013: 10 years) are appropriate as they entered long-term contracts with customers.

The model uses a terminal value which is equal to eight to nine times of earnings before interest, taxation, depreciation and amortisation and discount rate of 9.1 per cent to 15.1 per cent (2013: 13.1 per cent to 14 per cent). The impairment test of its assets is then assessed using the value in use for each cash-generating unit. Based on impairment tests prepared, there is no impairment for goodwill as at 31st December, 2014 and 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

21. GOODWILL AND INTANGIBLE ASSETS (CONT'D)

Intangible Assets

HK$ million	Brand name and trademarks	Customer contracts	Resource consents	Computer software	Others	Total
Cost						
At 1st January, 2013	–	–	–	–	–	–
Acquisition of subsidiary	132	62	1,799	3	8	2,004
Additions	–	4	6	1	–	11
Exchange translation differences	(3)	(2)	(48)	–	–	(53)
At 31st December, 2013	129	64	1,757	4	8	1,962
Acquisition of businesses	22	5	–	2	–	29
Additions	–	–	4	9	1	14
Exchange translation differences	(9)	(4)	(97)	(2)	–	(112)
At 31st December, 2014	142	65	1,664	13	9	1,893
Accumulated amortisation						
At 1st January, 2013	–	–	–	–	–	–
Charge for the year	–	4	11	1	1	17
Exchange translation differences	–	1	1	1	–	3
At 31st December, 2013	–	5	12	2	1	20
Charge for the year	–	8	17	2	3	30
Exchange translation differences	–	(1)	(2)	(1)	–	(4)
At 31st December, 2014	–	12	27	3	4	46
Carrying value						
At 31st December, 2014	142	53	1,637	10	5	1,847
At 31st December, 2013	129	59	1,745	2	7	1,942

For brand name and trademarks of the CKI Group that are regarded to have indefinite useful lives, there is no foreseeable limit to the period over which these assets are expected to generate cash flows for the CKI Group.

For other intangible assets of the CKI Group that are regarded to have finite useful lives, they are amortised on a straight-line basis according to their legal lives or expected contract lives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

22. INVENTORIES

HK$ million	**2014**	**2013**
Raw materials	72	111
Work-in-progress	52	53
Stores, spare parts and supplies	29	25
Finished goods	22	26
Total	175	215

23. DEBTORS AND PREPAYMENTS

HK$ million	**2014**	**2013**
Trade debtors	438	413
Prepayments, deposits and other receivables	766	749
Total	1,204	1,162

The aging analysis of the CKI Group's trade debtors is as follows:

HK$ million	**2014**	**2013**
Current	289	269
Less than 1 month past due	123	120
1 to 3 months past due	40	37
More than 3 months but less than 12 months past due	11	6
More than 12 months past due	16	15
Amount past due	190	178
Allowance for doubtful debts	(41)	(34)
Total after allowance	438	413

Trade with customers is carried out largely on credit, except for new customers, residential customers of waste management services and customers with unsatisfactory payment records, where payment in advance is normally required. Invoices are normally due within 1 month of issuance, except for certain well-established customers, where the terms are extended to 2 months, and certain customers with disputed items, where the terms are negotiated individually. Each customer has a maximum credit limit, which was granted and approved by senior management in accordance with the laid-down credit review policy and procedures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

23. DEBTORS AND PREPAYMENTS (CONT'D)

The movement in the allowance for doubtful debts during the year is as follows:

HK$ million	**2014**	**2013**
At 1st January	34	35
Impairment loss recognised	12	1
Impairment loss written back	(4)	(3)
Exchange translation differences	(1)	1
At 31st December	41	34

At 31st December, 2014, gross trade debtors' balances totalling HK$41 million (2013: HK$34 million) were individually determined to be impaired, which related to customers that were in financial difficulties. The management assessed that only a portion of the trade debtors' balances is expected to be recovered. Consequently, specific allowance for doubtful debts of HK$41 million (2013: HK$34 million) was recognised at 31st December, 2014. The CKI Group does not hold any collateral over these balances.

The aging analysis of trade debtors that are neither individually nor collectively considered to be impaired is as follows:

HK$ million	**2014**	**2013**
Neither past due nor impaired	286	262
Less than 1 month past due	122	118
1 to 3 months past due	25	30
More than 3 months but less than 12 months past due	3	1
More than 12 months past due	2	2
Amount past due	152	151
Total	438	413

The trade debtors that were neither past due nor impaired related to customers for whom there was no recent history of default.

The trade debtors that were past due but not impaired related to customers that had good track records with the CKI Group. Management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The CKI Group does not hold any collateral over these balances.

24. BANK BALANCES AND DEPOSITS

Bank balances and deposits carry average effective interest rate at 1.17 per cent (2013: 1.17 per cent) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

25. ASSETS CLASSIFIED AS HELD FOR SALE

Assets classified as held for sale, represented 49 per cent interest in AquaTower Pty Ltd (the "Disposal Unit"), was being disposed of within twelve months subsequent to 31st December, 2013.

On 19th December, 2013, the CKI Group together with CK Life Sciences Int'l., (Holdings) Inc., which owns 51 per cent interest in the Disposal Unit, entered into a sale and purchase agreement with independent third parties in relation to the Disposal Unit. Upon the completion of disposal in June 2014, a cash consideration of AUD4,534,324 (equivalent to approximately HK$32,992,000) was received by the CKI Group, on the terms of the sale and purchase agreement.

26. BANK AND OTHER LOANS

HK$ million	**2014**	**2013**
Unsecured bank loans and bank overdraft repayable:		
Within 1 year	1,654	3
In the 2nd year	–	1,788
In the 3rd to 5th year, inclusive	12,020	8,515
	13,674	10,306
Obligations under finance leases repayable:		
Within 1 year	34	39
In the 2nd year	16	32
In the 3rd to 5th year, inclusive	9	25
After 5 years	1	1
	60	97
Unsecured notes repayable:		
In the 3rd to 5th year, inclusive	2,524	–
After 5 years	1,255	1,617
	3,779	1,617
Secured bank loans repayable:		
Within 1 year	2	2
In the 2nd year	2	2
In the 3rd to 5th year, inclusive	1,104	990
After 5 years	16	15
	1,124	1,009
Total	18,637	13,029
Portion classified as:		
Current liabilities	1,690	44
Non-current liabilities	16,947	12,985
Total	18,637	13,029

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

26. BANK AND OTHER LOANS (CONT'D)

The carrying amounts of the CKI Group's borrowings are denominated in the following currencies:

	Bank loans		Finance leases		Notes		Total	
HK$ million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
GBP	3,671	3,836	2	6	–	–	3,673	3,842
AUD	7,359	3,508	–	–	–	–	7,359	3,508
JPY	796	904	–	–	1,194	1,357	1,990	2,261
EUR	1,872	2,084	–	–	–	–	1,872	2,084
NZD	1,100	983	40	57	–	–	1,140	1,040
USD	–	–	–	–	2,325	–	2,325	–
HKD	–	–	–	–	260	260	260	260
RMB	–	–	18	34	–	–	18	34
Total	14,798	11,315	60	97	3,779	1,617	18,637	13,029

The average effective interest rates of the CKI Group's bank loans and finance leases are 4.23 per cent (2013: 4.31 per cent) per annum and 11.02 per cent (2013: 8.19 per cent) per annum, respectively.

The CKI Group's notes of HK$1,454 million (2013: HK$1,617 million) were arranged at fixed interest rate and exposed the CKI Group to fair value interest rate risk. Other borrowings were arranged at floating rates, thus exposed the CKI Group to cash flow interest rate risk.

Bank loans and floating rate notes carried interest at floating rate, which was determined with reference to BBSY*, LIBOR, USD LIBOR, EURIBOR, BKBM or British Bankers Association Interest Settlement Rate for Yen deposit plus an average margin less than 3 per cent.

Fixed rate notes, other loans and finance leases carried interest ranging from 1.75 per cent to 13.50 per cent (2013: 1.75 per cent to 12.44 per cent) per annum.

The shares of a subsidiary with net asset value of HK$1,228 million (2013: HK$1,302 million) were pledged to secure bank borrowings totalling HK$1,100 million (2013: HK$983 million) granted to the CKI Group.

* BBSY – Australian Bank Bill Swap Bid Rate

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

26. BANK AND OTHER LOANS (CONT'D)

Details of the present value of the minimum finance lease payments are shown below:

HK$ million	**2014**	**2013**
Minimum lease payments:		
Within 1 year	38	45
In the 2nd year	18	35
In the 3rd to 5th year, inclusive	9	28
After 5 years	2	2
	67	110
Less: Future finance charges	(7)	(13)
Present value of lease payments	60	97
Less: Amount due for settlement within 12 months	(34)	(39)
Amount due for settlement after 12 months	26	58

At 31st December, 2014, the remaining weighted average lease term was 2.2 years (2013: 3.7 years). All leases are denominated in GBP, RMB and NZD on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The CKI Group's obligations under finance leases are secured by the lessors' charge over the leased assets (note 15).

27. CREDITORS AND ACCRUALS

HK$ million	**2014**	**2013**
Trade creditors	282	333
Other payables and accruals	4,467	4,080
Total	4,749	4,413

The aging analysis of the CKI Group's trade creditors is as follows:

HK$ million	**2014**	**2013**
Current	171	254
1 month	31	38
2 to 3 months	14	6
Over 3 months	66	35
Total	282	333

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

28. DEFERRED TAX ASSETS/LIABILITIES

HK$ million	**2014**	**2013**
Deferred tax assets	15	20
Deferred tax liabilities	(552)	(838)
Total	(537)	(818)

The following are the major deferred tax (assets)/liabilities recognised by the CKI Group and movements thereon during the current and prior years:

HK$ million	**Accelerated tax depreciation**	**Tax losses**	**Fair value changes in securities**	**Fair value arising from business combination**	**Others**	**Total**
At 1st January, 2013	64	(22)	199	–	19	260
(Credit)/Charge to profit for the year	(22)	(42)	–	(3)	6	(61)
Charge to other comprehensive income for the year	–	–	64	–	12	76
Acquisition of a subsidiary	70	–	–	509	(23)	556
Exchange translation differences	(2)	–	(30)	(13)	–	(45)
Others	(1)	44	–	–	(11)	32
At 31st December, 2013	109	(20)	233	493	3	818
(Credit)/Charge to profit for the year	–	(30)	–	(14)	23	(21)
Charge/(Credit) to other comprehensive income for the year	–	–	61	–	(7)	54
Acquisition of businesses	–	–	–	7	(2)	5
Disposal of a subsidiary	–	–	(307)	–	–	(307)
Exchange translation differences	(3)	1	13	(26)	–	(15)
Others	(1)	34	–	–	(30)	3
At 31st December, 2014	105	(15)	–	460	(13)	537

Apart from the unused tax losses of which the deferred tax assets were recognised as presented above, the CKI Group had unused tax losses and other unused tax credits totalling HK$1,474 million (2013: HK$1,475 million) at 31st December, 2014. No deferred tax asset has been recognised in respect of these tax losses and tax credits due to the unpredictability of future profit streams to utilise the available tax losses and tax credits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

28. DEFERRED TAX ASSETS/LIABILITIES (CONT'D)

An analysis of the expiry dates of the tax losses and tax credits is as follows:

HK$ million	**2014**	**2013**
Within 1 year	1	18
In the 3rd to 5th year, inclusive	83	88
No expiry date	1,390	1,369
Total	1,474	1,475

29. RETIREMENT PLANS

(a) Defined Contribution Retirement Plans

The CKI Group provides defined contribution retirement plans for its eligible employees except for two defined benefit plans for the employees of certain subsidiaries as detailed in (b) below.

Contributions to the defined contribution plans in Hong Kong are made by either the employer only at 10 per cent of the employees' monthly basic salaries or by both the employer and the employees each at 10 or 15 per cent of the employees' monthly basic salaries. CKI and its Hong Kong subsidiaries also participate in master trust Mandatory Provident Fund ("MPF") schemes operated by independent service providers. Mandatory contributions to these MPF schemes are made by both the employers and employees at 5 per cent of the employees' monthly relevant income each capped at HK$30,000 (HK$25,000 for the period from 1st June, 2012 to 31st May, 2014 and HK$20,000 prior to June 2012).

Contribution to the defined contribution plans in the United Kingdom are made by either the employer only at 10 per cent of the employees' monthly basic salaries or by both the employer and employees each at 4 to 6 per cent of the employees' monthly basic salaries.

Contribution to the defined contribution plans in New Zealand are made by either the employer only at 9 per cent of the employees' monthly basic salaries or by both the employer and employees each at 4 to 9 per cent of the employees' monthly basic salaries.

As the CKI Group's retirement plans in Hong Kong, including the defined benefit plan mentioned in (b) below, are all MPF-exempted recognised occupational retirement schemes ("ORSO schemes"), except for certain subsidiaries of which the new Hong Kong employees have to join the MPF schemes, the CKI Group offers an option to its new Hong Kong employees to elect between the ORSO schemes and the MPF schemes.

The CKI Group's costs in respect of defined contribution plans for the year amounted to HK$23 million (2013: HK$20 million). No forfeited contributions and earnings for the year under the defined contribution plans were used to reduce the existing level of contributions (2013: nil). At 31st December, 2014, there were no forfeited contributions and earnings available to the CKI Group to reduce its contributions to the defined contribution plans in future years (2013: nil).

(b) Defined Benefit Retirement Plan operating in Hong Kong

Certain subsidiaries of the CKI Group operate a defined benefit retirement plan in Hong Kong for their eligible employees. Contributions to the defined benefit plan are made by the employees at either 5 or 7 per cent of the employees' salaries and contributions made by the employer are based on the recommendations of an independent actuary according to a periodic actuarial valuation of the plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

29. RETIREMENT PLANS (CONT'D)

(b) Defined Benefit Retirement Plan operating in Hong Kong (Cont'd)

The plan exposes the CKI Group to actuarial risks, such as interest rate risk, investment risk, longevity risk and salary risk.

Actuarial valuation of the defined benefit plan according to HKAS 19 "Employee Benefits" was carried out at 31st December, 2014, by Ms. Phoebe W. Y. Shair of Towers Watson Hong Kong Limited, who is a Fellow of the Society of Actuaries. The present value of the defined benefit obligations, the related current service cost and past service cost, if any, were measured using the Projected Unit Credit Method. The principal actuarial assumptions used are as follows:

	2014	**2013**
Discount rate at 31st December	1.10% per annum	1.20% per annum
Expected rate of salary increase	5.00% per annum	4.50% per annum

The actuarial valuation showed that the market value of plan assets was HK$86 million (2013: HK$80 million) and that the actuarial value of these assets represented 93 per cent (2013: 95 per cent) of the benefits that had accrued to members.

The below analysis shows how the defined benefit obligation as at 31st December, 2014 would have increased/(decreased) as a result of 0.25 per cent change in the significant actuarial assumptions:

HK$ million	**Increase in 0.25%**	**Decrease in 0.25%**
Discount rate	(1)	1
Expected rate of salary increase	–	–

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

The following amounts in respect of the defined benefit plan have been debited to the consolidated income statement under operating costs:

HK$ million	**2014**	**2013**
Current service cost (net of employee contributions)	3	3
Net amount debited to the consolidated income statement	3	3

The actual return on plan assets for the year ended 31st December, 2014 was a gain of HK$4 million (2013: HK$9 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

29. RETIREMENT PLANS (CONT'D)

(b) Defined Benefit Retirement Plan operating in Hong Kong (Cont'd)

The amount included in the consolidated statement of financial position at 31st December, 2014 arising from the CKI Group's obligations in respect of its defined benefit plan in Hong Kong is as follows:

HK$ million	2014	2013
Present value of defined benefit obligations	92	85
Fair value of plan assets	(86)	(80)
Employee retirement benefit liabilities classified as other non-current liabilities included in the consolidated statement of financial position	6	5

Changes in the present value of the defined benefit obligations are as follows:

HK$ million	2014	2013
At 1st January	85	85
Current service cost (net of employee contributions)	3	3
Interest cost	1	–
Actual benefits paid	–	(3)
Actual employee contributions	1	1
Actuarial loss on experience	1	1
Actuarial loss/(gain) on financial assumptions	1	(2)
At 31st December	92	85

Changes in the fair value of the plan assets are as follows:

HK$ million	2014	2013
At 1st January	80	72
Return on plan assets greater than discount rate	3	9
Interest income	1	–
Actual company contributions	1	1
Actual employee contributions	1	1
Actual benefits paid	–	(3)
At 31st December	86	80

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

29. RETIREMENT PLANS (CONT'D)

(b) Defined Benefit Retirement Plan operating in Hong Kong (Cont'd)

Major categories of the plan assets at the end of the reporting period are analysed as follows:

As at 31st December	2014	2013
Equity instruments	50%	51%
Debt instruments	50%	49%
Total	100%	100%

All the equity instruments and debt instruments have quoted prices in active markets.

The CKI Group recognised net actuarial loss on defined benefit obligations amounting to HK$2 million (2013: gain of HK$1 million) and return on plan assets greater than discount rate amounting to HK$3 million for the year ended 31st December, 2014 (2013: HK$9 million) directly through other comprehensive income.

Another actuarial valuation was completed at 1st January, 2013 by Ms. Phoebe W. Y. Shair of Towers Watson Hong Kong Limited, who is a Fellow of the Society of Actuaries, to determine the funding rates to be adopted by the CKI Group in accordance with requirements of Occupational Retirement Schemes Ordinance. The actuarial method adopted was Attained Age Funding Method. The major assumptions used were the long-term average annual rate of investment return on the plan assets at 5 per cent per annum, and the average annual salary increases at 4 per cent per annum. The actuarial valuation showed that the fair value of the plan assets attributable to the CKI Group at 31st December, 2012 represented 108 per cent of the present value of the obligations as at that date. Contributions to fund the obligations were based upon the recommendations of actuary to fully fund the retirement plan on an ongoing basis. The funding rates will be reviewed no later than 1st January, 2016 as required by Occupational Retirement Schemes Ordinance.

The CKI Group expects to make a contribution of HK$2 million (2013: HK$1 million) to the defined benefit plan during the next financial year.

30. SHARE CAPITAL

	Number of Shares		Amount	
	2014	2013	2014	2013
			HK$ million	*HK$ million*
Authorised:				
Ordinary shares of HK$1 each	4,000,000,000	4,000,000,000	4,000	4,000
Issued and fully paid:				
At 1st January	2,495,845,400	2,495,845,400	2,496	2,496
Return and cancel of shares in connection with the redemption of perpetual capital securities (note 31)	(56,234,455)	–	(56)	–
At 31st December	2,439,610,945	2,495,845,400	2,440	2,496

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

31. PERPETUAL CAPITAL SECURITIES

On 29th September, 2010, the CKI Group issued US$1,000 million 6.625 per cent guaranteed perpetual capital securities at an issue price of 100 per cent. The perpetual capital securities were issued for general corporate funding purposes. Interest payments on the perpetual capital securities are paid semi-annually in arrears from 29th March, 2011 and may be deferred at the discretion of the CKI Group. The perpetual capital securities have no fixed maturity and are redeemable at the CKI Group's option on or after 29th September, 2015 at their principal amounts together with any accrued, unpaid or deferred interest payments. While any interest payments are unpaid or deferred, CKI will not declare, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank.

On 27th February, 2012, The Bank of New York Mellon (Luxembourg) S.A. (the "Fiduciary") issued US$300 million perpetual capital securities (the "Capital Securities") which are listed on the Luxembourg Stock Exchange at an issue price of 100 per cent. Interest is payable semi-annually in arrear based on a fixed rate, which is 7.0 per cent per annum. Payments of interest by the Fiduciary are conditional and may be deferred at the discretion of CKI. The Capital Securities have no fixed maturity and are redeemable in whole, but not in part, at CKI's option on 27th February, 2014 or any interest payment date falling thereafter at their principal amounts together with any accrued, unpaid or deferred interest payments. While any interest payments are unpaid or deferred, CKI will not declare, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank.

On 28th February, 2012, CKI issued 56,234,455 new ordinary shares to the Fiduciary for a consideration of approximately US$295.4 million (equivalent to approximately HK$2,291 million). The shares were issued in connection with the issue of the above Capital Securities issued in February 2012. CKI considered these shares as treasury shares ("Treasury Shares").

On 26th February, 2014, CKI paid US$310.5 million, being US$300 million outstanding principal of the Capital Securities and US$10.5 million accrued interest up to 27th February, 2014 to the Fiduciary and instructed the Fiduciary, as fiduciary, to return the Treasury Shares to the CKI Group on 27th February, 2014. Upon completion of the process of redemption of the Capital Securities, the Treasury Shares were cancelled on 27th February, 2014.

32. CAPITAL MANAGEMENT

The CKI Group's primary objectives when managing capital are to safeguard the CKI Group's ability to continue as a going concern, so that it can expand and generate attractive and predictable returns for shareholders and benefits for other stakeholders, by establishing and maintaining a quality investment portfolio with stable earnings and appropriate level of risks that the management are comfortable with.

The capital structure of the CKI Group consists of debts, which includes bank borrowings, notes and obligations under finance leases as detailed in note 26, bank balances and deposits, equity attributable to shareholders of CKI, comprising issued share capital and reserves, and perpetual capital securities as detailed in the consolidated statement of changes in equity.

The management actively and regularly reviews and manages the CKI Group's capital structure to maintain a balance between high shareholders' returns and strong capital position, and makes adjustments to the capital structure in light of changes in the global market conditions.

The CKI Group maintained a low net debt to net total capital ratio of 10 per cent (2013: 8 per cent) as at 31st December, 2014. The management targets to maintain a solid capital position to pursue more new investment opportunities. The CKI Group's overall strategy remains unchanged from 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

32. CAPITAL MANAGEMENT (CONT'D)

The net debt to net total capital ratio at 31st December, 2014 and 2013 was as follows:

HK$ million	**2014**	**2013**
Total debts	18,637	13,029
Bank balances and deposits	(7,108)	(5,958)
Net debt	11,529	7,071
Net total capital	113,275	87,669
Net debt to net total capital ratio	10%	8%

During the current year, CKI acted as the guarantor in respect of certain loan facilities granted to its subsidiaries, and fully complied with the capital requirements under the loan facility agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

33. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Cash from Operations

HK$ million	**2014**	**2013**
Profit before taxation	32,346	12,254
Share of results of associates	(23,156)	(4,741)
Share of results of joint ventures	(5,630)	(6,683)
Interest income from loans granted to associates	(452)	(484)
Interest income from loans granted to joint ventures	(1,473)	(1,295)
Interest income from banks	(73)	(73)
Interest income from investments in securities	(61)	(145)
Finance costs	906	765
Depreciation of property, plant and equipment	232	152
Amortisation of intangible assets	30	17
Change in fair values of investment properties	(37)	(30)
Gain on disposal of property, plant and equipment	(1)	–
Gain on disposal of a subsidiary	(2,236)	–
Gain on disposal of an associate	(12)	–
Gain on disposal of a joint venture	–	(111)
Dividend from investments in securities	(129)	(125)
Change in fair value of derivative financial instruments	134	–
Pension costs of defined benefit retirement plans	3	3
Unrealised exchange gain	(285)	(598)
Returns received from joint ventures	365	216
Distribution received from investments in securities	185	186
Interest received from associates	455	488
Interest received from joint ventures	1,445	1,439
Contributions to defined benefit retirement plans	(1)	(1)
Net cash received at close of derivative financial instruments	138	250
Others	(25)	53
Operating cash flows before changes in working capital	2,668	1,537
Decrease/(increase) in inventories	40	(60)
Increase in debtors and prepayments	(119)	(76)
Increase in creditors and accruals	346	1,331
Exchange translation differences	(23)	(3)
Cash from operations	2,912	2,729

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

34. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' emoluments comprise payments to CKI's directors by the CKI Group in connection with the management of the affairs of the CKI Group. The independent non-executive directors ("INED") receive an annual director's fee of HK$75,000 each; and for those acting as the audit committee members ("ACM") and remuneration committee members ("RCM"), additional annual fee of HK$80,000 each is paid for the former and HK$25,000 each is paid for the latter. The emoluments of each of CKI's directors for the current year, excluding emoluments received from the CKI Group's associates, are as follows:

HK$ million	Fees	Basic Salaries, Allowances and Other Benefits	Bonuses	Provident Fund Contributions	Inducement or Compensation Fees	Total Emoluments 2014	Total Emoluments 2013
Li Tzar Kuoi, Victor [(1)]	0.075	–	24.012	–	–	24.087	22.944
Kam Hing Lam [(1)]	0.075	4.200	10.267	–	–	14.542	14.053
Ip Tak Chuen, Edmond	0.075	1.800	10.245	–	–	12.120	11.449
Fok Kin Ning, Canning [(1)]	0.075	–	–	–	–	0.075	0.075
Andrew John Hunter [(1)]	0.075	10.059	10.367	1.005	–	21.506	20.304
Chan Loi Shun, Dominic [(1 and 3)]	0.075	5.166	2.789	0.515	–	8.545	7.638
Chow Woo Mo Fong, Susan [(1 and 2)]	0.075	–	–	–	–	0.075	0.075
Frank John Sixt [(1)]	0.075	–	–	–	–	0.075	0.075
Cheong Ying Chew, Henry [(4)]	0.180	–	–	–	–	0.180	0.180
Kwok Eva Lee [(4)]	0.155	–	–	–	–	0.155	0.155
Sng Sow-Mei [(4)]	0.155	–	–	–	–	0.155	0.155
Colin Stevens Russel [(4)]	0.180	–	–	–	–	0.180	0.180
Lan Hong Tsung, David [(4)]	0.155	–	–	–	–	0.155	0.155
Barrie Cook	0.075	–	–	–	–	0.075	0.075
Lee Pui Ling, Angelina	0.075	–	–	–	–	0.075	0.075
George Colin Magnus [(1)]	0.075	–	–	–	–	0.075	0.075
Tso Kai Sum [(1)]	0.075	–	–	–	–	0.075	0.075
Total for the year 2014	1.725	21.225	57.680	1.520	–	82.150	
Total for the year 2013	1.725	20.191	54.404	1.418	–		77.738

Notes:

(1) During the year, Mr. Li Tzar Kuoi, Victor, Mr. Andrew John Hunter, Mr. Chan Loi Shun, Dominic and Mr. Frank John Sixt each received directors' fees of HK$70,000 (2013: HK$70,000), Mr. Fok Kin Ning, Canning received director's fees of HK$120,000 (2013: HK$120,000), Mr. Kam Hing Lam, Mrs. Chow Woo Mo Fong, Susan, Mr. Tso Kai Sum and Mr. George Colin Magnus each received director's fees of HK$5,370 (2013: HK$70,000) from the Company. Except for HK$5,370 (2013: HK$70,000) received by Mr. Tso Kai Sum and HK$5,370 (2013: HK$70,000) received by Mr. George Colin Magnus, the directors' fees totalling HK$410,740 (2013: HK$540,000) were then paid back to CKI.

(2) During the year, director's fee of HK$58,110 received by Mrs. Chow Woo Mo Fong, Susan from HK Electric Investments and HK Electric Investments Limited were paid back to CKI.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

34. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (CONT'D)

(3) During the year, part of the directors' emoluments in the sum of HK$4,200,000 (2013: HK$3,600,000) received by Mr. Chan Loi Shun, Dominic from the Company were paid back to CKI.

(4) INED, ACM and RCM – During the year, Mr. Cheong Ying Chew, Henry, Mrs. Kwok Eva Lee, Mr. Lan Hong Tsung, David, Mr. Colin Stevens Russel and Mrs. Sng Sow-Mei have acted as INED and ACM of CKI. Mr. Cheong Ying Chew, Henry and Mr. Colin Stevens Russel have acted as RCM of CKI during the year. The total emoluments paid to these INED, ACM and RCM during the year were HK$825,000 (2013: HK$825,000).

Of the 5 individuals with the highest emoluments in the CKI Group, all (2013: all) are directors whose emoluments are disclosed above.

35. COMMITMENTS

(a) The CKI Group's capital commitments outstanding at 31st December and not provided for in the consolidated financial statements are as follows:

	Contracted but not provided for		**Authorised but not contracted for**	
HK$ million	**2014**	**2013**	**2014**	**2013**
Investment in a joint venture	–	–	189	206
Plant and machinery	43	225	529	277
Total	43	225	718	483

(b) At 31st December, the CKI Group had outstanding commitments under non-cancellable operating leases in respect of land and buildings and other assets, which fall due as follows:

HK$ million	**2014**	**2013**
Within 1 year	49	40
In the 2nd to 5th year, inclusive	100	60
Over 5 years	31	9
Total	180	109

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

36. CONTINGENT LIABILITIES

(a) The contingent liabilities of the CKI Group are as follows:

HK$ million	**2014**	**2013**
Guarantee in respect of bank loan drawn by a joint venture	1,338	–
Other guarantees given in respect of a joint venture	836	909
Performance bond indemnities	91	94
Sub-contractor warranties	7	9
Total	2,272	1,012

(b) There is a claim by the ATO against CKI relating to the tax disputes concerning the South Australian distribution businesses, SA Power Networks and Victoria Power Networks Pty Ltd, which owns the CitiPower and Powercor businesses. CKI has sought legal advice since the dispute arose and has been of the view that CKI has a good case to resist the claim and will vigorously defend its position.

37. MATERIAL RELATED PARTY TRANSACTIONS

During the year, the CKI Group advanced HK$5 million (2013: HK$27 million) to its unlisted associates. During the year ended 31st December, 2013, the CKI Group received repayments totalling HK$1 million from unlisted associates. The total outstanding loan balances as at 31st December, 2014 amounted to HK$3,889 million (2013: HK$4,216 million), of which HK$3,764 million (2013: HK$4,091 million) at fixed rates ranging from 10.85 per cent to 11.19 per cent (2013: from 10.85 per cent to 11.19 per cent) per annum and HK$125 million (2013: HK$125 million) was interest-free. The average effective interest rate of the loan granted to associates is 11.02 per cent (2013: 10.98 per cent) per annum. As stated in note 6, interest income from loans granted to associates during the year amounted to HK$452 million (2013: HK$484 million). Except for a loan of HK$94 million (2013: HK$94 million) which was repayable within seven years (2013: eight years), the loans had no fixed terms of repayment.

During the year, the CKI Group advanced HK$11 million (2013: HK$2,067 million) to its joint ventures. During the year ended 31st December, 2013, the CKI Group received loan repayments of HK$1,102 million from its joint ventures. The total outstanding loan balances as at 31st December, 2014 amounted to HK$14,831 million (2013: HK$15,567 million), of which HK$1,408 million (2013: HK$1,462 million) bore interest with reference to London Interbank Offered Rate and Hong Kong Dollar Prime Rate, and HK$13,043 million (2013: HK$13,744 million) at fixed rate ranging from 8 per cent to 11 per cent (2013: from 8 per cent to 11 per cent) per annum, and HK$380 million (2013: HK$361 million) was interest-free. As stated in note 6, interest income from loans granted to joint ventures during the year amounted to HK$1,473 million (2013: HK$1,295 million). The loans had no fixed terms of repayment.

Moreover, the CKI Group's sales and purchases of infrastructure materials to/from a joint venture for the current year amounted to HK$339 million (2013: HK$289 million) and HK$33 million (2013: HK$24 million), respectively. The CKI Group also received income and incurred operating costs from sales of waste management services from/to its joint ventures amounted to HK$81 million (2013: HK$67 million) and HK$45 million (2013: HK$39 million), respectively for the current year.

During the year, the CKI Group disposed of its entire interest in a subsidiary to a joint venture in return for 17.46 per cent equity interest in the joint venture. Details of the disposal have been disclosed in note 39 below.

The emoluments of key management have been presented in note 34 above.

The above related party transactions made during the year did not constitute connected transactions or continuing connected transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

38. BUSINESS COMBINATION

(a) During the year ended 31st December, 2014, the CKI Group acquired the recycling and waste collection businesses in New Zealand from third parties for consideration of NZ$22 million (approximately HK$147 million). This acquisition reflects the CKI Group's strategy of investing in infrastructure opportunities around the world, leveraging the CKI Group's strong financial position and solid experience in infrastructure.

The acquisition-related costs were insignificant and were recognised as expenses during the year ended 31st December, 2014 within operating costs.

The fair values of identifiable assets and liabilities arising from the acquisition are as follows:

HK$ million	**2014**
Net assets acquired:	
Property, plant and equipment	65
Intangible assets	29
Creditors and accruals	(2)
Bank and other loans	(1)
Deferred tax liabilities	(5)
Other non-current liabilities	(8)
	78
Goodwill arising from acquisition	69
Total consideration	147

The goodwill of HK$69 million arising from the acquisition is attributable to its anticipated profitability and the anticipated future operating synergies from the business combination. None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

The operation acquired during the year contributed HK$70 million to the CKI Group's turnover and a contribution of HK$1 million to profit attributable to shareholders of CKI.

If the acquisition had been completed on 1st January, 2014, the CKI Group's turnover and the profit attributable to shareholders of CKI for the year ended 31st December, 2014 would have been increased by HK$36 million and HK$1 million, respectively. The pro forma information is for illustration purposes only and is not necessarily an indication of revenue and results of operations of the CKI Group that actually would have been achieved had the acquisition been completed on 1st January, 2014, nor is it intended to be a projection of future results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

38. BUSINESS COMBINATION (CONT'D)

(b) On 15th April, 2013, the CKI Group completed an acquisition of the entire interest in Barra Topco II Limited ("Barra Topco") for a consideration of NZ$492 million (approximately HK$3,211 million). Barra Topco is the holding company of EnviroWaste, which is a diversified, vertically integrated waste management business that has national coverage across New Zealand. This acquisition reflects the CKI Group's strategy of investing in infrastructure opportunities around the world, leveraging the CKI Group's strong financial position and solid experience in infrastructure.

The acquisition-related costs were insignificant and were recognised as expenses during the year ended 31st December, 2013 within operating costs.

The fair value of identifiable assets and liabilities arising from the acquisition are as follows:

HK$ million	**2013**
Net assets acquired:	
Property, plant and equipment	661
Interests in joint ventures	134
Intangible assets	2,004
Bank balances and deposits	3
Debtors and prepayments	153
Inventories	5
Creditors and accruals	(148)
Bank and other loans	(68)
Deferred tax liabilities	(556)
Other non-current liabilities	(29)
	2,159
Goodwill arising from acquisition	1,052
Total consideration	3,211
Net cash outflow arising from acquisition:	
Cash consideration	3,211
Bank balances and deposits acquired	(3)
	3,208

The fair value of debtors and prepayments is HK$153 million and includes trade debtors with a fair value of HK$111 million. The gross contractual amount for trade debtors due is HK$113 million, of which HK$2 million is expected to be uncollectible.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

38. BUSINESS COMBINATION (CONT'D)

(c) The goodwill of HK$1,052 million arising from the acquisition is attributable to its anticipated profitability and the anticipated future operating synergies from the business combination. None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

The operation acquired contributed HK$819 million to the CKI Group's turnover and a contribution of HK$101 million to profit attributable to shareholders of CKI for the year ended 31st December, 2013.

If the acquisition had been completed on 1st January, 2013, the CKI Group's turnover and the profit attributable to shareholders of CKI for the year ended 31st December, 2013 would have been increased by HK$433 million and HK$39 million, respectively. The pro forma information is for illustration purposes only and is not necessarily an indication of revenue and results of operations of the CKI Group that actually would have been achieved had the acquisition been completed on 1st January, 2013, nor is it intended to be a projection of future results.

39. DISPOSAL OF A SUBSIDIARY/NON-CASH TRANSACTION

On 28th August, 2014, the CKI Group disposed of its entire interest in Cheung Kong Infrastructure Holdings (Malaysian) Limited to an indirect wholly-owned subsidiary of its joint venture in return for 232,428,618 new ordinary shares of this joint venture, which represents approximately 17.46 per cent equity interest in the joint venture.

HK$ million	**2014**
Net assets disposed of:	
Investment in securities	2,995
Deferred tax liabilities	(307)
	2,688
Release of exchange translation reserve	(122)
Release of investment revaluation reserve	(1,807)
	759
Gain on disposal of a subsidiary	2,236
Total consideration	2,995
Satisfied by:	
Interest in a joint venture	2,995

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. STATEMENT OF FINANCIAL POSITION OF CKI

as at 31st December

HK$ million	**2014**	**2013**
Total assets	57,074	51,125
Total liabilities	(18,679)	(10,415)
Net assets	38,395	40,710
Representing:		
Share capital	2,440	2,496
Reserves	35,955	38,214
Total equity	38,395	40,710

Of the CKI Group's profit attributable to shareholders of CKI for the current year, HK$4,607 million (2013: HK$4,308 million) has been dealt with in the financial statements of CKI.

Total distributable reserves of CKI amounted to HK$24,322 million as at 31st December, 2014 (2013: HK$24,314 million).

41. EVENT AFTER THE REPORTING PERIOD

On 20th January, 2015, the CKI Group together with Cheung Kong (Holdings) Limited ("CKH Holdings") entered into a shareholders' agreement in relation to the formation of a 50:50 shareholding joint venture ("JV Co") for the purpose of an acquisition of Eversholt Rail Group ("Eversholt Rail"). On the same day, Eversholt Investment Group S. C. S and two individuals as sellers, the JV Co as purchaser, CKI and CKH Holdings as guarantors also entered into a sale and purchase agreement for the acquisition of Eversholt Rail by the JV Co. The maximum capital commitment by the CKI Group under the joint venture transaction is GBP600 million (equivalent to approximately HK$7 billion). Eversholt Rail is a rolling stock operating company in the United Kingdom. Completion will be conditional upon fulfilment of certain conditions and is expected to take place around April 2015.

On 23rd January, 2015 and 30th January, 2015, Hutchison Infrastructure Holdings Limited ("HIHL"), a controlling shareholder of CKI, sold 80,000,000 existing shares of CKI via a share placement exercise at a price of HK$58 per share ("Placing Price"), and has subscribed for 80,000,000 new shares of CKI at a price which is equivalent to the Placing Price less the costs and expenses incurred in connection with the placing and subscription, respectively. The net proceeds from the subscription were approximately HK$4,600 million. After the completion of the subscription, the issued share capital of CKI has been increased from 2,439,610,945 shares to 2,519,610,945 shares and the shareholding of HIHL in CKI has been changed from approximately 78.16 per cent to approximately 75.67 per cent.

42. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

43. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements set out on pages 80 to 149 were approved by the Board of Directors on 25th February, 2015.

PRINCIPAL SUBSIDIARIES

APPENDIX 1

The table below shows the subsidiaries as at 31st December, 2014 which, in the opinion of the Directors, principally affected the results or assets of the CKI Group. To give details of all the subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Name	Issued share capital	Proportion of nominal value of issued capital held by the CKI Group (per cent)	Principal activities
Incorporated and operating in Hong Kong			
Anderson Asia (Holdings) Limited	HK$1 ordinary HK$60,291,765 non-voting deferred	100	Investment holding
Anderson Asphalt Limited	HK$30,300,000	100	Production and laying of asphalt and investment holding
China Cement Company (International) Limited	HK$1,000,000	70	Investment holding
Green Island Cement Company, Limited	HK$306,694,931	100	Manufacturing, sale and distribution of cement and property investment
Green Island Cement (Holdings) Limited	HK$722,027,503	100	Investment holding
Incorporated in British Virgin Islands and operating in Hong Kong			
Cheung Kong Infrastructure Finance (BVI) Limited	US$1	100	Financing
Capellini Limited	US$1	100	Financing
Cerise Global Limited	US$1	100	Financing
Daredon Assets Limited	US$1	100	Treasury
Green Island International (BVI) Limited	US$1	100	Investment holding
Export Success International Limited	US$1	100	Financing
Treriso Limited	US$1	100	Financing
Incorporated and operating in Australia			
Cheung Kong Infrastructure Finance (Australia) Pty Ltd	A$63,840,181	100	Financing
Incorporated and operating in New Zealand			
Enviro Waste Services Limited	NZ$84,768,736	100	Waste management services

Note: The shares of all the above subsidiaries are indirectly held by CKI.

PRINCIPAL ASSOCIATES

APPENDIX 2

The table below shows the associates as at 31st December, 2014 which, in the opinion of the Directors, principally affected the results or assets of the CKI Group. To give details of all the associates would, in the opinion of the Directors, result in particulars of excessive length.

Name	Issued share capital	Approximate share of equity shares held by the CKI Group (per cent)	Principal activities
Incorporated and operating in Hong Kong			
Power Assets Holdings Limited (note 1)	HK$2,134,261,654	39	Investment in power and utility-related businesses
Incorporated and operating in Australia			
SA Power Networks Partnership (note 2)	N/A	23	Electricity distribution
CKI/HEI Electricity Distribution Pty Limited (note 3)	A$810,000,000	23	Electricity distribution
CKI/HEI Electricity Distribution Two Pty Limited (note 4)	A$551,882,246	23	Electricity distribution

Notes:

1. The associate is listed on Hong Kong Stock Exchange.

2. SA Power Networks Partnership, an unincorporated body, is formed by the following companies:

   CKI Utilities Development Limited
   PAI Utilities Development Limited
   Spark Infrastructure SA (No.1) Pty Ltd
   Spark Infrastructure SA (No.2) Pty Ltd
   Spark Infrastructure SA (No.3) Pty Ltd

   CKI Utilities Development Limited and PAI Utilities Development Limited, both of which are associates of the CKI Group, together own a 51 per cent interest in SA Power Networks Partnership.

   The partnership operates and manages the electricity distribution business in the State of South Australia of Australia.

3. CKI/HEI Electricity Distribution Pty Limited owns 100 per cent interests in the following companies ("the Powercor Group"):

   Powercor Proprietary Limited
   Powercor Australia Limited Liability Company
   Powercor Australia Holdings Pty Limited
   Powercor Australia Limited

   The Powercor Group operates and manages an electricity distribution business in the State of Victoria of Australia.

4. CKI/HEI Electricity Distribution Two Pty Limited owns 100 per cent interests in the following companies ("the CitiPower Group"):

   CitiPower 1 Pty Ltd
   CitiPower Pty
   The CitiPower Trust

   The CitiPower Group operates and manages an electricity distribution business in the State of Victoria of Australia.

PRINCIPAL JOINT VENTURES

APPENDIX 3

The table below shows the joint ventures as at 31st December, 2014 which, in the opinion of the Directors, principally affected the results or assets of the CKI Group. To give details of all the joint ventures would, in the opinion of the Directors, result in particulars of excessive length.

Name	Issued share capital	Approximate share of equity shares held by the CKI Group (per cent)	Principal activities
Incorporated and operating in the United Kingdom			
UK Power Networks Holdings Limited	£6,000,000 A ordinary £4,000,000 B ordinary £360,000,000 A preference £240,000,000 B preference	40	Electricity distribution
Northumbrian Water Group Limited	£19.4 A ordinary £142 B ordinary	40	Water supply, sewerage and waste water businesses
Northern Gas Networks Holdings Limited	£71,670,979 ordinary £1 special	47	Gas distribution
Wales & West Gas Networks (Holdings) Limited	£290,272,506	30	Gas distribution
Electricity First Limited	£4	50	Electricity generation
Incorporated and operating in Australia			
Australian Gas Networks Limited (formerly known as Envestra Limited)	A$879,082,752.8	45	Gas distribution
Incorporated and operating in Canada			
Canadian Power Holdings Inc.	C$139,000,000 ordinary C$23,000,000 preference	50	Electricity generation
1822604 Alberta Ltd.	C$1	50	Off-airport parking operation
Incorporated and operating in New Zealand			
Wellington Electricity Distribution Network Limited	NZ$172,000,100	50	Electricity distribution
Incorporated and operating in the Netherlands			
AVR-Afvalverwerking B.V.	€1	35	Producing energy from waste

3. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

The following financial information has been extracted from the unaudited consolidated financial statements of the CKI Group for the six months ended 30 June 2015 as set forth in the interim report of CKI for the six months ended 30 June 2015 which was released on 6 August 2015.

CONSOLIDATED INCOME STATEMENT
for the six months ended 30th June

		Unaudited	
HK$ million	*Notes*	**2015**	**2014**
CKI Group turnover	*2*	2,879	2,968
Share of turnover of joint ventures	*2*	11,235	10,811
		14,114	13,779
CKI Group turnover	*2*	2,879	2,968
Other income	*3*	361	123
Operating costs	*4*	(1,500)	(2,100)
Finance costs		(405)	(410)
Exchange (loss)/gain		(106)	52
Share of results of associates		1,374	21,170
Share of results of joint ventures		2,914	2,619
Profit before taxation		5,517	24,422
Taxation	*5(a)*	(11)	(21)
Profit for the period	*6*	5,506	24,401
Attributable to:			
Shareholders of CKI		5,253	24,119
Owners of perpetual capital securities		258	284
Non-controlling interests		(5)	(2)
		5,506	24,401
Earnings per share	*7*	HK$2.10	HK$9.89

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30th June

	Unaudited	
HK$ million	**2015**	**2014**
Profit for the period	5,506	24,401
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
(Loss)/Gain from fair value changes of available-for-sale financial assets	(62)	625
Gain/(Loss) from fair value changes of derivatives designated as effective cash flow hedges	91	(3)
Gain/(Loss) from fair value changes of derivatives designated as effective net investment hedges	40	(1,068)
Exchange differences on translation of financial statements of foreign operations	(278)	2,087
Share of other comprehensive (expense)/income of associates	(42)	418
Share of other comprehensive (expense)/income of joint ventures	(105)	147
Reserves released upon disposal of investments in securities	73	–
Income tax relating to components of other comprehensive income	(11)	(120)
	(294)	2,086
Items that will not be reclassified to profit or loss:		
Share of other comprehensive income/(expense) of associates	10	(178)
Share of other comprehensive expense of joint ventures	(195)	(31)
Income tax relating to components of other comprehensive income	15	54
	(170)	(155)
Other comprehensive (expense)/income for the period	(464)	1,931
Total comprehensive income for the period	5,042	26,332
Attributable to:		
Shareholders of CKI	4,789	26,053
Owners of perpetual capital securities	258	284
Non-controlling interests	(5)	(5)
	5,042	26,332

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK$ million	*Notes*	Unaudited 30/6/2015	Audited 31/12/2014
Property, plant and equipment		2,385	2,452
Investment properties		305	305
Interests in associates		53,361	54,135
Interests in joint ventures		60,662	52,999
Investments in securities		2,136	3,889
Derivative financial instruments		177	86
Goodwill and intangible assets		2,553	2,877
Deferred tax assets		15	15
Other non-current assets		6	–
Total non-current assets		121,600	116,758
Inventories		216	175
Derivative financial instruments		120	825
Debtors and prepayments	*9*	874	1,204
Bank balances and deposits		7,753	7,108
Total current assets		8,963	9,312
Bank and other loans		38	1,690
Derivative financial instruments		518	24
Creditors and accruals	*10*	3,840	4,749
Taxation		91	108
Total current liabilities		4,487	6,571
Net current assets		4,476	2,741
Total assets less current liabilities		126,076	119,499
Bank and other loans		17,828	16,947
Derivative financial instruments		303	214
Deferred tax liabilities		498	552
Other non-current liabilities		33	40
Total non-current liabilities		18,662	17,753
Net assets		107,414	101,746
Representing:			
Share capital	*11*	2,520	2,440
Reserves		96,889	91,296
Equity attributable to shareholders of CKI		99,409	93,736
Perpetual capital securities		7,933	7,933
Non-controlling interests		72	77
Total equity		107,414	101,746

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30th June, 2015

	Attributable to shareholders of CKI											
HK$ million	Share capital	Share premium	Contributed surplus	Property revaluation reserve	Investment revaluation reserve	Hedging reserve	Exchange translation reserve	Retained profits	Sub-total	Perpetual capital securities	Non-controlling interests	Total
At 1st January, 2015 (audited)	2,440	11,665	6,062	68	722	(1,388)	(1,119)	75,286	93,736	7,933	77	101,746
Profit for the period	–	–	–	–	–	–	–	5,253	5,253	258	(5)	5,506
Loss from fair value changes of available-for-sale financial assets	–	–	–	–	(62)	–	–	–	(62)	–	–	(62)
Gain from fair value changes of derivatives designated as effective cash flow hedges	–	–	–	–	–	91	–	–	91	–	–	91
Gain from fair value changes of derivatives designated as effective net investment hedges	–	–	–	–	–	–	40	–	40	–	–	40
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	(278)	–	(278)	–	–	(278)
Share of other comprehensive income/(expense) of associates	–	–	–	–	–	110	(152)	10	(32)	–	–	(32)
Share of other comprehensive expense of joint ventures	–	–	–	–	–	(105)	–	(195)	(300)	–	–	(300)
Reserves released upon disposal of securities	–	–	–	–	73	–	–	–	73	–	–	73
Income tax relating to components of other comprehensive income	–	–	–	–	–	(11)	–	15	4	–	–	4
Total comprehensive income/(expense) for the period	–	–	–	–	11	85	(390)	5,083	4,789	258	(5)	5,042
Dividend paid	–	–	–	–	–	–	–	(3,716)	(3,716)	–	–	(3,716)
Interest paid on perpetual capital securities	–	–	–	–	–	–	–	–	–	(258)	–	(258)
Issue of new ordinary shares	80	4,520	–	–	–	–	–	–	4,600	–	–	4,600
At 30th June, 2015 (unaudited)	2,520	16,185	6,062	68	733	(1,303)	(1,509)	76,653	99,409	7,933	72	107,414

HK$ million	Attributable to shareholders of CKI												
	Share capital	Share premium	Treasury shares	Contributed surplus	Property revaluation reserve	Investment revaluation reserve	Hedging reserve	Exchange translation reserve	Retained profits	Sub-total	Perpetual capital securities	Non-controlling interests	Total
At 1st January, 2014 (audited)	2,496	13,900	(2,291)	6,062	68	1,902	(945)	906	48,087	70,185	10,329	84	80,598
Profit for the period	–	–	–	–	–	–	–	–	24,119	24,119	284	(2)	24,401
Gain from fair value changes of available-for-sale financial assets	–	–	–	–	–	625	–	–	–	625	–	–	625
Loss from fair value changes of derivatives designated as effective cash flow hedges	–	–	–	–	–	–	(3)	–	–	(3)	–	–	(3)
Loss from fair value changes of derivatives designated as effective net investment hedges	–	–	–	–	–	–	–	(1,068)	–	(1,068)	–	–	(1,068)
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	–	2,090	–	2,090	–	(3)	2,087
Share of other comprehensive income/(expense) of associates	–	–	–	–	–	–	50	368	(178)	240	–	–	240
Share of other comprehensive income/(expense) of joint ventures	–	–	–	–	–	–	147	–	(31)	116	–	–	116
Income tax relating to components of other comprehensive income	–	–	–	–	–	(76)	(44)	–	54	(66)	–	–	(66)
Total comprehensive income/(expense) for the period	–	–	–	–	–	549	150	1,390	23,964	26,053	284	(5)	26,332
Dividend paid	–	–	–	–	–	–	–	–	(3,318)	(3,318)	–	–	(3,318)
Interest paid on perpetual capital securities	–	–	–	–	–	–	–	–	–	–	(340)	–	(340)
Redemption of perpetual capital securities	(56)	(2,235)	2,291	–	–	–	–	–	3	3	(2,340)	–	(2,337)
At 30th June, 2014 (unaudited)	2,440	11,665	–	6,062	68	2,451	(795)	2,296	68,736	92,923	7,933	79	100,935

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30th June

	Unaudited	
HK$ million	**2015**	**2014**
Net cash from operating activities	2,392	708
Net cash (utilised in)/from investing activities	(1,919)	2,191
Net cash from/(utilised in) financing activities	171	(3,902)
Net increase/(decrease) in cash and cash equivalents	644	(1,003)
Cash and cash equivalents at 1st January	7,100	5,955
Cash and cash equivalents at 30th June	7,744	4,952
Analysis of balances of cash and cash equivalents:		
Bank balances and deposits	7,753	4,957
Bank overdrafts	(9)	(5)
	7,744	4,952

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies adopted for the preparation of the consolidated interim financial statements are consistent with those set out in the CKI Group's consolidated annual financial statements for the year ended 31st December, 2014, except for adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are effective to the CKI Group for accounting periods beginning on or after 1st January, 2015. The adoption of the new HKFRSs has no material impact on the CKI Group's results and financial position for the current or prior periods.

2. CKI GROUP TURNOVER AND SHARE OF TURNOVER OF JOINT VENTURES

CKI Group turnover represents net sales of infrastructure materials, interest income from loans granted to associates and joint ventures, sales of waste management services, distribution from investments in securities classified as infrastructure investments, and income from the supply of water.

In addition, the CKI Group presents its proportionate share of turnover of joint ventures. Turnover of associates is not included.

The CKI Group turnover and share of turnover of joint ventures for the current period is analysed as follows:

	Six months ended 30th June	
HK$ million	**2015**	**2014**
Sales of infrastructure materials	1,156	1,240
Interest income from loans granted to associates	195	227
Interest income from loans granted to joint ventures	865	742
Sales of waste management services	616	645
Distribution from investments in securities	24	89
Income from the supply of water	23	25
CKI Group turnover	2,879	2,968
Share of turnover of joint ventures	11,235	10,811
	14,114	13,779

3. OTHER INCOME

Other income includes the following:

	Six months ended 30th June	
HK$ million	**2015**	**2014**
Bank and other interest income	51	38
Gain on disposal of an associate	–	12
Gain on disposal of a joint venture	34	–

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

4. OPERATING COSTS

Operating costs include the following:

	Six months ended 30th June	
HK$ million	**2015**	**2014**
Cost of inventories sold	1,000	1,078
Cost of services provided	346	356
Depreciation of property, plant and equipment	110	113
Amortisation of intangible assets	14	15

5. TAXATION

(a) Taxation is provided for at the applicable tax rate on the estimated assessable profits less available tax losses. Deferred taxation is provided on temporary differences under the liability method using tax rates applicable to the CKI Group's operations in different countries.

	Six months ended 30th June	
HK$ million	**2015**	**2014**
Current taxation – Hong Kong	2	4
Current taxation – outside Hong Kong	8	13
Deferred taxation	1	4
Total	11	21

(b) As at 31st December, 2014, a subsidiary of CKI paid AUD64 million in aggregate, to the Australian Tax Office ("ATO") being an amount equivalent to 50 per cent (which percentage is based on ATO Administrative Guidelines) of the tax in dispute, including interest and penalties, claimed by the ATO, pending the resolution of a dispute with the ATO regarding the deductibility of certain fees paid by that subsidiary for income tax purposes.

In June 2015, CKI and other relevant parties entered into an agreement with the ATO to resolve the above tax disputes. Under the settlement, the ATO will cease to pursue the legal proceedings against CKI in respect of unpaid tax, penalties and interests, and no penalties will be levied against CKI or its subsidiaries. A sum of approximately AUD24 million will be refunded from the ATO and approximately AUD60 million was charged to the consolidated income statement during the period under review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

6. PROFIT FOR THE PERIOD AND SEGMENT INFORMATION

for the six months ended 30th June

	Investment in the Company*		Infrastructure Investments												Infrastructure related business		Unallocated items		Consolidated	
			United Kingdom		Australia		Mainland China		New Zealand		Canada and Netherlands		Sub-total							
HK$ million	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
CKI Group turnover #	–	–	796	665	219	316	–	–	644	678	64	69	1,723	1,728	1,156	1,240	–	–	2,879	2,968
Share of turnover of joint ventures	–	–	8,655	8,877	768	8	268	335	280	320	643	742	10,614	10,282	621	529	–	–	11,235	10,811
	–	–	9,451	9,542	987	324	268	335	924	998	707	811	12,337	12,010	1,777	1,769	–	–	14,114	13,779
CKI Group turnover	–	–	796	665	219	316	–	–	644	678	64	69	1,723	1,728	1,156	1,240	–	–	2,879	2,968
Bank and other interest income	–	–	–	–	–	–	1	–	–	–	–	–	1	–	18	25	32	13	51	38
Gain on disposal of an associate	–	–	–	–	–	12	–	–	–	–	–	–	–	12	–	–	–	–	–	12
Gain on disposal of a joint venture	–	–	–	–	–	–	34	–	–	–	–	–	34	–	–	–	–	–	34	–
Other income	–	–	–	–	–	–	59	61	–	–	–	–	59	61	12	10	59	2	130	73
Change in fair value of derivative financial instruments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	146	–	146	–
Depreciation and amortisation	–	–	(2)	(3)	–	–	–	–	(72)	(78)	–	–	(74)	(81)	(49)	(47)	(1)	–	(124)	(128)
Other operating expenses	–	–	(20)	(22)	–	–	(1)	(1)	(445)	(467)	–	–	(466)	(490)	(1,040)	(1,115)	130	(367)	(1,376)	(1,972)
Finance costs	–	–	(1)	(1)	–	–	–	–	(39)	(41)	–	–	(40)	(42)	–	(1)	(365)	(367)	(405)	(410)
Exchange (loss)/gain	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(106)	52	(106)	52
Share of results of associates and joint ventures	1,258	20,960	2,408	2,365	330	214	114	154	(2)	(6)	76	36	2,926	2,763	104	66	–	–	4,288	23,789
Profit/(Loss) before taxation	1,258	20,960	3,181	3,004	549	542	207	214	86	86	140	105	4,163	3,951	201	178	(105)	(667)	5,517	24,422
Taxation	–	–	–	1	–	–	(5)	(14)	(1)	(5)	(1)	–	(7)	(18)	(4)	(3)	–	–	(11)	(21)
Profit/(Loss) for the period	1,258	20,960	3,181	3,005	549	542	202	200	85	81	139	105	4,156	3,933	197	175	(105)	(667)	5,506	24,401
Attributable to:																				
Shareholders of CKI	1,258	20,960	3,181	3,005	549	542	202	200	85	81	139	105	4,156	3,933	202	177	(363)	(951)	5,253	24,119
Owners of perpetual capital securities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	258	284	258	284
Non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(5)	(2)	–	–	(5)	(2)
	1,258	20,960	3,181	3,005	549	542	202	200	85	81	139	105	4,156	3,933	197	175	(105)	(667)	5,506	24,401

\# Sales of infrastructure materials comprise sales in Hong Kong of HK$753 million (2014: HK$755 million), sales in Mainland China of HK$401 million (2014: HK$485 million) and sales in other region of HK$2 million (2014: nil).

* During the period, the CKI Group has a 38.87 per cent (2014: 38.87 per cent) equity interest in the Company. The share of the results of the Company during the six months ended 30th June, 2014 included the share of gain on disposal from spin-off and separate listing of the Hong Kong electricity business which is operated by The Hongkong Electric Company, Limited amounting to approximately HK$19 billion.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

6. PROFIT FOR THE PERIOD AND SEGMENT INFORMATION (CONT'D)

Segment profit attributable to shareholders of CKI represents the profit earned by each segment after the profit attributable to owners of perpetual capital securities and non-controlling interests without allocation of gains or losses from treasury activities, corporate overheads and other expenses of the CKI Group's head office.

7. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of CKI of HK$5,253 million (2014: HK$24,119 million) and on the weighted average of 2,506,351,276 shares (2014: 2,439,610,945 shares) in issue during the interim period.

8. INTERIM DIVIDEND

The interim dividend declared by the Board of Directors is as follows:

	Six months ended 30th June	
HK$ million	**2015**	**2014**
Interim dividend of HK$0.6 per share (2014: HK$0.525 per share)	1,512	1,281

9. DEBTORS AND PREPAYMENTS

Included in debtors and prepayments are trade debtors of HK$363 million (HK$438 million at 31st December, 2014) and their aging analysis is as follows:

HK$ million	**30/6/2015**	**31/12/2014**
Current	284	289
Less than 1 month past due	59	123
1 to 3 months past due	22	40
More than 3 months but less than 12 months past due	23	11
More than 12 months past due	12	16
Amount past due	116	190
Allowance for doubtful debts	(37)	(41)
Total after allowance	363	438

Trade with customers is carried out largely on credit, except for new customers, residential customers of waste management services and customers with unsatisfactory payment records, where payment in advance is normally required. Invoices are normally due within 1 month of issuance, except for certain well-established customers, where the terms are extended to 2 months, and certain customers with disputed items, where the terms are negotiated individually. Each customer has a maximum credit limit, which was granted and approved by senior management in accordance with the laid-down credit review policy and procedures.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

10. CREDITORS AND ACCRUALS

Included in creditors and accruals are trade creditors of HK$240 million (HK$282 million at 31st December, 2014) and their aging analysis is as follows:

HK$ million	**30/6/2015**	**31/12/2014**
Current	155	171
1 month	30	31
2 to 3 months	13	14
Over 3 months	42	66
Total	240	282

11. SHARE CAPITAL

	Number of Shares	**Amount HK$ million**
Ordinary shares of HK$1 each		
Authorised:		
At 1st January, 2015 and 30th June, 2015	4,000,000,000	4,000
Issued and fully paid:		
At 1st January, 2015	2,439,610,945	2,440
Issue of new shares via a share placement exercise	80,000,000	80
At 30th June, 2015	2,519,610,945	2,520

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

12. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

The following table provides an analysis of the CKI Group's financial instruments that are measured at fair value at the end of the reporting period:

Assets measured at fair value

	Level 1		Level 2		Level 3		Total	
HK$ million	**30/6/2015**	**31/12/2014**	**30/6/2015**	**31/12/2014**	**30/6/2015**	**31/12/2014**	**30/6/2015**	**31/12/2014**
Financial assets at fair value through profit or loss								
Equity securities, unlisted	–	–	46	46	–	–	46	46
Available-for-sale financial assets								
Stapled securities, listed overseas	1,325	1,526	–	–	–	–	1,325	1,526
Stapled securities, listed in Hong Kong	–	1,526	–	–	–	–	–	1,526
Debt securities, unlisted	–	–	208	207	–	–	208	207
Equity securities, unlisted	–	–	3	32	–	–	3	32
Derivative financial instruments								
Forward foreign exchange contracts	–	–	201	897	–	–	201	897
Interest rate swaps	–	–	96	14	–	–	96	14

Liabilities measured at fair value

	Level 1		Level 2		Level 3		Total	
HK$ million	**30/6/2015**	**31/12/2014**	**30/6/2015**	**31/12/2014**	**30/6/2015**	**31/12/2014**	**30/6/2015**	**31/12/2014**
Derivative financial instruments								
Forward foreign exchange contracts	–	–	738	1	–	–	738	1
Interest rate swaps	–	–	83	237	–	–	83	237

During the six months ended 30th June, 2015, there were no transfers between Level 1 and Level 2 (2014: nil).

(b) Valuation techniques and inputs used in Level 2 fair value measurements

The fair values of the financial assets and the financial liabilities included in Level 2 category above have been determined in accordance with generally accepted pricing models.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

13. COMMITMENTS

The CKI Group's capital commitments outstanding at 30th June, 2015 and not provided for in the consolidated interim financial statements are as follows:

	Contracted but not provided for		Authorised but not contracted for	
HK$ million	**30/6/2015**	**31/12/2014**	**30/6/2015**	**31/12/2014**
Investment in a joint venture	28	–	146	189
Plant and machinery	115	43	505	529
Total	143	43	651	718

14. CONTINGENT LIABILITIES

The contingent liabilities of the CKI Group are as follows:

HK$ million	**30/6/2015**	**31/12/2014**
Guarantee in respect of bank loan drawn by a joint venture	1,222	1,338
Other guarantees given in respect of a joint venture	781	836
Performance bond indemnities	95	91
Sub-contractor warranties	6	7
Total	2,104	2,272

15. REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The consolidated interim financial statements are unaudited, but have been reviewed by the Audit Committee.

4. RESULTS OF THE OFFEROR FROM ITS INCORPORATION TO 31 DECEMBER 2014

Formation of the Offeror

Assets Global International Limited, a company incorporated in the British Virgin Islands with limited liability on 28 August 2015, is a wholly-owned subsidiary of CKI.

Results of the Offeror

The Offeror was incorporated after 30 June 2015. For this reason and pursuant to the requirements of the Takeovers Code, financial information of its parent company, CKI, for the last three financial years and six months ended 30 June 2015 is set out above.

5. MANAGEMENT DISCUSSION AND ANALYSIS ON CKI

Set out below is the management discussion and analysis on the CKI Group for the three years ended 31 December 2014 and the six months ended 30 June 2015. The information set out below has been extracted or derived from the relevant annual reports of CKI and the 2015 interim report of CKI to provide further information relating to the financial condition and results of operations of the CKI Group during the periods stated. Defined terms used in this document have been used in the financial information below.

A. For the six months ended 30 June 2015 (and as compared to the six months ended 30 June 2014)

Operating Review

For the first six months of 2015, CKI delivered continued underlying growth across its portfolio of infrastructure investments.

Unaudited profit attributable to shareholders was HK$5,253 million, a decrease of 78% as compared to the same reporting period last year. This drop occurred due to (i) the one-off gain of approximately HK$19 billion recorded from the spin-off of the Hong Kong operations of the Company into HK Electric Investments ("**HKEI**") during the same period last year, and (ii) the accounting losses incurred from the sale of HKEI share stapled units by CKI and the Company in June 2015. Excluding these two one-off items, CKI's profitability in the first half of 2015 has increased about 22%.

Acquisition Strengthens Portfolio

CKI continued to make progress in acquisition during the period under review.

UK Rails, a 50:50 joint venture between CKI and CKH Holdings acquired Eversholt Rail Group, one of the three major rolling stock operating companies in the United Kingdom. The enterprise value of the transaction was approximately GBP2.5 billion (approximately HK$29.3 billion).

The acquisition strengthens the CKI Group's transportation portfolio and enhances CKI's presence in the United Kingdom. Since completion in April 2015, the asset has delivered immediate returns to the CKI Group.

The Company Sustains Stable Operational Performance

In the first half of 2015, the Company achieved a stable operational performance in respect of both its Hong Kong and overseas businesses.

Profit contribution from the Company was HK$1,258 million, a decrease of 94% as compared to the same period last year. This happened as a result of the one-off gain booked from the spin-off of the Hong Kong electricity business in January 2014; and the further sale of the Company's 16.53% stake in HKEI in June 2015, which incurred an accounting loss caused by the difference between the net proceeds of the transaction and the carrying value of the investment.

UK Businesses Continue to Expand

Profit contribution from the CKI Group's businesses in the United Kingdom amounted to HK$3,181 million, representing an increase of 6%. This result has been affected by a lower sterling exchange rate. Should the result be reported in local currency, the portfolio would have shown a growth of 16%.

UK Power Networks, CKI's largest overseas investment, continued to perform well in 2015. The new RIIO-ED1 regulatory reset commenced on 1 April 2015, providing a high level of predictability of income through to 2023.

Northumbrian Water continues to generate steady income for the CKI Group. The new PR14 regulatory reset commenced on 1 April 2015 and provides a stable outlook for this business until 2020.

Both of the CKI Group's gas distribution networks, Northern Gas Networks and Wales & West Utilities, performed well during the period under review.

Seabank Power also delivered a satisfactory performance in the first half.

The completion of UK Rails' acquisition in April marked the CKI Group's entry into the rail transportation infrastructure market in the United Kingdom. The asset provided 2.5 months of contribution to CKI during the period under review.

Australian Infrastructure Achieve Steady Growth

The total contribution from the CKI Group's Australian portfolio increased by 1% to HK$549 million. This result has been impacted by the weakening of the Australian dollar. The portfolio would have recorded a growth of 19% if the result is reported in local currency.

During the period under review, the first full six months of profit contribution for Australian Gas Networks was recorded, and satisfactory performances from SA Power Networks and Victoria Power Networks were achieved.

The negotiations for regulatory resets for SA Power Networks and Victoria Power Networks are in progress. The preliminary regulatory reset for SA Power Networks commenced on 1 July 2015 and that for Victoria Power Networks will commence on 1 January 2016, both initially based on draft determinations. The final determinations will be released in October 2015 and April 2016 respectively.

Other Infrastructure Businesses Report Satisfactory Performance

CKI's businesses in Mainland China, Canada, New Zealand and the Netherlands all performed satisfactorily during the first half, providing stable returns.

Profit contribution from the CKI Group's toll road businesses in Mainland China was marginally higher than that of the corresponding period last year.

In Canada, Park'N Fly recorded good performance and new expansion opportunities are being pursued. Meanwhile, Canadian Power conducted a refinancing in June, resulting in a reduction of finance costs.

In New Zealand, Wellington Electricity's performance during the period under review has exceeded budget, and it has completed a new regulatory reset which came into force in April 2015. At the same time, EnviroNZ (formerly EnviroWaste) continued to provide stable returns.

In the Netherlands, Dutch Enviro Energy generated returns in line with expectations.

Materials Business Achieves Good Growth

The CKI Group's materials business achieved good growth in the first half of 2015 with contribution advancing 14% over the same period last year.

In Hong Kong, as construction activities intensified, pricing and demand for concrete have increased.

Active Management Ensures Strong Financial Position

CKI continues to be financially prudent and conservative in managing risks. While seeking opportunities to expand the business, the CKI Group prioritises the need to maintain a strong financial position.

In January 2015, CKI issued 80 million shares at HK$58 per share to raise new capital of HK$4.6 billion. The CKI Group's minority interest in HKEI was also monetised in June 2015, with the sale of a direct 3.37% stake to Qatar Holding LLC.

As at 30 June 2015, CKI has cash on hand of approximately HK$7.8 billion and a net debt to net total capital ratio of 9%. The CKI Group is well-placed to capitalise on acquisition opportunities as they arise.

Financial Resources, Treasury Activities and Gearing Ratio

The CKI Group's capital expenditure and investments were funded from cash on hand, internal cash generation, loans, notes, share placement and other project loans.

As at 30 June 2015, cash and bank deposits on hand amounted to HK$7,753 million and the total borrowings of the CKI Group amounted to HK$17,866 million, which included Hong Kong dollar notes of HK$260 million and foreign currency borrowings of HK$17,606 million. Of the total borrowings, 84% were repayable between 2016 and 2019 and 16% were repayable beyond 2019. The CKI Group's financing activities continue to be well received and fully supported by its bankers.

The CKI Group adopts conservative treasury policies in cash and financial management. To achieve better risk control and minimise the cost of funds, the CKI Group's treasury activities are centralised. Cash is generally placed in short-term deposits mostly denominated in US dollars, Hong Kong dollars, Australian dollars, New Zealand dollars, Pounds Sterling, Canadian dollars, Euro or Renminbi. The CKI Group's liquidity and financing requirements are reviewed regularly. The CKI Group will continue to maintain a strong capital structure when considering financing for new investments or maturity of bank loans.

As at 30 June 2015, the CKI Group maintained a net debt position with a net debt to net total capital ratio of 9%, which was based on its net debt of HK$10,113 million and net total capital, which represents the total borrowings plus total equity net of cash and bank deposits, of HK$117,527 million. This ratio was lower than the net debt to net total capital ratio of 10% at the year end of 2014. This change was mainly due to the funds raised in the share placement and the sales proceeds from disposal of investment in securities, which were partially utilised for investment in a transportation project in the United Kingdom during the period.

To minimise currency risk exposure in respect of its investments in other countries, the CKI Group generally hedges those investments with the appropriate level of borrowings denominated in the local currencies of those countries. The CKI Group also entered into certain interest rate and currency swaps to mitigate interest rate and other currency exposure risks. As at 30 June 2015, the notional amounts of these derivative instruments amounted to HK$45,995 million.

Charge on CKI Group Assets

As at 30 June 2015:

- the CKI Group's obligations under finance leases totalling HK$38 million were secured by charges over the leased assets with carrying value of HK$36 million;
- certain plant and machinery of the CKI Group with carrying value of HK$72 million were pledged to secure bank borrowings totalling HK$23 million granted to the CKI Group; and
- the shares of a subsidiary with net asset value of HK$1,112 million were pledged to secure bank borrowings totalling HK$1,008 million granted to the CKI Group.

Contingent Liabilities

As at 30 June 2015, the CKI Group was subject to the following contingent liabilities:

	HK$ million
Guarantee in respect of bank loan drawn by an affiliated company	1,222
Other guarantee given in respect of an affiliated company	781
Performance bond indemnities	95
Sub-contractor warranties	6
Total	2,104

Employees

The CKI Group, including its subsidiaries but excluding affiliated companies, employs a total of 2,058 employees. Employees' cost (excluding directors' emoluments) amounted to HK$338 million. The CKI Group ensures that the pay levels of its employees are competitive and that its employees are rewarded on a performance related basis within the general framework of the CKI Group's salary and bonus system.

Preferential subscription of 2,978,000 new shares of CKI was given to those employees who had subscribed for shares of HK$1.00 each in CKI at HK$12.65 per share on the flotation of CKI in 1996. The CKI Group does not have any share option scheme for employees.

B. For the year ended 31 December 2014 (and as compared to the year ended 31 December 2013)

Operating Review

Investment in the Company

CKI is the major shareholder of the Company, with a 38.87% interest. The Company completed a spin-off exercise in January 2014 and reduced its ownership of the Hong Kong electricity business.

In 2014, the Company reported a profit attributable to shareholders of HK$61,005 million, an increase of 446% over the previous year. The growth was mainly attributable to a one-off gain generated from the spin-off of the Hong Kong electricity business.

The Company has a portfolio of investments in Hong Kong, Mainland China, the United Kingdom, Australia, New Zealand, Thailand, Canada and the Netherlands.

In Hong Kong, the Company completed the spin-off of The Hongkong Electric Company, Limited ("**HK Electric**") in January 2014. Following this exercise, the Company owns a 49.9% interest in the Hong Kong electricity business. During the year, HK Electric reported solid results and continued to deliver high standards in reliability, affordability and customer service.

In Mainland China, the performance of the coal-fired power plants benefitted from lower coal costs and operating expenses; however this was partially offset by reductions in power sales and tariff. The completion of an engineering innovation programme during the year enhanced the productivity and reliability of the wind farms in Dali and Laoting.

The United Kingdom continued to be the Company's biggest market. The four operating companies, namely UK Power Networks, Northern Gas Networks, Wales & West Utilities and Seabank Power, all delivered satisfactory results. With effective operating procedures, customer service as well as high performance and environmental standards, the United Kingdom operating companies are poised to continue to deliver growth.

The Australian investments provided higher profit contribution than 2013. Overall revenues increased as a result of higher tariffs. During the year, the Company acquired a 27.5% stake in Envestra (now known as Australian Gas Networks), one of Australia's largest natural gas distribution companies. This newly acquired project delivered four months of earnings contribution in 2014.

Other investments outside of Hong Kong achieved steady performance. In New Zealand, Wellington Electricity delivered stable sales. The Thailand generation business met its production target during the year. As for power plants in Canada, revenues from the generation business were improved through steam sales and plant efficiencies. Meanwhile, the Dutch energy-from-waste business provided its first full year of profit contribution.

Infrastructure Investment in the United Kingdom

Through investments in UK Power Networks, Northern Gas Networks and Wales & West Gas Networks, CKI delivers approximately 30% of Great Britain's electricity and distributes gas to an area inhabited by about 22% of the country's population. The CKI Group also has an interest in Northumbrian Water which supplies water and wastewater services in the North East and South East of England.

UK Power Networks Holdings Limited

CKI and the Company each hold a 40% shareholding in UK Power Networks.

UK Power Networks owns and manages three of the 14 regulated electricity distribution networks in Great Britain. The three networks have a route length of approximately 190,000 kilometres and cover an area of about 30,000 square kilometres in London, the South East and the East of England. UK Power Networks has approximately eight million customers. It accounts for about 30% of the country's total power demand.

Apart from the regulated business, UK Power Networks also develops and manages private networks for clients from both private and public sectors, including the British Airport Authority and the Ministry of Defence.

UK Power Networks has continued to deliver sound performance, exceeding its key financial targets. The company also invested over GBP640 million in its regulated networks during the year.

In 2014, excellent operational performance was demonstrated by reduction in the key targets of customer minutes lost and customer interruptions; and this good performance was rewarded by additional incentive revenue received by the company.

During the year, UK Power Networks received the "Gold Award" from "Investors in People", a scheme established by the Government of the United Kingdom which recognises people management excellence. The Gold status is achieved by only 7% of the scheme participants.

UK Power Networks has received the final determination of its regulatory reset which will commence in April 2015. The reset provides a high level of predictability for the company's revenue for the 2015-23 price control period.

Northumbrian Water Group Limited

CKI holds a 40% interest in Northumbrian Water.

Northumbrian Water is one of the ten regulated water and sewerage companies in England and Wales. The company's network comprises approximately 26,000 kilometres of mains and about 30,000 kilometres of sewers. Through this network, drinking water is supplied to 4.5 million people in the North East and South East of England, while wastewater is collected and treated from 2.7 million people in the North East.

Northumbrian Water also runs a range of non-regulated businesses. The company operates Kielder Reservoir, the largest man-made reservoir in northern Europe. It also owns a number of companies which have long term water and wastewater contracts in Scotland, Ireland and Gibraltar.

Solid financial performance was delivered by Northumbrian Water during the year. Investments of approximately GBP230 million were made to ensure sustained provision of water and sewerage services.

Northumbrian Water was awarded the Queen's Award for Enterprise, one of the most prestigious business awards in the United Kingdom. This is the second time Northumbrian Water has received the accolade in the category of sustainable development. The company will hold this accolade until 2019.

The price review for the 2015-20 regulatory period has been concluded. The reset will provide predictable revenues to the company for five years commencing in April 2015.

Northern Gas Networks Limited

CKI and the Company jointly hold an 88.4% interest in Northern Gas Networks.

Northern Gas Networks is one of the eight major gas distribution networks in Great Britain, and operates, maintains and develops the North of England's gas distribution network. The company has 37,000 kilometres of gas pipelines and serves a population of around 6.7 million.

Northern Gas Networks met or outperformed its key operational targets during the year. The company continued to be ranked the most efficient gas distribution network by the national energy regulator Ofgem in the 2013/14 regulatory year. Additional revenues were secured through achieving performance incentives.

In 2014, the company invested approximately GBP41 million in network enhancement and extension. The ongoing mains renewal programme has replaced over 500 kilometres of ageing iron mains to improve network safety and reliability.

Northern Gas Networks was ranked first in Ofgem's Customer Satisfaction Survey for the 2013/14 regulatory year. This outstanding customer service also won wide recognition. At the National Business Awards 2014, Northern Gas Networks received the "Customer Focus Award". At the UK Customer Experience Awards 2014, the company was presented the highest prize – "Overall Best Customer Experience Award". It also received five "Best Customer Experience" awards in five different categories, namely "Professional & Government Services & Utilities", "Employee Engagement – Taking the Lead", "Business Change or Transformation – Simplification", "Contact Centre – Small" and "Team – Customers at the Heart".

Wales & West Gas Networks (Holdings) Limited

CKI and the Company both hold a 30% shareholding in Wales & West Gas Networks, which owns Wales & West Utilities. Like Northern Gas Networks, Wales & West Utilities is one of the eight major gas distribution networks in Great Britain.

Wales & West Utilities has a network of 35,000 kilometres of pipelines serving an area of 42,000 square kilometres and a population of 7.5 million in Wales and the South West of England.

Wales & West Utilities continued to perform well financially, providing a steady income stream. All key operational targets, licence obligations and standards of service were met or exceeded.

The company replaces approximately 440 kilometres of ageing metal gas mains every year. During 2014, around GBP75 million was invested in mains replacement.

Wales & West Utilities remains committed to its public awareness campaign on carbon monoxide poisoning. In recognition of its "Say NO to CO" gas safety promotional campaign, the company was awarded the "Building Stronger Communities Award" at the Wales Responsible Business Awards 2014.

Seabank Power Limited

CKI and the Company each have a 25% shareholding in Seabank Power, an electricity generation plant with two combined cycle gas turbine generation units, near Bristol, in the South West of England. The total generating capacity of the plant is approximately 1,140 MW.

Overall financial performance of Seabank Power was stable during the year.

Southern Water Services Limited

CKI has a 4.75% strategic interest in Southern Water.

Southern Water is a regulated water and sewerage company which supplies drinking water to 2.4 million people and treats wastewater from 4.5 million people in the South East of England across Sussex, Kent, Hampshire and the Isle of Wight.

Eversholt Rail Group

A joint venture led by CKI entered into an agreement to acquire Eversholt Rail in January 2015, representing a new development for the CKI Group's transportation infrastructure business.

The enterprise value of the transaction is approximately HK$29.3 billion (approximately GBP2.5 billion). Completion took place in April 2015.

Created in 1994 as part of the privatisation of British Rail, Eversholt Rail is one of the three major rolling stock operating companies in Great Britain.

Eversholt Rail leases a diverse range of rolling stock, including regional, commuter and high speed passenger trains, as well as freight locomotives, on long-term contracts.

The acquisition is expected to deliver stable and predictable cash flows to CKI.

Infrastructure Investment in Australia

CKI, in conjunction with the Company, is one of the largest investors in electricity distribution in Australia. The CKI Group's businesses, SA Power Networks and Victoria Power Networks, distribute electricity to the state of South Australia and over 65% of the state of Victoria respectively.

In 2014, CKI expanded its Australian portfolio by acquiring Envestra through an off-market takeover bid. The business, which was renamed Australian Gas Networks, is one of the major natural gas distributors in the country.

CKI's other investments in Australia include Transmission Operations Australia and Spark Infrastructure.

SA Power Networks

CKI and the Company jointly hold a 51% interest in SA Power Networks.

As the primary electricity distributor in the state of South Australia, SA Power Networks serves approximately 847,000 customers with networks of more than 88,000 kilometres.

Operational performance of SA Power Networks' regulated business was good despite difficult weather conditions. During the year, SA Power Networks was ranked the most efficient electricity distributor overall on a state wide basis in the annual distribution benchmarking report of the Australian Energy Regulator ("**AER**").

SA Power Networks is dedicated to maintaining a high level of safety. The company maintained its safety certifications of AS/NZS 4801 and OHSAS 18001. In addition, SA Power Networks was accredited against the stringent standards of the Australian Government Building and Construction Workplace Health and Safety Accreditation Scheme.

As a part of the tariff reset for the upcoming five-year regulatory period, SA Power Networks submitted its 2015-20 regulatory proposal to the AER. A final determination will be released in October 2015. It is expected that the result will provide certainty to the business.

Victoria Power Networks Pty Ltd

Victoria Power Networks is the holding company of CitiPower and Powercor, in which CKI and the Company together hold a 51% interest.

CitiPower owns and operates an electricity distribution network in Melbourne's CBD and inner suburbs which serves about 340,000 customers.

Powercor is the largest electricity distributor in the state of Victoria, the service area of which covers regional and rural centres in central and western Victoria, as well as Melbourne's outer western suburbs. Powercor has approximately 760,000 customers.

Overall financial performance of Victoria Power Networks was sound. Key financial targets have been met or outperformed.

Highly reliable distribution performance was achieved during the year, with CitiPower delivering a 99.99% network availability and Powercor achieving 99.96%. Customer satisfaction targets have been surpassed.

In 2014, the effort that Victoria Power Networks put into occupational health was recognised, when the company received the "Minister's Award – Mental Health Employer Excellence" at the 2014 Victorian Public Healthcare Awards.

Preparations for the regulatory reset for the 2016-2020 control period are currently underway. A customer and stakeholder consultation in relation to Victoria Power Networks' directions and priorities was completed. A regulatory proposal will be submitted to the AER in April 2015.

Australian Gas Networks Limited

In May 2014, a consortium of CKI, Cheung Kong (Holdings) Limited ("**Cheung Kong (Holdings)**") and the Company announced an off-market takeover bid for Envestra for a cash consideration of A$1.32 per share. The total consideration of the acquisition was around HK$14.1 billion (approximately A$1.96 billion). The transaction was completed in the third quarter of 2014 and Envestra was renamed Australian Gas Networks.

Australian Gas Networks is one of the largest natural gas distribution companies in the country, serving approximately 1.2 million customers in South Australia, Victoria, Queensland, New South Wales and the Northern Territory.

CKI has been a shareholder of Envestra since 1999, and has benefitted from the company's secure and steady returns. Prior to the completion of the takeover, CKI holds a strategic shareholding of 17.46% in Envestra. The shareholding also generated a one-off gain of approximately HK$2.2 billion at completion.

Post-transaction, CKI has an interest of approximately 45% in the gas distributor, while the Company holds 27.5%. Four months of earnings contribution from this increased shareholding were delivered to the CKI Group in 2014.

Transmission Operations (Australia) Pty Ltd

CKI and the Company have an equal shareholding in Transmission Operations Australia, each owning a 50% interest.

Transmission Operations Australia owns and operates a high voltage transmission network which transfers renewable energy from the wind turbines at the 130 MW Mt Mercer Wind Farm to Victoria's power grid. The transmission network features 21 kilometres of overhead power lines, two transformers and a terminal station.

A 25-year off-take agreement with Mt Mercer Wind Farm is in place. The business is expected to provide long-term stable returns to the CKI Group.

Infrastructure Investment in New Zealand

CKI's businesses deliver electricity to New Zealand's capital city and the surrounding area, and provide waste collection and disposal services nationally.

Wellington Electricity Lines Limited

CKI and the Company each own a 50% interest in Wellington Electricity.

With a network of over 4,600 kilometres, Wellington Electricity supplies electricity to approximately 165,000 domestic, commercial and industrial customers in Wellington, Porirua and Hutt Valley regions of New Zealand.

A satisfactory operational performance was achieved by Wellington Electricity in 2014. The company continued to expand its coverage by acquiring three embedded networks within its service area.

Wellington Electricity received the final determination for the regulatory price and quality reset which commenced in April 2015.

Enviro Waste Services Limited

CKI owns 100% of EnviroWaste, a leading waste management company in New Zealand with national coverage. The company provides waste collection and disposal services to more than half a million commercial and residential customers.

EnviroWaste also owns and manages Hampton PARRC, the largest landfill site in New Zealand which accounts for approximately 30% of annual landfill volumes in Greater Auckland. Situated outside Auckland and with an area of 360 hectares, the Hampton landfill has consent to receive waste until 2030 while having capacity to receive waste for many more decades thereafter.

In 2014, EnviroWaste provided its first full year of profit contribution to the CKI Group. The company met its financial targets and performed well operationally.

During the year, EnviroWaste further consolidated its market presence. The company acquired the second largest waste services operator in the City of Christchurch. In addition, the company was awarded the solid waste services contracts by the city councils in the Taranaki region.

Infrastructure Investment in the Netherlands

CKI has an interest in Dutch Enviro Energy which owns AVR, the Netherlands' largest energy-from-waste company.

Dutch Enviro Energy Holdings B.V.

CKI holds a 35% shareholding in Dutch Enviro Energy, while the Company owns 20%. Dutch Enviro Energy in turn owns AVR, the largest energy-from-waste ("**EfW**") player in the Netherlands.

AVR operates five waste treatment plants in Duiven and Rozenburg. All of these plants are accredited to import waste from countries in the European Union. The plants have a total EfW capacity of 2,300 kilo tonnes per year, the largest amongst waste treatment companies in Europe.

AVR has long term contracts with domestic and overseas clients to receive residual waste, which is used to fuel the waste processing plants. Long term off-take contracts are also in place for the energy generated. In October 2014, the North Rotterdam District Heating Project commenced operations.

Dutch Enviro Energy provided its first full year of profit contribution to CKI in 2014. Financial performance of the company was in line with expectations, providing stable cash returns to the CKI Group.

Infrastructure Investment in Canada

CKI owns a 50% interest in Canadian Power, whose portfolio comprises six electricity generating plants in Canada.

In 2014, CKI increased its presence in Canada through the acquisition of Park'N Fly, the national off-airport car park business.

Canadian Power Holdings Inc.

CKI and the Company own Canadian Power on a 50:50 basis. The portfolio of Canadian Power includes six electricity generating plants with a total generating capacity of 1,362 MW.

Canadian Power has a 49.99% shareholding in TransAlta Cogeneration, L.P., which owns four natural gas-fired cogeneration plants in Alberta and Ontario, as well as a coal-fired generation plant in Alberta. During the year, the Ottawa Cogeneration Plant made the transition from a continuous base load operation to a dispatchable plant, enhancing the plant's capability during short term peaks.

Canadian Power also holds a 100% stake in Meridian Cogeneration Plant, a 220 MW natural gas-fired plant in the province of Saskatchewan. Under a long-term power purchase agreement with Saskatchewan Power Corporation and a long-term steam supply contract with Husky Energy Inc., both of which last until 2025, the plant continued to deliver reliable supply.

Steady returns were generated from Canadian Power during the year.

Park'N Fly

In July 2014, a joint venture led by CKI completed the acquisition of 100% of Park'N Fly. The company is the largest off-airport car park provider in Canada, and the only national operator. The enterprise value of the transaction was approximately HK$2.72 billion (approximately C$381 million). Post-acquisition, CKI holds a 50% stake in Park'N Fly.

Park'N Fly provides parking facilities at most major airports in Canada, including Toronto, Vancouver, Montreal, Edmonton and Ottawa.

Park'N Fly offers three tiers of off-airport parking services – valet, self-park and economy. These services are tailored to meet the needs of both business and leisure travellers. In addition, the 24-hour shuttle service ensures fast and easy transfers between the airport and the parking facilities. Other ancillary services include auto detailing, premium oil changes and automotive maintenance.

Since completion, Park'N Fly has provided five months of profit contribution to CKI.

Infrastructure Investment in Mainland China

In Mainland China, CKI has a portfolio of toll roads and bridges investments, totalling approximately 280 kilometres across a number of provinces.

CKI has a shareholding in various toll roads and bridges in Mainland China, including Shen-Shan Highway (Eastern Section), Shantou Bay Bridge, Tangshan Tangle Road, Changsha Wujialing and Wuyilu Bridges, Jiangmen Chaolian Bridge, Jiangmen Jiangsha Highway and Panyu Beidou Bridge.

During the year, profit contribution from Mainland China was HK$287 million. This figure is a decrease of 27% over the previous year as a one-off gain generated from the disposal of CKI's interest in the National Highway 107 (Zhumadian Sections) was recorded in 2013. Overall, the projects have provided stable cash flows to the CKI Group.

Investment in Infrastructure Related Business

CKI is one of the leading infrastructure materials suppliers in Hong Kong, with cement, concrete and aggregates, as well as asphalt businesses. The CKI Group's infrastructure related business recorded 2% growth in profit contribution during the year.

Cement

A stable performance was delivered by the CKI Group's cement business which is carried out by Green Island Cement. Production volume was favourable leading to good results for the Hong Kong operation.

In Mainland China, performance was boosted by the improving market environment in the Guangdong area. Since the completion in late 2013, the flagship cement production facility in Yunfu, Guangdong province has been operating at levels exceeding the designed yearly production capacity.

Concrete, Aggregates and Asphalt

CKI's concrete and aggregates businesses are run by Alliance Construction Materials Limited, a 50:50 joint venture between CKI and HeidelbergCement AG. During the year, Alliance achieved high volume and favourable margin.

The performance of CKI's asphalt operations through Anderson Asphalt was in line with budget and provided steady returns.

Financial Performance

For the year ended 31 December 2014, CKI recorded a profit attributable to shareholders of HK$31,782 million, an increase of 173% over last year.

The spin-off of the Hong Kong electricity business of the Company in January 2014 generated an exceptional one-off gain of approximately HK$19 billion to CKI. Excluding this one-off gain, profit attributable to shareholders would have increased by 5%.

Acquisitions fuel further expansion

During the year, CKI made two major acquisitions.

In July 2014, a 50:50 joint venture comprising CKI and Cheung Kong (Holdings) acquired Park'N Fly, the off-airport car park provider in Canada. The enterprise value of the transaction was approximately HK$2.72 billion (approximately C$381 million).

Park'N Fly provides off-airport car park facilities mainly in Toronto, Vancouver, Montreal, Edmonton and Ottawa. This acquisition has generated immediate recurring cash flow to the CKI Group and has strengthened CKI's presence in Canada.

CKI, together with Cheung Kong (Holdings) and the Company, acquired Envestra Limited ("**Envestra**") (now known as Australian Gas Networks Limited ("**Australian Gas Networks**")) through an off-market takeover bid. The acquisition was completed in the third quarter of 2014 for a total consideration of around HK$14.1 billion (approximately A$1.96 billion).

Envestra is one of the largest natural gas distribution companies in Australia, serving South Australia, Victoria, Queensland, New South Wales and the Northern Territory. Subsequent to the completion of the transaction, Envestra was renamed Australian Gas Networks.

These new acquisitions are expected to generate steady returns to CKI, further enhancing the CKI Group's income base.

Stable Performance Underpinned the Infrastructure Portfolio

The Company Unlocked Value of Hong Kong Business

The Company delivered an outstanding profit contribution to CKI for the year under review. The Hong Kong electricity business was spun-off and listed on the Main Board of The Stock Exchange of Hong Kong Limited in January 2014. This enabled the Company to unlock the value of its Hong Kong operations and resulted in a one-off gain of approximately HK$19 billion for the CKI Group.

The Company is in a strong net cash position, with ample resources to pursue further growth opportunities.

UK Businesses Provide Secure Foundation

The United Kingdom portfolio continued to be a major profit contributor to CKI.

In 2014, profit contributions from the United Kingdom was HK$6,216 million. The 17% decline over last year was due to one-off non-cash deferred tax adjustments posted in 2013.

The completion of regulatory resets represents a key achievement of CKI's four regulated businesses in the United Kingdom. UK Power Networks and Northumbrian Water received final determinations in 2014, while the new regulatory regimes for Northern Gas Networks and Wales & West Utilities commenced in 2013. These resets provide a high degree of predictability for the CKI Group's regulated businesses in the country.

During the year, a number of awards were attained by our United Kingdom businesses. One of the most acclaimed accolades was the Queen's Award for Enterprise won by Northumbrian Water, a highly prestigious business award in the country.

Further Investment Enriched Australian Portfolio

Profit contribution from the Australian portfolio increased 208% to HK$3,468 million.

Prior to the completion of the off-market takeover bid, CKI's 17.46% shareholding in Envestra provided dividend income for the CKI Group during the period under review. The shareholding also generated a one-off gain of approximately HK$2.2 billion. Post-transaction, CKI holds an interest of approximately 45% in the company, and four months of profit contribution has been received since.

Both SA Power Networks and Victoria Power Networks performed well during the year. Negotiations for regulatory resets are currently underway, with SA Power Networks' new regulatory period commencing in July 2015 and Victoria Power Networks' starting in January 2016.

Other Businesses Provided Steady Income

CKI's other businesses – including those in Mainland China, Canada, New Zealand and the Netherlands, as well as the materials business – performed satisfactorily during the year, providing steady earnings contributions to the CKI Group.

The financial performance of the Mainland China portfolio was in line with expectations. The toll road investments were operationally sound and continued to deliver cash returns to CKI. However, profit contribution saw a decrease of 27%. This was primarily due to the inclusion of a one-off gain generated from the disposal of the CKI Group's interest in the National Highway 107 (Zhumadian Sections) in 2013.

In Canada, profit contribution increased 63% to HK$143 million. Canadian Power continued to provide stable returns, while Park'N Fly, the newly acquired off-airport car park provider, delivered five months of profit contribution.

In the Netherlands, AVR performed well and provided its first full year of profit contribution. This energy-from-waste business delivered a profit contribution of HK$142 million.

Profit contribution from New Zealand was HK$192 million, representing an increase of 25%. The growth was driven by the first full year of profit contribution from EnviroWaste, as well as the steady returns from Wellington Electricity.

The CKI Group's materials business recorded growth of 2% in 2014. The new Yunfu cement plant in China is now in full operation.

Strong Financial Position

One of the CKI Group's priorities in achieving sustainable growth is to maintain a strong financial position.

As at 31 December 2014, the CKI Group had cash on hand of HK$7,108 million and a net debt to net total capital ratio of 10%. CKI has strong capabilities to continue to make acquisitions that meet its stringent investment criteria.

During the year, the CKI Group maintained its "A-/Stable" credit rating from Standard & Poor's.

Financial Resources, Treasury Activities and Gearing Ratio

The CKI Group's capital expenditure and investments were funded from cash on hand, internal cash generation, syndicated loans, notes, share placement and other project loans.

As at 31 December 2014, cash and bank deposits on hand amounted to HK$7,108 million and the total borrowings of the CKI Group amounted to HK$18,637 million, which included Hong Kong dollar notes of HK$260 million and foreign currency borrowings of HK$18,377 million. Of the total borrowings, 9% were repayable in 2015, 84% were repayable between 2016 and 2019 and 7% were repayable beyond 2019. During the year, the CKI Group redeemed the US$300 million perpetual capital securities in February. In June, the CKI Group issued a US$300 million floating rate note. The CKI Group's financing activities continue to be well received and fully supported by its bankers.

The CKI Group adopts conservative treasury policies in cash and financial management. To achieve better risk control and minimise the cost of funds, the CKI Group's treasury activities are centralised. Cash is generally placed in short-term deposits mostly denominated in US dollars, Hong Kong dollars, Australian dollars, New Zealand dollars, Pounds Sterling, Canadian dollars, Euro or Renminbi. The CKI Group's liquidity and financing requirements are reviewed regularly. The CKI Group will continue to maintain a strong capital structure when considering financing for new investments or maturity of bank loans.

As at 31 December 2014, the CKI Group maintained a net debt position with a net debt to net total capital ratio of 10%, which was based on its net debt of HK$11,529 million and net total capital, which represents the total borrowings plus total equity net of cash and bank deposits, of HK$113,275 million. This ratio was higher than the net debt to net total capital ratio of 8% at the year end of 2013. This change was mainly due to the funds utilised for investment in the natural gas distribution project in Australia during the current year.

To minimise currency risk exposure in respect of its investments in other countries, the CKI Group generally hedges those investments with the appropriate level of borrowings denominated in the local currencies of those countries. The CKI Group also entered into certain interest rate and currency swaps to mitigate interest rate and other currency exposure risks. As at 31 December 2014, the notional amounts of these derivative instruments amounted to HK$42,610 million.

Charge on Group Assets

As at 31 December 2014:

- the CKI Group's obligations under finance leases totalling HK$60 million were secured by charges over the leased assets with carrying value of HK$62 million;

- certain plant and machinery of the CKI Group with carrying value of HK$73 million were pledged to secure bank borrowings totalling HK$24 million granted to the CKI Group; and

- the shares of a subsidiary with net asset value of HK$1,228 million were pledged to secure bank borrowings totalling HK$1,100 million granted to the CKI Group.

Contingent Liabilities

As at 31 December 2014, the CKI Group was subject to the following contingent liabilities:

	HK$ million
Guarantee in respect of bank loan drawn by an affiliated company	1,338
Other guarantee given in respect of an affiliated company	836
Performance bond indemnities	91
Sub-contractor warranties	7
Total	2,272

Employees

The CKI Group, including its subsidiaries but excluding affiliated companies, employs a total of 2,050 employees. Employees' cost (excluding directors' emoluments) amounted to HK$695 million. The CKI Group ensures that the pay levels of its employees are competitive and that its employees are rewarded on a performance related basis within the general framework of the CKI Group's salary and bonus system.

Preferential subscription of 2,978,000 new shares of CKI was given to those employees who had subscribed for shares of HK$1.00 each in CKI at HK$12.65 per share on the flotation of CKI in 1996. The CKI Group does not have any share option scheme for employees.

C. For the year ended 31 December 2013 (and as compared to the year ended 31 December 2012)

Operating Review

Investment in the Company

CKI is the major shareholder of the Company, with a 38.87% stake. A strong performance was achieved by the Company in 2013, underpinned by continued growth of the global portfolio.

In 2013, the Company reported good results. Profit attributable to shareholders increased 15% to HK$11,165 million. Profits from operations outside of Hong Kong, which represent 57% of the Company's overall operating profit, increased 25% to HK$6,386 million. Hong Kong operations grew 3% to HK$4,779 million.

Operations outside of Hong Kong

The Company's global portfolio comprises investments in the United Kingdom, Australia, New Zealand, Canada, Mainland China, Thailand and the newly added Netherlands.

In 2013, the Company acquired a stake in AVR – the largest energy-from-waste player in the Netherlands. This marked the first foray both into continental Europe and into a new technology area. The acquisition is poised to generate immediate and steady revenue for the Company.

Investments in the United Kingdom delivered strong results again. The United Kingdom now represents the Company's largest international market. Profit contribution grew by 40% in the year. In addition to higher revenues, earnings were bolstered by deferred tax credits.

The Australian businesses achieved a stable performance in 2013. Overall earnings were higher than 2012 but their contributions in Hong Kong dollar terms were reduced as a result of the weakening Australian dollar. Transmission Operations Australia commenced operation of its transmission link to transport renewable energy in November 2013.

Satisfactory results were generated by other investments around the world. In Mainland China, good progress was made in the installation and upgrading of emissions reduction facilities at the Zhuhai, Jinwan and Siping power plants. In Thailand and New Zealand, precautionary measures were taken against natural disasters to ensure smooth operations. As for Canada, one of the generation plants secured an important contract with the Ontario Power Authority.

Hong Kong Operations

For Hong Kong operations, a 2.4% drop was recorded in electricity unit sales due to milder weather and fewer working days.

HK Electric's 2014-2018 Development Plan, which details its development activities and projected tariffs, was submitted to and approved by the HKSAR Government. Net tariffs of HK Electric have been frozen at 2013 levels and barring unforeseen circumstances, are expected to remain as such through to 2018.

In addition, HK Electric has made significant commitments on capital expenditure to enhance its power generation system, transmission and distribution system, as well as customer and corporate services development over the next five years. Subject to confirmation from the HKSAR Government, a new gas-fired generation unit will be built at the Lamma Power Station for commissioning by 2020. Improvement works will also be carried out to an existing coal-fired unit, which is fitted with a flue gas desulphurisation plant, in order to extend its useful life.

Infrastructure Investment in the United Kingdom

CKI has interests in a number of leading electricity, gas and water infrastructure businesses in the United Kingdom. This extensive portfolio delivers approximately 30% of the country's electricity, and also provides gas distribution service to an area inhabited by around 22% of the nation's population, as well as supplies water in the North East and South East of England.

UK Power Networks Holdings Limited

CKI has a 40% stake in UK Power Networks, while the Company holds another 40% interest.

UK Power Networks owns, operates and manages three of the 14 regulated electricity distribution networks in the United Kingdom. With a total length of approximately 190,000 kilometres, the three licensed networks cover an area of about 30,000 square kilometres in London, the South East and the East of England. UK Power Networks provides service to approximately eight million customers, accounting for about 30% of the country's total power demand.

UK Power Networks also operates a number of private networks; clients include the British Airport Authority and the Ministry of Defence.

During 2013, the business continued with its planned programme of investments in the regulated networks, with approximately GBP650 million invested in network infrastructure enhancement.

A Business Transformation Project, with an objective to enhance the efficiency and services of the company, was launched in the first quarter of 2013. The Project is expected to run through to the first half of 2015.

UK Power Networks is currently preparing for the next regulatory reset, which is due to commence in April 2015.

Northumbrian Water Group Limited

CKI has a 40% shareholding in Northumbrian Water.

Northumbrian Water is one of the ten regulated water and sewerage companies in England and Wales, supplying drinking water to 4.5 million people in the North East and South East of England, as well as collecting and treating wastewater from 2.7 million people in the North East. The network of the company comprises approximately 25,600 kilometres of mains and about 29,700 kilometres of sewers.

Apart from the regulated water businesses, Northumbrian Water also operates Kielder Reservoir, the largest man-made reservoir in northern Europe. In addition, it owns a number of companies which are involved in long term water and wastewater contracts in Scotland, Ireland and Gibraltar.

In 2013, sound organic growth was recorded for Northumbrian Water; and over GBP200 million was invested in capital expenditure projects to ensure the continued provision of sustainable water and wastewater services.

Northumbrian Water is the first company in the country to use almost 100% of the treated sludge to generate renewable energy following the commissioning of two recently constructed Advanced Anaerobic Digestion plants last year.

Northumbrian Water received wide recognitions during the year. At the Utility Week Achievement Awards 2013, Northumbrian Water received the highest prize "Utility of the Year", as well as four other awards in different categories, namely "Community Initiative of the Year", "Environment Award", "Marketing Initiative of the Year" and "Supply Chain Excellence". The company was praised by the judges for consistently outperforming its peers. In the North of England Excellence Awards 2013, the company was awarded "Business of the Year" and "Excellence Award – Private Sector Organisations with 250 people or more". Northumbrian Water also received a number of accolades in the areas of sustainability, safety and tourist experience.

Northumbrian Water is preparing for the regulatory reset which will commence in April 2015.

Northern Gas Networks Limited

CKI and the Company jointly own an 88.4% stake in Northern Gas Networks.

Northern Gas Networks is one of the eight major gas distribution networks in the United Kingdom. The company operates, maintains, repairs and develops the North of England Gas Distribution Network. The service area covers approximately 25,000 square kilometres and is populated by 6.7 million people. The pipelines of the company span 37,000 kilometres.

The overall financial performance of Northern Gas Networks was good during the year. The regulatory reset was completed in April 2013, providing predictable revenues until 2021.

Northern Gas Networks continued with its network enhancement during the year. Approximately GBP35.5 million of investment was made to reinforce and extend the network, as well as to enhance information technology infrastructure.

The company is always dedicated to maintaining a high standard of safety and customer service. It is regarded as one of the best performing networks in terms of safety by the Health & Safety Executive, the national watchdog of occupational health and safety. To further enhance customer satisfaction, Northern Gas Networks moved to a more stringent timescale to conclude complaints.

Northern Gas Networks is a responsible corporate citizen. The company was rewarded by Ofgem under the 2013 Discretionary Reward Scheme for its outstanding work in raising awareness of carbon monoxide poisoning and reducing fuel poverty.

Wales & West Utilities Limited

CKI and the Company each hold a 30% interest in Wales & West Utilities.

As one of the eight major gas distribution networks in the United Kingdom, Wales & West Utilities provides service to a population of 7.5 million in Wales and South West of England. The business owns pipelines of 35,000 kilometres and covers service area of 42,000 square kilometres.

Wales & West Utilities provided its first full year profit contribution to CKI in 2013. The overall financial performance was favourable to budget. The completion of the regulatory reset in April 2013 provided a framework for predictable revenues through to 2021.

The company continued to meet or outperform all key operational targets, licence obligations and standards of service.

During the year, Wales & West Utilities received rewards from Ofgem's Discretionary Reward Scheme which recognised the company's commitment to supporting environmental, community and gas safety initiatives. Wales & West Utilities was given more awards than any other gas distribution network in the country.

The company invested approximately GBP60 million in capital expenditure projects in 2013. The projects involved network reinforcement, vehicle fleet renewal, information technology solutions enhancement and depot acquisition.

In recognition of Wales & West Utilities' successful emissions and climate change initiatives, the company received the Wales Environment Award at Business in the Community's Wales Responsible Business Awards 2013. The company was also awarded a number of accolades which honoured its commitment to the community.

Seabank Power Limited

CKI and the Company each hold a 25% stake in Seabank Power.

Seabank Power owns and operates Seabank Power Station, an electricity generation plant near Bristol with two combined cycle gas turbine generation units with a total capacity of approximately 1,140 MW.

The business continued to generate stable returns to CKI. Financial performance was ahead of budget during the year under review.

Preparations are underway for a potential expansion of the power plant with two additonal generating units. The first wave of public consultation events were held in 2013.

Southern Water Services Limited

CKI holds a 4.75% strategic interest in Southern Water. The company is a regulated business which supplies fresh, quality drinking water to 2.4 million people and treats wastewater from a population of 4.5 million in the South East of England across Sussex, Kent, Hampshire and the Isle of Wight.

Infrastructure Investment in Australia

Together with the Company, CKI is one of the major power distributors in Australia. Through investments in SA Power Networks and Victoria Power Networks, the CKI Group distributes electricity to the entire state of South Australia and over 65% of the state of Victoria respectively. In addition, CKI's portfolio in Australia also includes Transmission Operations Australia and investments in Spark Infrastructure and Envestra.

SA Power Networks

In conjunction with the Company, CKI holds a 51% stake in SA Power Networks. It is the primary electricity distributor in the state of South Australia, serving approximately 839,000 customers.

In 2013, SA Power Networks achieved a satisfactory operational performance. Revenues from the regulated business of SA Power Networks continued to increase, while the non-regulated business once again outperformed targets.

High levels of safety performance were achieved by SA Power Networks during the year. It maintained its safety certifications against AS/NZS 4801 and OHSAS 18001 in 2013. SA Power Networks also continued its ongoing focus on meeting reliability standards and improving customer service. A number of environmental management and sustainability initiatives were successfully carried out during the year. At the same time, SA Power Networks has maintained a significant role in the community through a substantial sponsorship and community support programme.

Currently, SA Power Networks is planning for the tariff reset for the 2015-2020 regulatory period, which will commence on July 2015. A consultation programme that engages with customers is now underway. SA Power Networks is confident of achieving a satisfactory outcome which will provide secure returns for the CKI Group.

Victoria Power Networks Pty Ltd

CKI and the Company jointly hold a 51% interest in Victoria Power Networks, the holding company of CitiPower and Powercor.

CitiPower owns and operates an electricity distribution network that serves approximately 320,000 customers in Melbourne's CBD and inner suburbs.

Powercor represents the largest electricity distributor in the state of Victoria, supplying electricity to regional and rural centres in central and western Victoria, and Melbourne's outer western suburbs. Powercor serves approximately 750,000 customers and operates a successful non-regulated business.

A satisfactory operational performance was achieved by Victoria Power Networks in 2013, with higher returns generated for the CKI Group during the year.

Good levels of reliability were maintained, despite storms and inclement weather conditions during the year. The Customer Service Institute of Australia assessed the businesses against the International Customer Service Standard in 2013, awarding an 8.0 out of a possible 10, one of the highest scores ever given.

CitiPower and Powercor were also honoured in the prestigious Innovation category at the Australian Business Awards 2013.

Currently, Victoria Power Networks is planning for the tariff reset for the 2016-2021 regulatory period, which will commence on January 2016.

Transmission Operations (Australia) Pty Ltd

CKI made its first foray in Australia's renewable energy power transmission sector with its investment in Transmission Operations Australia. The investment was made jointly with the Company on a 50:50 basis and the total investment amount of the project is HK$268.1 million (A$33.6 million).

Transmission Operations Australia owns and operates a high voltage transmission network, which was completed in November 2013. With 21 kilometres of overhead power lines, two transformers and a terminal station, the network transfers renewable energy from the wind turbines at the 130 MW Mt Mercer Wind Farm to Victoria's power grid.

Envestra Limited

CKI holds a strategic shareholding of approximately 17.5% in Envestra, one of the largest natural gas distribution companies in Australia.

Envestra owns a natural gas distribution network which serves over 1.2 million customers in South Australia, Victoria, Queensland, New South Wales and the Northern Territory.

In 2013, Envestra generated stable returns to CKI.

Spark Infrastructure Group

The CKI Group holds an 8.5% stake in Spark Infrastructure, a leading Australian utility infrastructure group that is listed on the Australian Securities Exchange. Spark Infrastructure focuses on investing in quality regulated utility infrastructure assets that provide stable returns, with a low risk profile.

Spark Infrastructure provided good returns to CKI during 2013.

Infrastructure Investment in New Zealand

CKI owns a 50% interest in Wellington Electricity, an electricity distribution network which covers New Zealand's capital city and the surrounding area.

In 2013, the CKI Group expanded into the country's waste management industry by acquiring EnviroWaste.

Wellington Electricity Lines Limited

Wellington Electricity is owned by CKI and the Company on a 50:50 basis.

The electricity distribution network of Wellington Electricity spans over 4,600 kilometres and delivers electricity to approximately 165,000 domestic, commercial and industrial customers in Wellington, Porirua and Hutt Valley regions of New Zealand.

Despite weathering two significant earthquakes and the worst storm in 40 years, Wellington Electricity's operational performance stood well in 2013. The company also delivered a consistent financial performance.

During the year, Wellington Electricity acquired a transmission line which connects a new major wind farm station to the national grid in the company's network area.

Enviro Waste Services Limited

CKI completed the acquisition of 100% of EnviroWaste in April 2013 for a cash consideration of approximately HK$3.2 billion (approximately NZ$490 million).

EnviroWaste is one of the leading waste management companies in New Zealand with a national coverage. It provides waste collection and disposal services to approximately half a million commercial and residential sources.

In addition, EnviroWaste owns and manages Hampton Downs, the largest landfill in New Zealand which accounts for approximately 30% of annual landfill volumes in Greater Auckland. Situated outside of Auckland on an area of 360 hectares, Hampton Downs is consented to receive waste until 2030 and has the capacity to receive waste for many decades to come.

EnviroWaste delivered a strong financial performance and generated 8.5 months of profit contribution to the CKI Group in 2013.

During the year, EnviroWaste continued to invest in its assets to ensure future growth of the company. A new leading-edge leachate treatment system was commissioned in Hampton Downs to remove noxious substance from water which is to be discharged into the local stream or neighbouring farmland. In addition, three gas-to-energy turbines were ordered for delivery in early 2014 to further increase the capacity of generating electricity from landfill gas.

Infrastructure Investment in the Netherlands

In 2013, CKI extended its global footprint to the Netherlands with the acquisition of AVR, the country's largest energy-from-waste player.

AVR-Afvalverwerking B.V.

In August 2013, a consortium led by CKI completed the acquisition of 100% of AVR. The enterprise value of the transaction was approximately HK$9.7 billion (about EUR940 million). The investment represents the CKI Group's first initiative in continental Europe. Post-acquisition, CKI has a 35% stake in AVR, while the Company holds 20%.

AVR is the largest energy-from-waste ("**EfW**") player in the Netherlands, commanding a 22% market share of the waste processing industry.

Since completion, AVR has provided four months of profit contribution to CKI. The company generates its income from (i) gate fees for processing waste; (ii) the sale of output generated from waste processing which takes the form of electricity, steam or district heating; as well as (iii) the sale of recovered materials.

AVR operates two waste treatment plants of "R1" status; this entitles the company to import waste from other member countries and states of the European Union. The two waste treatment plants are strategically located in Rozenburg which is near the Port of Rotterdam, and in Duiven which is close to the German border, giving advantage to the company's growth plan for processing import waste. The plants have a total EfW capacity of 1,700 kilo tonnes per year, the largest amongst waste treatment companies in Europe.

Long term contracts with domestic and overseas clients for residual waste have been secured to fuel the waste processing plants until 2019. Long term off-take contracts are also in place for the energy generated, ensuring stable income for the company.

Infrastructure Investment in Canada

CKI holds a portfolio of electricity generating plants in Canada through a 50% interest in Canadian Power (formerly known as Stanley Power).

Canadian Power Holdings Inc.

CKI and the Company each hold a 50% interest in Canadian Power, which in turn has stakes in six electricity generating plants throughout Canada. The total generating capacity of the plants amounts to 1,362 MW.

Canadian Power has a 49.99% stake in TransAlta Cogeneration, L.P. ("**TransAlta**"), whose portfolio comprises four natural gas-fired cogeneration plants in Alberta and Ontario, as well as a coal-fired generation plant in Alberta. In 2013, TransAlta's Ottawa Cogeneration Plant signed a new 20-year power supply agreement with Ontario Power Authority.

Canadian Power also owns a 100% stake in the 220 MW Meridian Cogeneration Plant, a natural gas-fired plant located in the Saskatchewan province. The plant has a long-term power purchase agreement with Saskatchewan Power Corporation and a long-term steam supply contract with Husky Energy Inc., both lasting until 2025.

During the year, Canadian Power continued to provide stable profit contribution to CKI.

Canadian Power was formerly known as Stanley Power Inc. The company name was changed to Canadian Power Holdings Inc. in December 2013.

Infrastructure Investment in Mainland China

In Mainland China, CKI has an extensive portfolio of toll roads and bridges totalling approximately 280 kilometres. During the year, the CKI Group divested its interest in National Highway 107 (Zhumadian Sections) to the Chinese JV partner in the project.

Panyu Beidou Bridge

CKI holds a 40% interest in the Panyu Beidou Bridge. In 2013, the project recorded an increase of 48.6% in revenue. Guangzhou and eight other cities in Guangdong Province introduced annual ticket systems during the year. Panyu Beidou Bridge benefitted from this new system as well as the existing single ticket payment system. The increase in revenue resulted in a year-on-year growth of 125% in profit.

Shen-Shan Highway (Eastern Section)

Shen-Shan Highway (Eastern Section), in which CKI has a 33.5% shareholding, achieved a satisfactory performance, with a 9% increase in toll revenue. Despite the growth in revenue being partially offset by an increase in profit tax from 12.5% to 25% at the end of tax holiday, the net earnings of the project recorded a year-on-year growth of 5%.

Jiangmen Jiangsha Highway

CKI owns a 50% stake in the Jiangmen Jiangsha Highway. Under the Administrative Order issued by the Department of Communications of Guangdong Province, the toll collection right of the project was abolished with effect from July 2013. Discussions with the Government are being carried out for the compensation of this early termination.

National Highway 107 (Zhumadian Sections)

In December 2013, CKI completed a transaction to sell all of its 66% interest in the National Highway 107 (Zhumadian Sections) to the Chinese JV partner in the project. The consideration of the transaction was approximately HK$111 million (RMB86.37 million).

Other Toll Roads and Bridges

The performance of CKI's other toll roads and bridges, including Shantou Bay Bridge, Tangshan Tangle Road, Changsha Wujialing and Wuyilu Bridges, as well as Jiangmen Chaolian Bridge, was in line with expectation.

Investment in Infrastructure Related Business

The infrastructure materials business of CKI, including cement, concrete and aggregates, as well as asphalt, generates steady income to the CKI Group.

CKI Group is the largest supplier of cement and concrete in Hong Kong.

Profit contribution from infrastructure related business grew 6% during the year.

Cement

CKI runs its cement business through Green Island Cement. In 2013, the market conditions were good and the operations in Hong Kong reported satisfactory results.

Additionally, profit contribution from the operations in Mainland China continued to grow. A new flagship cement production facility in Yunfu, Guangdong Province commenced full operation during the year. The plant has an annual production capacity of 1.5 million tonnes and features a 9 MW waste heat regeneration system.

Concrete, Aggregates and Asphalt

The concrete and aggregates businesses of the CKI Group are operated by Alliance Construction Materials Limited, a 50:50 joint venture between CKI and HeidelbergCement AG. While the market was relatively flat and competition was keen, Alliance achieved record high profit.

During the year, Alliance's new joint-venture aggregate crushing plant in Huidong, Guangdong Province commenced operations.

The CKI Group's asphalt operations carried out by Anderson Asphalt also delivered satisfactory results with a healthy order bank.

Financial Performance

2013 was a milestone year for CKI in terms of business development. Two acquisitions were concluded, extending the CKI Group's business scope into waste management. These two assets enriched the CKI Group's portfolio in New Zealand, and expanded the CKI Group's footprint into continental Europe.

The 100% acquisition of EnviroWaste was completed in April 2013 for a consideration of approximately HK$3.2 billion (approximately NZ$490 million). EnviroWaste is one of the leading waste management businesses in New Zealand and the operator of Hampton Downs, the largest landfill in the country. It has provided immediate and steady returns to CKI since acquisition.

In August 2013, the CKI Group led a consortium comprising Cheung Kong (Holdings), the Company and Li Ka Shing Foundation Limited to complete the acquisition of AVR in the Netherlands. CKI holds a 35% shareholding in this business, which was acquired for a total enterprise value of approximately HK$9.7 billion (approximately EUR940 million). AVR is the largest energy-from-waste player in the Netherlands. This acquisition extends the CKI Group's reach to continental Europe for the first time.

These two waste management businesses, together with the sludge treatment facilities of the CKI Group's Northumbrian Water in the United Kingdom, have resulted in CKI becoming a significant player in the waste management industry.

2013 also saw the expansion of CKI's wholly-owned Yunfu cement facilities in Guangdong. With an investment of HK$1.2 billion, the project was completed in December. The new facilities have added 1.5 million tonnes per annum of production capacity to the CKI Group's materials business.

Diverse Infrastructure Portfolio Underpins Growth Momentum

CKI's portfolio of infrastructure businesses – which spans across Hong Kong, Mainland China, the United Kingdom, Australia, New Zealand, Canada and the Netherlands – has generated good results in 2013.

The Company Maintained Overseas Growth Momentum

In 2013, the profit contribution from CKI's 38.87% stake in the Company was HK$4,315 million, an increase of 15% over the previous year.

The Company reported a full year profit of HK$11,165 million in 2013, an increase of 15% over last year. The performance was boosted by the continued growth of the Company's businesses outside of Hong Kong. Profit from the overseas portfolio grew by 25% to HK$6,386 million, accounting for 57% of the total. This growth was mostly attributed to the strong performance of its businesses in the United Kingdom.

The Hong Kong operations of the Company remained stable, continuing to provide steady cashflow. Profit was HK$4,779 million, an increase of HK$158 million over 2012.

Continued Growth from UK Portfolio

The profit contribution from the CKI Group's businesses in the United Kingdom amounted to HK$7,508 million, representing a 37% increase over the same period last year. All of the CKI Group's businesses in this market have achieved sound operating performances. Results were also enhanced by a reduction in corporate tax rate in the United Kingdom, giving rise to favourable deferred tax adjustments.

The CKI Group's largest overseas business, UK Power Networks, continued to perform well. During the year, the business invested about GBP650 million to enhance its regulated networks.

Northumbrian Water delivered strong organic growth. It was named the much coveted "Utility of the Year" at the Utility Week Achievement Awards 2013.

In 2013, Northern Gas Networks achieved good results. The year under review also marked the first full year of profit contribution from Wales & West Utilities. Both these assets completed their regulatory resets in 2013; these provide frameworks for predictability of returns through to 2021.

Seabank Power, which owns an electricity generation plant near Bristol, also reported satisfactory results.

Stable Performance from Australian Investments

The Australian portfolio's earnings in Australian dollars were comparable to that of 2012. However, due to the impact of exchange rates, the profit contribution, when translated to Hong Kong dollars, marked a 2% decline over last year to HK$1,126 million.

During the year, the operational performances of SA Power Networks and Victoria Power Networks were satisfactory.

Steady Returns Generated from Other Businesses

Steady returns were generated by the CKI Group's other businesses, including those in Mainland China, Canada, New Zealand, and the Netherlands; as well as its materials business.

Profit contribution from the Mainland China portfolio was HK$395 million, similar to that of last year. The operation of the CKI Group's toll road investments remained stable and delivered good cash returns to CKI.

Contribution from Canada was HK$88 million, a 22% decline over 2012. This was mainly due to the planned outage of a major power plant and a softening in market prices.

Profit contribution from New Zealand increased 161% to HK$154 million. The results benefited from the contribution generated from the newly acquired waste management business, EnviroWaste.

Following its acquisition in the second half of 2013, AVR, the energy-from-waste company in the Netherlands, made an immediate contribution of HK$28 million for the period after completion.

The CKI Group's materials business remained relatively stable, with profit contribution increasing 6%. The Yunfu cement facilities in Guangdong commenced operations at the end of 2013.

Financial Resources, Treasury Activities and Gearing Ratio

The CKI Group's capital expenditure and investments were funded from cash on hand, internal cash generation, syndicated loans, notes, share placement and other project loans.

As at 31 December 2013, cash and bank deposits on hand amounted to HK$5,958 million and the total borrowings of the CKI Group amounted to HK$13,029 million, which included Hong Kong dollar notes of HK$260 million and foreign currency borrowings of HK$12,769 million. Of the total borrowings, 87% were repayable between 2015 and 2018 and 13% were repayable beyond 2018. The CKI Group's financing activities continue to be well received and fully supported by its bankers.

The CKI Group adopts conservative treasury policies in cash and financial management. To achieve better risk control and minimise the cost of funds, the CKI Group's treasury activities are centralised. Cash is generally placed in short-term deposits mostly denominated in U.S. dollars, Hong Kong dollars, Australian dollars, New Zealand dollars, Pounds Sterling or Renminbi. The CKI Group's liquidity and financing requirements are reviewed regularly. The CKI Group will continue to maintain a strong capital structure when considering financing for new investments or maturity of bank loans.

As at 31 December 2013, the CKI Group maintained a net debt position with a net debt to net total capital ratio of 8%, which was based on its net debt of HK$7,071 million and net total capital, which represents the total borrowings plus total equity net of cash and bank deposits, of HK$87,669 million. This ratio was higher than the net debt to net total capital ratio of 5% at the year end of 2012. This change was mainly due to the funds utilised for investments in the waste management projects in New Zealand and the Netherlands during 2013.

To minimise currency risk exposure in respect of its investments in other countries, the CKI Group generally hedges those investments with the appropriate level of borrowings denominated in the local currencies of those countries. The CKI Group also entered into certain interest rate and currency swaps to mitigate interest rate and other currency exposure risks. As at 31 December 2013, the notional amounts of these derivative instruments amounted to HK$45,031 million.

Charge on CKI Group Assets

As at 31 December 2013:

- the CKI Group's obligations under finance leases totalling HK$97 million were secured by charges over the leased assets with carrying value of HK$105 million;

- certain plant and machinery of the CKI Group with carrying value of HK$84 million were pledged to secure bank borrowings totalling HK$26 million granted to the CKI Group; and

- the shares of a subsidiary with net asset value of HK$1,302 million were pledged to secure bank borrowings totalling HK$983 million granted to the CKI Group.

Contingent Liabilities

As at 31 December 2013, the CKI Group was subject to the following contingent liabilities:

	HK$ million
Other guarantee given in respect of an affiliated company	909
Performance bond indemnities	94
Sub-contractor warranties	9
Total	1,012

Employees

The CKI Group, including its subsidiaries but excluding affiliated companies, employs a total of 1,943 employees. Employees' cost (excluding directors' emoluments) amounted to HK$531 million. The CKI Group ensures that the pay levels of its employees are competitive and that its employees are rewarded on a performance related basis within the general framework of the CKI Group's salary and bonus system.

Preferential subscription of 2,978,000 new shares of CKI was given to those employees who had subscribed for shares of HK$1.00 each in CKI at HK$12.65 per share on the flotation of CKI in 1996. The CKI Group does not have any share option scheme for employees.

6. SUPPLEMENTAL SEGMENT INFORMATION

In addition to the segment information presented in note 6 to the unaudited consolidated financial statements of the CKI Group for the six months ended 30 June 2015 (an extract of which is included in section 3 of this Appendix III), the following table provides supplemental segment information on assets and liabilities of the CKI Group as at 30 June 2015. This supplemental data is included to facilitate the comparison of the CKI Group's historical financial position with the unaudited pro forma financial information of the Enlarged CKI Group as disclosed in "*Appendix VI – Unaudited Pro Forma Financial Information of the Enlarged CKI Group*".

HK$ million	Total assets	Total liabilities
The Company	46,793	–
Infrastructure investments		
United Kingdom	50,071	(64)
Australia	14,392	(45)
Mainland China	645	(20)
New Zealand	4,437	(1,601)
Canada and Netherlands	2,996	(7)
	72,541	(1,737)
Infrastructure related business	4,279	(651)
Unallocated items	6,950	(20,761)
	130,563	(23,149)

7. INDEBTEDNESS STATEMENT

As at 31 August 2015, being the latest practicable date prior to the printing of this document for ascertaining information for inclusion in this indebtedness statement, the CKI Group had outstanding borrowings of approximately HK$17,474 million which comprised unsecured bank loans and other borrowings of approximately HK$16,438 million, secured bank loans of approximately HK$1,002 million, and finance lease obligations of approximately HK$34 million.

As at 31 August 2015, the CKI Group had contingent liabilities of approximately HK$2,010 million. The contingent liabilities comprised guarantee in respect of bank loan drawn by joint ventures of approximately HK$1,172 million, other guarantees given in respect of a joint venture of approximately HK$740 million, performance bonds of approximately HK$92 million and sub-contractor warranties of approximately HK$6 million.

Save as set out above and apart from intra-group liabilities, the CKI Group did not have any outstanding mortgages, charges, debentures or other loan capital or bank overdrafts, loans, debt securities or other similar indebtedness or acceptance credits or hire purchase commitments or any guarantees or other material contingent liabilities as at 31 August 2015.

The CKI Directors have confirmed that there had been no material changes in the indebtedness position of the CKI Group since 31 August 2015 and up to the Latest Practicable Date.

8. MATERIAL CHANGES

The CKI Group is a diversified infrastructure investment company with businesses in Hong Kong, the PRC, the United Kingdom, the Netherlands, Australia, New Zealand and Canada, and is exposed to potential currency fluctuations in these countries and places in which the CKI Group operates. The results of the CKI Group are recorded in Hong Kong dollars but its various subsidiaries, associates and joint ventures may receive revenue and incur expenses in other currencies. Any currency fluctuations on translation of the accounts of these subsidiaries, associates and joint ventures and also on the repatriation of earnings, equity investments and loans may therefore impact on the CKI Group's financial position or potential income, asset value and liabilities, but the CKI Group confirms that it has not entered into any speculative derivative transaction and generally hedging arrangements are in place for overseas investments as appropriate.

In January 2015, CKI issued 80,000,000 new CKI Shares at HK$58.00 per CKI Share (less the costs and expenses in connection with the placing and subscription) to raise new capital of HK$4.6 billion.

In April 2015, UK Rails, a 50:50 joint venture between CKI and CKH Holdings, completed the acquisition of Eversholt Rail Group, one of the three major rolling stock operating companies in the United Kingdom. The enterprise value of the transaction was approximately GBP2.5 billion.

On 23 July 2015, CKI announced its interim results for the six months ended 30 June 2015 and, on 6 August 2015, published its interim report for the six months ended 30 June 2015.

On 8 September 2015, the respective boards of directors of CKI, the Offeror, the Company and CKH Holdings jointly announced that, on the same date, the CKI Board and the Offeror Board requested the Board to put forward the Proposal to the Scheme Shareholders regarding the proposed merger of CKI and the Company by way of the Scheme.

On 8 September 2015, the CKI Board also announced that it intends to declare, on a conditional basis, the CKI Special Dividend of HK$5.00 per CKI Share, the payment of which is conditional upon the satisfaction of both of the following conditions: (a) the passing of the CKI Special Dividend Resolution at the General Meeting and (b) the Scheme becoming effective. The CKI Special Dividend, if the payment becomes unconditional, will be payable to all CKI Shareholders (including holders of CKI Shares received pursuant to the Scheme) as at the CKI Dividend Record Time on the Effective Date.

On 7 October 2015, the respective boards of directors of CKI, the Offeror, the Company and CKH Holdings jointly announced that the Cancellation Consideration payable to the Scheme Shareholders under the Scheme was proposed to be 1.066 CKI Shares for every one Scheme Share held as at the Record Time and the new proposed amount of the CKI Special Dividend to be declared by the CKI Board to all CKI Shareholders as at the CKI Dividend Record Time on the Effective Date (including the holders of CKI Shares issued pursuant to the Scheme) was HK$7.50 per CKI Share.

Please refer to the Explanatory Statement in this document for further details of the Proposal and the CKI Special Dividend.

Save as disclosed above, the CKI Directors confirm that there have been no material changes in the financial or trading position or outlook of the CKI Group since 31 December 2014, the date to which the latest published audited consolidated financial statements of the CKI Group were made up, up to and including the Latest Practicable Date.

9. DIVIDENDS

The dividends paid by CKI for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 were HK$4,050 million, HK$4,538 million, HK$4,997 million, HK$1,281 million and HK$1,512 million, respectively, representing a dividend per CKI Share of HK$1.66, HK$1.86, HK$2.00, HK$0.525 and HK$0.60, respectively.

The CKI Board intends to declare, on a conditional basis, the CKI Special Dividend of HK$7.50 per CKI Share, the payment of which is conditional upon the satisfaction of both of the following conditions: (a) the passing of the CKI Special Dividend Resolution at the General Meeting and (b) the Scheme becoming effective. The CKI Special Dividend, if payment becomes unconditional, will be payable to all CKI Shareholders (including holders of CKI Shares received pursuant to the Scheme) as at the CKI Dividend Record Time on the Effective Date. The CKI Special Dividend represents 3.75 times CKI's 2014 total dividend of HK$2.00 per CKI Share.

1. RESPONSIBILITY STATEMENT

The issue of this document has been approved by the Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this document (other than information relating to the CKI Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document (other than those expressed by CKI, the Offeror or their respective directors) have been arrived at after due and careful consideration and there are no other facts (other than those relating to the CKI Group) not contained in this document, the omission of which would make any statement in this document misleading.

2. SHARE CAPITAL

(a) As at the Latest Practicable Date, the share capital of the Company was as follows:

Number of Shares in issue:	2,134,261,654
Amount of issued and paid-up share capital:	HK$6,610,008,416.59

(b) All the Shares presently in issue are fully paid or credited as fully paid and rank *pari passu* in all respects with each other, including as to rights to capital, dividends and voting rights.

(c) No Shares have been issued by the Company since 31 December 2014, being the end of the last financial year of the Company, up to and including the Latest Practicable Date.

(d) As at the Latest Practicable Date, there were 2,834,432 ADSs outstanding. Each ADS represents one Share.

(e) As at the Latest Practicable Date, the Company did not have any outstanding options, warrants or conversion rights affecting the Shares.

3. MARKET PRICES OF THE SHARES

The table below shows the closing prices of the Shares on the Stock Exchange on (i) the Latest Practicable Date, (ii) the Last Trading Day and (iii) at the end of each calendar month during the Relevant Period:

Date	Closing Price of each Share (HK$)
31 March 2015	79.30
30 April 2015	78.45
29 May 2015	74.30
30 June 2015	70.70
31 July 2015	73.05
31 August 2015	66.70
8 September 2015 (Last Trading Day)	67.60
30 September 2015	73.10
16 October 2015 (Latest Practicable Date)	76.20

During the Relevant Period, the highest closing price of the Shares on the Stock Exchange was HK$79.85 each on 10 April 2015 and the lowest closing price of the Shares on the Stock Exchange was HK$64.95 each on 1 September 2015.

4. DISCLOSURE OF INTERESTS IN SHARES

(a) As at the Latest Practicable Date, the following Directors had the following interests in the Shares. For the purpose of this paragraph, "interested" and "interests" have the same meanings given to those terms in Part XV of the SFO:

Name of Director	Capacity	Nature of Interests	Number of Shares	Approximate % of Shareholding
Tsai Chao Chung, Charles	Beneficial owner	Personal interest	4,022	0.0002%

In addition, as at the Latest Practicable Date, a Director, namely Mr. Li Tzar Kuoi, Victor, who is also a CKI Director, had interests in Shares. Such Director's interests in Shares as at the Latest Practicable Date are set out in "*Effects of the Proposal on the Shareholding Structure of the Company and CKI – Shareholding Structure of the Company*" in the Explanatory Statement.

(b) As at the Latest Practicable Date, members of the BofAML Group, which fall within class (2) of the definition of "associate" under the Takeovers Code in relation to the Company (but excluding exempt principal traders and exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code), had the following interests in Shares or convertible securities, warrants, options or derivatives in respect of the Shares:

Associate to the Company	Type of Securities	Nature of Interests	Maturity Date (for Derivatives)	Number of Securities (for Derivatives)	Reference Price (for Derivatives)	Number of Shares/ Shares to which the Securities Relate	Approximate % of Shareholding/ Shareholding to which the Securities Relate
BofAML Group	Shares	Long	N/A	N/A	N/A	7,003	0.0003%
BofAML Group	ADSs	Long	N/A	N/A	N/A	20,297	0.0010%
BofAML Group	Derivatives in respect of the Shares	Long	5 May 2016	200	HK$70.75	172,500	0.0081%
BofAML Group	Derivatives in respect of the Shares	Long	18 December 2015	100	HK$69.10	8,500	0.0004%
BofAML Group	Derivatives in respect of the Shares	Long	11 November 2015	100	HK$70.75	7,500	0.0004%
BofAML Group	Derivatives in respect of the Shares	Long	15 March 2017	100	HK$73.1529	124,500	0.0058%

(c) As at the Latest Practicable Date:

(i) save as disclosed in paragraph 4(b) above, none of the subsidiaries of the Company, any pension fund of the Group and any adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code (but excluding exempt principal traders and exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code), owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;

(ii) there were no arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the Takeovers Code, and any other person;

(iii) no fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares; and

(iv) neither the Company nor any of the Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares, save for any borrowed Shares which had been either on-lent or sold.

5. DISCLOSURE OF INTERESTS IN THE OFFEROR SHARES

The Offeror is a wholly-owned subsidiary of CKI.

6. DISCLOSURE OF INTERESTS IN CKI SHARES

(a) As at the Latest Practicable Date, the following Director was interested in CKI Shares:

Name of Director	Capacity	Nature of Interests	Number of CKI Shares	Approximate % of Shareholding
Tsai Chao Chung, Charles	Interest of child or spouse	Family interest	6,000	0.0002%

In addition, as the Latest Practicable Date, Mr. Li Tzar Kuoi, Victor, who is a Director, had interests in CKI Shares as set out in "*Appendix II – Information on the CKI Group and the Offeror – Disclosure of Interests in CKI Shares*".

(b) As at the Latest Practicable Date, the following pension fund of the Group had the following interests in CKI Shares:

Name of Pension Fund	Number of CKI Shares	Approximate % of Shareholding
Power Assets Defined Contribution Scheme	151,000	0.0060%

(c) As at the Latest Practicable Date, members of the BofAML Group, which fall within class (2) of the definition of "associate" under the Takeovers Code in relation to the Company (but excluding exempt principal traders and exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code), had the following interests in CKI Shares or convertible securities, warrants, options or derivatives in respect of the CKI Shares:

Associate to the Company	Type of Securities	Nature of Interests	Maturity Date (for Derivatives)	Number of Securities (for Derivatives)	Reference Price (for Derivatives)	Number of CKI Shares/ CKI Shares to which the Securities Relate	Approximate % of Shareholding/ Shareholding to which the Securities Relate
BofAML Group	CKI Shares	Long	N/A	N/A	N/A	8,000	0.0003%
BofAML Group	Derivatives in respect of the CKI Shares	Long	7 November 2016	700	HK$69.1	2,000,000	0.0794%
BofAML Group	Derivatives in respect of the CKI Shares	Short	7 November 2016	700	HK$69.1	2,000,000	0.0794%
BofAML Group	Derivatives in respect of the CKI Shares	Long	18 December 2015	100	US$8.91	150,000	0.0060%
BofAML Group	Derivatives in respect of the CKI Shares	Short	18 December 2015	100	US$8.91	150,000	0.0060%
BofAML Group	Derivatives in respect of the CKI Shares	Long	15 March 2017	100	HK$73.1529	1,000	0.0000%
BofAML Group	Derivatives in respect of the CKI Shares	Long	8 September 2016	100	HK$67.45	1,000	0.0000%
BofAML Group	Derivatives in respect of the CKI Shares	Short	18 December 2015	100	HK$69.10	294,000	0.0117%

(d) As at the Latest Practicable Date:

(i) save as disclosed in paragraph 6(a) above, none of the Company nor any of the Directors had any interests in any CKI Shares or any convertible securities, warrants, options or derivatives in respect of the CKI Shares;

(ii) save as disclosed in paragraphs 6(b) and 6(c) above, none of the subsidiaries of the Company, any pension fund of the Group and any adviser to the Company as specified in class (2) of the definition of "associate" under the

Takeovers Code (but excluding exempt principal traders and exempt fund manager, in each case recognised by the Executive as such for the purpose of the Takeovers Code) owned or controlled any CKI Shares or any convertible securities, warrants, options or derivatives in respect of the CKI Shares;

(iii) no fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis owned or controlled any CKI Shares or any convertible securities, warrants, options or derivatives in respect of the CKI Shares; and

(iv) neither the Company nor any of the Directors had borrowed or lent any CKI Shares or any convertible securities, warrants, options or derivatives in respect of any CKI Shares, save for any borrowed CKI Shares which had been either on-lent or sold.

7. DEALINGS IN THE SHARES

(a) Neither the Company nor any of the Directors had dealt for value in any Shares or any other convertible securities, warrants, options or derivatives in respect of the Shares during the Relevant Period.

(b) Details of the dealings for value in the Shares or any other convertible securities, warrants, options or derivatives in respect of the Shares by members of the BofAML Group, which fall within class (2) of the definition of "associate" under the Takeovers Code in relation to the Company (but excluding exempt principal traders and exempt fund managers, in each case as recognised by the Executive as such for the purpose of the Takeovers Code), during the period starting from the commencement of the Offer Period and ending on the Latest Practicable Date are set out below:

Name	Trade Date	Purchase/Sale	Type of Securities	Number of Securities/ Number of Reference Securities	Price per Share/ Reference Price	Maturity Date
Managed Account Advisors, LLC	8 September 2015	Purchase	ADSs	58	US$9.16	N/A
Managed Account Advisors, LLC	8 September 2015	Purchase	ADSs	356	US$8.98	N/A
Managed Account Advisors, LLC	8 September 2015	Purchase	ADSs	204	US$9.16	N/A
Managed Account Advisors, LLC	8 September 2015	Purchase	ADSs	215	US$9.16	N/A
Bank of America, National Association	8 September 2015	Purchase	Equity Swap	16,000	HK$66.363	18 December 2015
Bank of America, National Association	8 September 2015	Sale	Equity Swap	18,500	HK$66.506	18 December 2015

Name	Trade Date	Purchase/Sale	Type of Securities	Number of Securities/ Number of Reference Securities	Price per Share/ Reference Price	Maturity Date
Bank of America, National Association	8 September 2015	Sale	Equity Swap	16,000	HK$66.506	18 December 2015
Managed Account Advisors, LLC	9 September 2015	Purchase	ADSs	55	US$9.101	N/A
Managed Account Advisors, LLC	9 September 2015	Purchase	ADSs	43	US$9.101	N/A
Managed Account Advisors, LLC	9 September 2015	Purchase	ADSs	34	US$9.101	N/A
Managed Account Advisors, LLC	9 September 2015	Purchase	ADSs	37	US$9.101	N/A
Managed Account Advisors, LLC	9 September 2015	Purchase	ADSs	19	US$9.101	N/A
Managed Account Advisors, LLC	9 September 2015	Purchase	ADSs	35	US$9.101	N/A
Managed Account Advisors, LLC	9 September 2015	Purchase	ADSs	39	US$9.101	N/A
Managed Account Advisors, LLC	9 September 2015	Purchase	ADSs	47	US$9.101	N/A
Managed Account Advisors, LLC	9 September 2015	Purchase	ADSs	25	US$9.101	N/A
Managed Account Advisors, LLC	9 September 2015	Purchase	ADSs	63	US$9.101	N/A
Managed Account Advisors, LLC	9 September 2015	Purchase	ADSs	45	US$9.101	N/A
Managed Account Advisors, LLC	9 September 2015	Purchase	ADSs	20	US$9.101	N/A
Managed Account Advisors, LLC	9 September 2015	Purchase	ADSs	71	US$9.101	N/A
Managed Account Advisors, LLC	9 September 2015	Purchase	ADSs	32	US$9.101	N/A
Managed Account Advisors, LLC	9 September 2015	Purchase	ADSs	36	US$9.101	N/A
Managed Account Advisors, LLC	9 September 2015	Purchase	ADSs	62	US$9.101	N/A
Bank of America, National Association	9 September 2015	Purchase	Equity Swap	79,500	HK$72.945	18 December 2015
Managed Account Advisors, LLC	10 September 2015	Purchase	ADSs	34	US$9.02	N/A
Managed Account Advisors, LLC	10 September 2015	Purchase	ADSs	237	US$9.02	N/A
Managed Account Advisors, LLC	10 September 2015	Purchase	ADSs	175	US$9.02	N/A
Managed Account Advisors, LLC	10 September 2015	Purchase	ADSs	17	US$9.02	N/A
Managed Account Advisors, LLC	10 September 2015	Purchase	ADSs	82	US$9.02	N/A
Managed Account Advisors, LLC	10 September 2015	Purchase	ADSs	115	US$9.02	N/A
Managed Account Advisors, LLC	10 September 2015	Purchase	ADSs	127	US$9.02	N/A

Name	Trade Date	Purchase/Sale	Type of Securities	Number of Securities/ Number of Reference Securities	Price per Share/ Reference Price	Maturity Date
Managed Account Advisors, LLC	10 September 2015	Purchase	ADSs	29	US$9.02	N/A
Managed Account Advisors, LLC	10 September 2015	Purchase	ADSs	128	US$9.02	N/A
Managed Account Advisors, LLC	10 September 2015	Purchase	ADSs	62	US$9.02	N/A
Managed Account Advisors, LLC	10 September 2015	Purchase	ADSs	270	US$9.02	N/A
Managed Account Advisors, LLC	10 September 2015	Purchase	ADSs	69	US$9.02	N/A
Managed Account Advisors, LLC	10 September 2015	Purchase	ADSs	39	US$9.02	N/A
Managed Account Advisors, LLC	10 September 2015	Purchase	ADSs	25	US$9.02	N/A
Managed Account Advisors, LLC	10 September 2015	Purchase	ADSs	113	US$9.02	N/A
Managed Account Advisors, LLC	10 September 2015	Purchase	ADSs	112	US$9.02	N/A
Managed Account Advisors, LLC	10 September 2015	Purchase	ADSs	32	US$9.02	N/A
Managed Account Advisors, LLC	10 September 2015	Purchase	ADSs	113	US$9.02	N/A
Bank of America, National Association	10 September 2015	Sale	Equity Swap	7,500	HK$71.250	18 December 2015
Managed Account Advisors, LLC	11 September 2015	Purchase	ADSs	146	US$9	N/A
Bank of America, National Association	11 September 2015	Purchase	Equity Swap	13,500	HK$70.000	18 December 2015
Bank of America, National Association	11 September 2015	Sale	Equity Swap	3,000	HK$70.350	18 December 2015
Bank of America, National Association	14 September 2015	Purchase	Equity Swap	11,500	HK$69.922	18 December 2015
Managed Account Advisors, LLC	15 September 2015	Purchase	ADSs	208	US$9.09	N/A
Managed Account Advisors, LLC	15 September 2015	Purchase	ADSs	32	US$9.09	N/A
Managed Account Advisors, LLC	15 September 2015	Purchase	ADSs	360	US$9.09	N/A
Managed Account Advisors, LLC	15 September 2015	Purchase	ADSs	44	US$9.16	N/A
Managed Account Advisors, LLC	15 September 2015	Purchase	ADSs	48	US$9.09	N/A
Managed Account Advisors, LLC	15 September 2015	Purchase	ADSs	89	US$9.09	N/A

Name	Trade Date	Purchase/Sale	Type of Securities	Number of Securities/ Number of Reference Securities	Price per Share/ Reference Price	Maturity Date
Managed Account Advisors, LLC	15 September 2015	Purchase	ADSs	41	US$9.09	N/A
Managed Account Advisors, LLC	15 September 2015	Purchase	ADSs	31	US$9.09	N/A
Managed Account Advisors, LLC	15 September 2015	Purchase	ADSs	252	US$9.09	N/A
Managed Account Advisors, LLC	15 September 2015	Purchase	ADSs	43	US$9.09	N/A
Managed Account Advisors, LLC	15 September 2015	Purchase	ADSs	35	US$9.09	N/A
Managed Account Advisors, LLC	15 September 2015	Purchase	ADSs	37	US$9.09	N/A
Managed Account Advisors, LLC	15 September 2015	Purchase	ADSs	107	US$9.09	N/A
Managed Account Advisors, LLC	15 September 2015	Purchase	ADSs	66	US$9.09	N/A
Managed Account Advisors, LLC	15 September 2015	Purchase	ADSs	39	US$9.09	N/A
Managed Account Advisors, LLC	15 September 2015	Purchase	ADSs	38	US$9.09	N/A
Managed Account Advisors, LLC	15 September 2015	Purchase	ADSs	176	US$9.09	N/A
Bank of America, National Association	15 September 2015	Sale	Equity Swap	19,000	HK$70.643	18 December 2015
Bank of America, National Association	15 September 2015	Purchase	Equity Swap	29,000	US$9.129	5 May 2016
Bank of America, National Association	15 September 2015	Purchase	Equity Swap	500	US$9.129	5 May 2016
Bank of America, National Association	15 September 2015	Purchase	Equity Swap	16,000	US$9.129	5 May 2016
Bank of America, National Association	15 September 2015	Purchase	Equity Swap	30,500	US$9.129	5 May 2016
Bank of America, National Association	15 September 2015	Purchase	Equity Swap	20,000	US$9.129	5 May 2016
Bank of America, National Association	15 September 2015	Purchase	Equity Swap	26,500	US$9.129	5 May 2016
Bank of America, National Association	15 September 2015	Purchase	Equity Swap	4,500	US$9.129	5 May 2016
Bank of America, National Association	15 September 2015	Purchase	Equity Swap	9,500	US$9.129	5 May 2016
Bank of America, National Association	15 September 2015	Purchase	Equity Swap	13,500	US$9.129	5 May 2016

Name	Trade Date	Purchase/Sale	Type of Securities	Number of Securities/ Number of Reference Securities	Price per Share/ Reference Price	Maturity Date
Bank of America, National Association	15 September 2015	Purchase	Equity Swap	2,000	US$9.129	5 May 2016
Bank of America, National Association	15 September 2015	Purchase	Equity Swap	10,000	US$9.129	5 May 2016
Bank of America, National Association	15 September 2015	Purchase	Equity Swap	500	US$9.129	5 May 2016
Bank of America, National Association	15 September 2015	Purchase	Equity Swap	10,000	US$9.129	5 May 2016
Bank of America, National Association	15 September 2015	Purchase	Equity Swap	7,500	HK$70.750	11 November 2015
Bank of America, National Association	15 September 2015	Sale	Equity Swap	7,500	HK$70.750	15 March 2017
Bank of America, National Association	15 September 2015	Sale	Equity Swap	172,500	US$9.129	15 March 2017
Managed Account Advisors, LLC	16 September 2015	Purchase	ADSs	43	US$9.28	N/A
Managed Account Advisors, LLC	16 September 2015	Purchase	ADSs	518	US$9.28	N/A
Bank of America, National Association	16 September 2015	Sale	Equity Swap	50,000	HK$71.247	18 December 2015
Bank of America, National Association	16 September 2015	Sale	Equity Swap	13,500	HK$71.247	18 December 2015
Bank of America, National Association	16 September 2015	Sale	Equity Swap	11,500	HK$71.247	18 December 2015
Bank of America, National Association	16 September 2015	Purchase	Equity Swap	2,000	US$9.195	15 March 2017
Bank of America, National Association	16 September 2015	Purchase	Equity Swap	12,500	US$9.195	15 March 2017
Bank of America, National Association	16 September 2015	Purchase	Equity Swap	2,000	HK$71.413	6 September 2016
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	45	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	34	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	41	US$9.28	N/A

Name	Trade Date	Purchase/Sale	Type of Securities	Number of Securities/ Number of Reference Securities	Price per Share/ Reference Price	Maturity Date
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	45	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	38	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	38	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	38	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	75	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	54	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	34	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	111	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	125	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	44	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	44	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	178	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	40	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	40	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	164	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	50	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	99	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	48	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	45	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	91	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	39	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	65	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	39	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	57	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	39	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	49	US$9.28	N/A

Name	Trade Date	Purchase/Sale	Type of Securities	Number of Securities/ Number of Reference Securities	Price per Share/ Reference Price	Maturity Date
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	57	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	37	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	38	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	41	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	39	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	38	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	47	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	98	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	57	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	126	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	53	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	44	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	139	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	78	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	55	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	62	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	55	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	45	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	37	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	75	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	46	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	87	US$9.28	N/A
Managed Account Advisors, LLC	17 September 2015	Purchase	Shares	39	US$9.28	N/A
Bank of America, National Association	17 September 2015	Purchase	Equity Swap	7,500	HK$71.180	15 March 2017
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	146	US$9.26	N/A

Name	Trade Date	Purchase/Sale	Type of Securities	Number of Securities/ Number of Reference Securities	Price per Share/ Reference Price	Maturity Date
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	51	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	50	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	208	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	193	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	58	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	52	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	47	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	47	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	48	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	45	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	52	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	49	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	46	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	63	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	51	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	138	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	88	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	45	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	107	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	46	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	94	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	53	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	116	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	57	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	77	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	45	US$9.26	N/A

Name	Trade Date	Purchase/Sale	Type of Securities	Number of Securities/ Number of Reference Securities	Price per Share/ Reference Price	Maturity Date
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	49	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	53	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	66	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	87	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	55	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	102	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	148	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	63	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	52	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	91	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	164	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	64	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	74	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	67	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	46	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	59	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	44	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	45	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	46	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	66	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	55	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	44	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	49	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	45	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	114	US$9.26	N/A
Managed Account Advisors, LLC	18 September 2015	Purchase	Shares	67	US$9.26	N/A

Name	Trade Date	Purchase/Sale	Type of Securities	Number of Securities/ Number of Reference Securities	Price per Share/ Reference Price	Maturity Date
Managed Account Advisors, LLC	18 September 2015	Purchase	ADSs	117	US$9.21	N/A
Managed Account Advisors, LLC	18 September 2015	Sale	ADSs	176	US$9.16	N/A
Bank of America, National Association	18 September 2015	Sale	Equity Swap	10,500	HK$72.450	18 December 2015
Bank of America, National Association	21 September 2015	Sale	Equity Swap	46,500	HK$73.677	18 December 2015
Managed Account Advisors, LLC	22 September 2015	Purchase	ADSs	179	US$9.5	N/A
Managed Account Advisors, LLC	22 September 2015	Purchase	ADSs	21	US$9.5	N/A
Managed Account Advisors, LLC	22 September 2015	Purchase	ADSs	86	US$9.5	N/A
Managed Account Advisors, LLC	22 September 2015	Purchase	ADSs	506	US$9.5	N/A
Managed Account Advisors, LLC	22 September 2015	Purchase	ADSs	495	US$9.5	N/A
Managed Account Advisors, LLC	22 September 2015	Purchase	ADSs	70	US$9.5	N/A
Managed Account Advisors, LLC	22 September 2015	Purchase	ADSs	31	US$9.5	N/A
Managed Account Advisors, LLC	22 September 2015	Purchase	ADSs	186	US$9.5	N/A
Managed Account Advisors, LLC	22 September 2015	Purchase	ADSs	19	US$9.5	N/A
Managed Account Advisors, LLC	22 September 2015	Purchase	ADSs	30	US$9.5	N/A
Managed Account Advisors, LLC	22 September 2015	Purchase	ADSs	65	US$9.5	N/A
Managed Account Advisors, LLC	22 September 2015	Sale	ADSs	43	US$9.4	N/A
Managed Account Advisors, LLC	23 September 2015	Purchase	ADSs	43	US$9.44	N/A
Managed Account Advisors, LLC	23 September 2015	Purchase	ADSs	43	US$9.44	N/A
Bank of America, National Association	23 September 2015	Sale	Equity Swap	81,000	HK$72.999	18 December 2015
Managed Account Advisors, LLC	24 September 2015	Purchase	Shares	98	US$9.44	N/A
Managed Account Advisors, LLC	24 September 2015	Purchase	ADSs	55	US$9.5	N/A
Bank of America, National Association	24 September 2015	Sale	Equity Swap	9,500	HK$74.250	18 December 2015
Bank of America, National Association	24 September 2015	Purchase	Equity Swap	17,000	US$9.496	15 March 2017

Name	Trade Date	Purchase/Sale	Type of Securities	Number of Securities/ Number of Reference Securities	Price per Share/ Reference Price	Maturity Date
Managed Account Advisors, LLC	29 September 2015	Purchase	ADSs	20	US$9.27	N/A
Managed Account Advisors, LLC	29 September 2015	Sale	ADSs	6	US$9.18	N/A
Bank of America, National Association	29 September 2015	Purchase	Equity Swap	10,500	HK$71.450	18 December 2015
Bank of America, National Association	29 September 2015	Purchase	Equity Swap	3,000	HK$71.450	18 December 2015
Managed Account Advisors, LLC	30 September 2015	Purchase	ADSs	45	US$9.52	N/A
Bank of America, National Association	30 September 2015	Purchase	Equity Swap	8,000	US$9.374	15 March 2017
Managed Account Advisors, LLC	1 October 2015	Purchase	ADSs	42	US$9.49	N/A
Managed Account Advisors, LLC	1 October 2015	Purchase	ADSs	104	US$9.49	N/A
Bank of America, National Association	2 October 2015	Purchase	Equity Swap	8,500	US$9.439	15 March 2017
Bank of America, National Association	6 October 2015	Purchase	Equity Swap	43,500	HK$72.891	18 December 2015
Bank of America, National Association	6 October 2015	Purchase	Equity Swap	34,000	HK$72.891	18 December 2015
Bank of America, National Association	8 October 2015	Purchase	Equity Swap	27,500	HK$73.365	18 December 2015
Bank of America, National Association	9 October 2015	Purchase	Equity Swap	19,500	HK$74.140	18 December 2015
Bank of America, National Association	9 October 2015	Purchase	Equity Swap	1,000	HK$74.140	18 December 2015

(c) During the period starting from the commencement of the Offer Period and ending on the Latest Practicable Date:

(i) save as disclosed in paragraph 7(b) above, none of the subsidiaries of the Company, any pension fund of the Group and any adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code (but excluding exempt principal traders and exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code) had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;

(ii) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the Takeovers Code had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of the Shares; and

(iii) no fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.

8. DEALINGS IN CKI SHARES

(a) Neither the Company nor any of the Directors had dealt for value in any CKI Shares or any convertible securities, warrants, options or derivatives in respect of the CKI Shares during the Relevant Period.

(b) Details of the dealings for value in the CKI Shares or any other convertible securities, warrants, options or derivatives in respect of the CKI Shares by members of the BofAML Group, which fall within class (2) of the definition of "associate" under the Takeovers Code in relation to the Company (but excluding exempt principal traders and exempt fund managers, in each case as recognised by the Executive as such for the purpose of the Takeovers Code), during the period starting from the commencement of the Offer Period and ending on the Latest Practicable Date are set out below:

Name	Trade Date	Purchase/Sale	Type of Securities	Number of Reference Securities	Reference Price	Maturity Date
Bank of America, National Association	9 September 2015	Sale	Equity Swap	28,000	HK$69.291	18 December 2015
Bank of America, National Association	9 September 2015	Sale	Equity Swap	33,000	HK$69.291	18 December 2015
Bank of America, National Association	9 September 2015	Sale	Equity Swap	7,000	HK$69.291	18 December 2015
Bank of America, National Association	9 September 2015	Sale	Equity Swap	65,000	HK$69.221	12 September 2016
Bank of America, National Association	9 September 2015	Purchase	Equity Swap	750,000	US$8.890	7 July 2017
Bank of America, National Association	9 September 2015	Sale	Equity Swap	750,000	US$8.890	7 July 2017
Bank of America, National Association	10 September 2015	Sale	Equity Swap	1,000	US$8.741	8 September 2016

Name	Trade Date	Purchase/Sale	Type of Securities	Number of Reference Securities	Reference Price	Maturity Date
Bank of America, National Association	10 September 2015	Purchase	Equity Swap	206,000	US$8.670	7 July 2017
Bank of America, National Association	10 September 2015	Sale	Equity Swap	206,000	US$8.670	7 July 2017
Bank of America, National Association	11 September 2015	Purchase	Equity Swap	10,000	HK$67.100	18 December 2015
Bank of America, National Association	14 September 2015	Purchase	Equity Swap	33,000	HK$66.967	18 December 2015
Bank of America, National Association	14 September 2015	Sale	Equity Swap	208,000	US$8.652	7 July 2017
Bank of America, National Association	14 September 2015	Purchase	Equity Swap	208,000	US$8.652	7 July 2017
Bank of America, National Association	14 September 2015	Purchase	Equity Swap	65,000	HK$67.147	12 September 2016
Bank of America, National Association	15 September 2015	Sale	Equity Swap	14,000	HK$67.300	18 December 2015
Bank of America, National Association	15 September 2015	Purchase	Equity Swap	1,000	US$8.703	8 September 2016
Bank of America, National Association	15 September 2015	Sale	Equity Swap	1,000	US$8.703	15 March 2017
Bank of America, National Association	16 September 2015	Sale	Equity Swap	7,000	HK$67.350	18 December 2015
Bank of America, National Association	17 September 2015	Sale	Equity Swap	115,000	US$8.722	7 July 2017
Bank of America, National Association	17 September 2015	Purchase	Equity Swap	115,000	US$8.722	7 July 2017
Bank of America, National Association	18 September 2015	Purchase	Equity Swap	23,000	HK$68.450	18 December 2015
Bank of America, National Association	18 September 2015	Sale	Equity Swap	33,000	US$8.903	7 July 2017
Bank of America, National Association	18 September 2015	Purchase	Equity Swap	33,000	US$8.903	7 July 2017
Bank of America, National Association	21 September 2015	Sale	Equity Swap	250,000	US$8.993	7 July 2017
Bank of America, National Association	21 September 2015	Purchase	Equity Swap	250,000	US$8.993	7 July 2017

Name	Trade Date	Purchase/Sale	Type of Securities	Number of Reference Securities	Reference Price	Maturity Date
Bank of America, National Association	22 September 2015	Purchase	Equity Swap	79,000	HK$70.385	18 December 2015
Bank of America, National Association	24 September 2015	Sale	Equity Swap	144,000	US$8.910	7 July 2017
Bank of America, National Association	24 September 2015	Sale	Equity Swap	56,000	US$8.910	7 July 2017
Bank of America, National Association	24 September 2015	Purchase	Equity Swap	144,000	US$8.910	7 July 2017
Bank of America, National Association	24 September 2015	Purchase	Equity Swap	56,000	US$8.910	7 July 2017
Bank of America, National Association	25 September 2015	Purchase	Equity Swap	51,000	HK$68.862	18 December 2015
Bank of America, National Association	5 October 2015	Purchase	Equity Swap	11,000	HK$69.700	18 December 2015
Bank of America, National Association	7 October 2015	Purchase	Equity Swap	103,000	HK$69.100	7 November 2016
Bank of America, National Association	7 October 2015	Sale	Equity Swap	103,000	HK$69.100	7 November 2016
Bank of America, National Association	7 October 2015	Purchase	Equity Swap	43,000	HK$69.100	7 November 2016
Bank of America, National Association	7 October 2015	Sale	Equity Swap	43,000	HK$69.100	7 November 2016
Bank of America, National Association	7 October 2015	Purchase	Equity Swap	1,350,000	HK$69.100	7 November 2016
Bank of America, National Association	7 October 2015	Sale	Equity Swap	1,350,000	HK$69.100	7 November 2016
Bank of America, National Association	7 October 2015	Purchase	Equity Swap	69,000	HK$69.100	7 November 2016
Bank of America, National Association	7 October 2015	Sale	Equity Swap	69,000	HK$69.100	7 November 2016
Bank of America, National Association	7 October 2015	Purchase	Equity Swap	5,000	HK$69.100	7 November 2016
Bank of America, National Association	7 October 2015	Sale	Equity Swap	5,000	HK$69.100	7 November 2016
Bank of America, National Association	7 October 2015	Purchase	Equity Swap	407,000	HK$69.100	7 November 2016

Name	Trade Date	Purchase/Sale	Type of Securities	Number of Reference Securities	Reference Price	Maturity Date
Bank of America, National Association	7 October 2015	Sale	Equity Swap	407,000	HK$69.100	7 November 2016
Bank of America, National Association	7 October 2015	Purchase	Equity Swap	3,000	HK$68.850	18 December 2015
Bank of America, National Association	7 October 2015	Purchase	Equity Swap	23,000	HK$69.100	7 November 2016
Bank of America, National Association	7 October 2015	Sale	Equity Swap	23,000	HK$69.100	7 November 2016
Bank of America, National Association	9 October 2015	Purchase	Equity Swap	26,000	HK$69.425	18 December 2015
Bank of America, National Association	9 October 2015	Sale	Equity Swap	10,000	HK$69.250	18 December 2015
Bank of America, National Association	12 October 2015	Sale	Equity Swap	2,000	HK$69.100	18 December 2015

(c) During the period starting from the commencement of the Offer Period and ending on the Latest Practicable Date:

(i) save as disclosed in paragraph 8(b) above, none of the subsidiaries of the Company, any pension fund of the Group and any adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code (but excluding exempt principal traders and exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code) had dealt for value in the CKI Shares or any convertible securities, warrants, options or derivatives in respect of the CKI Shares;

(ii) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the Takeovers Code had dealt for value in the CKI Shares or any convertible securities, warrants, options or derivatives in respect of the CKI Shares; and

(iii) no fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis had dealt for value in the CKI Shares or any convertible securities, warrants, options or derivatives in respect of the CKI Shares.

9. MATERIAL LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

10. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of the business carried on or intended to be carried on by any member of the Group) have been entered into by members of the Group after the date which was two years before the commencement of the Offer Period, up to and including the Latest Practicable Date and which are material:

(a) a trust deed (the "**Trust Deed**") dated 1 January 2014 entered into between HK Electric Investments Manager Limited 港燈電力投資管理人有限公司, an indirect wholly-owned subsidiary of the Company (the "**Trustee-Manager**"), and HK Electric Investments Limited 港燈電力投資有限公司 ("**HKEIL**"), pursuant to which HK Electric Investments was constituted as a trust and the Trustee-Manager was appointed as the trustee and the manager of HK Electric Investments;

(b) a cornerstone investment agreement dated 6 January 2014 entered into between the Trustee-Manager, HKEIL, Goldman Sachs, HSBC and State Grid International Development Limited ("**SGID**"), pursuant to which SGID agreed to subscribe, at the final offer price per share stapled unit at which the share stapled units jointly issued by HK Electric Investments and HKEIL ("**Share Stapled Units**") were offered under the global offering ("**SSU Offer Price**"), for such number of Share Stapled Units which was equivalent to 18% of the total issued Share Stapled Units on the date on which the Share Stapled Units were first listed on the Stock Exchange (the "**HK Electric Investments Listing Date**") (after the issuance of the Consideration Share Stapled Units (as defined in paragraph 10(f) below) and the Share Stapled Units offered and sold pursuant to the global offering), rounded down to the nearest whole board lot of 500 Share Stapled Units;

(c) an undertaking letter dated 9 January 2014 by the Company and Quickview Limited ("**Quickview**"), a wholly-owned subsidiary of the Company, to the Stock Exchange, the Trustee-Manager (as trustee-manager of HK Electric Investments) and HKEIL, pursuant to which the Company and Quickview gave an undertaking to the Stock Exchange, the Trustee-Manager and HKEIL in relation to the restrictions on the disposals of Share Stapled Units during an aggregate period of twelve months commencing on the date by reference to which disclosure of their holding of Share Stapled Units was made in the prospectus of HK Electric Investments and HKEIL dated 16 January 2014;

(d) a deed dated 10 January 2014 entered into between the Company and CKI in relation to the undertaking by CKI to refer opportunities to invest in power projects to the Company for evaluation, and certain restrictions regarding CKI's investments in power projects. Such deed took effect upon the HK Electric Investments Listing Date and shall terminate at the earliest of (1) the date on which the CKI Group ceases to own, directly or indirectly, at least 30% of the issued share capital of the Company; or (2) the date on which the Shares cease to be listed on the Stock Exchange;

(e) a cornerstone investment agreement dated 11 January 2014 entered into between the Trustee-Manager, HKEIL, Goldman Sachs, HSBC and Oman Investment Fund ("**OIF**"), pursuant to which OIF agreed to subscribe for such number of Share Stapled Units at the SSU Offer Price for an aggregate subscription amount equal to HK$387,500,000, rounded down to the nearest whole board lot of 500 Share Stapled Units;

(f) a sale and purchase agreement (the "**HK Electric Sale and Purchase Agreement**") dated 14 January 2014 entered into between the Company and Treasure Business Limited, an indirect wholly-owned subsidiary of HKEIL ("**Treasure Business**"), HKEIL and the Trustee-Manager (as the trustee-manager of HK Electric Investments), pursuant to which the Company agreed to sell, and Treasure Business agreed to purchase, the entire issued share capital of The Hongkong Electric Company, Limited ("**HK Electric**"). The aggregate consideration for such sale and purchase, as determined pursuant to the HK Electric Sale and Purchase Agreement, was in the amount of HK$56,056,724,869.55 which was settled by (i) the issuance of 4,409,299,999 Share Stapled Units (the "**Consideration Share Stapled Units**") at the SSU Offer Price of HK$5.45 per Share Stapled Unit (credited as fully paid) to Quickview at the direction of the Company; (ii) the payment of HK$23,523,439,875 to the Company in cash; and (iii) the issue of a promissory note of a principal amount of HK$8,502,600,000 by Treasure Business to the Company;

(g) a non-competition deed dated 14 January 2014 entered into between the Company and HKEIL pursuant to which the Company irrevocably undertook with HKEIL that, save for certain exceptions, the Company will not and will procure that none of the other members of the Group will, carry on or be engaged in or interested in, directly or indirectly, the business of generation, transmission, distribution and supply of electricity in Hong Kong. The undertakings, covenants and agreements by the Company under such non-competition deed shall terminate on the earlier of (i) the date on which the Company, directly or indirectly, is interested in less than 30% of the Share Stapled Units in issue; and (ii) the date on which the Share Stapled Units cease to be listed on the Stock Exchange;

(h) an underwriting agreement (the "**Hong Kong Underwriting Agreement**") dated 14 January 2014 entered into between the Trustee-Manager (as trustee-manager of HK Electric Investments), HKEIL, the Company, Quickview, Goldman Sachs, HSBC, HSBC Corporate Finance (Hong Kong) Limited, Australia and New Zealand Banking Group Limited, Hong Kong Branch, Barclays Bank PLC, Hong Kong Branch, BNP Paribas Securities (Asia) Limited, BOCI Asia Limited, Citigroup Global Markets Asia Limited, Crédit Agricole Corporate and Investment Bank, DBS Asia Capital Limited, Mizuho Securities Asia Limited, Morgan

Stanley Asia Limited, The Bank of Nova Scotia, Hong Kong Branch, Canadian Imperial Bank of Commerce, Hong Kong Branch, CCB International Capital Limited and Oversea-Chinese Banking Corporation Limited in relation to the offering of Share Stapled Units at the SSU Offer Price, and the subscriptions by or procured by Hong Kong underwriters named therein at the SSU Offer Price of their respective applicable proportions of 221,345,000 Share Stapled Units (subject to reallocation and adjustments) (the "**Hong Kong Offer Share Stapled Units**") offered which were not taken up under the Hong Kong public offering. The underwriting commission and the discretionary incentive fee payable by the Trustee-Manager and HKEIL to Goldman Sachs and HSBC (the "**Joint Global Coordinators**") (in respect of the underwriting commission, on behalf of the Hong Kong underwriters) under the Hong Kong Underwriting Agreement were 2.5% of the aggregate SSU Offer Price of 221,345,000 Share Stapled Units (less any Share Stapled Units reallocated to the international offering), and up to 0.5% of the aggregate SSU Offer Price of the Hong Kong Offer Share Stapled Units, respectively;

(i) an underwriting agreement (the "**International Underwriting Agreement**") dated 22 January 2014 entered into between the Trustee-Manager, HKEIL, the Company, Quickview, Goldman Sachs, HSBC, Australia and New Zealand Banking Group Limited, Hong Kong Branch, Barclays Bank PLC, BNP Paribas Securities (Asia) Limited, BOCI Asia Limited, Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, DBS Asia Capital Limited, Mizuho Securities Asia Limited, Morgan Stanley & Co. International plc, The Bank of Nova Scotia, Hong Kong Branch, CCB International Capital Limited, CIBC World Markets Inc. and Oversea-Chinese Banking Corporation Limited, in relation to the purchase from the Trustee-Manager and HKEIL by or procured by the international underwriters named therein of their respective proportions of an aggregate of 4,205,555,000 Share Stapled Units (subject to reallocation) at the SSU Offer Price, and the grant by Quickview to the Joint Global Coordinators (on behalf of the international underwriters) the right to purchase or procure purchasers to purchase up to 664,035,000 Share Stapled Units (the "**Option Share Stapled Units**", together with the above 4,205,555,000 Share Stapled Units as the "**International Offer Share Stapled Units**") at the SSU Offer Price (the "**Over-allotment Option**"). The underwriting commission and discretionary incentive fee payable by the Trustee-Manager and HKEIL to the Joint Global Coordinators (in respect of the underwriting commission, on behalf of the international underwriters) under the International Underwriting Agreement were 2.5% of the aggregate SSU Offer Price of the International Offer Share Stapled Units (including any Share Stapled Units reallocated to the Hong Kong public offering and Share Stapled Units reallocated to the international offering but excluding the Option Share Stapled Units), and up to 0.5% of the aggregate SSU Offer Price of the International Offer Share Stapled Units (including any Share Stapled Units reallocated to the Hong Kong public offering and Share Stapled Units reallocated to the international offering but excluding the Option Share Stapled Units), respectively;

(j) a price determination agreement dated 22 January 2014 entered into between the Trustee-Manager, HKEIL, Quickview and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong underwriters named in the Hong Kong Underwriting Agreement) pursuant to which the SSU Offer Price under the global offering of Share Stapled Units was agreed to be HK$5.45 per Share Stapled Unit;

(k) a share stapled units borrowing agreement dated 22 January 2014 entered into between Quickview and Goldman Sachs International (the "**Stabilising Manager**"), pursuant to which the Stabilising Manager could borrow up to 664,035,000 Share Stapled Units from Quickview on or before the HK Electric Investments Listing Date and free from any stock borrowing fee or other consideration, for the settlement of over-allocations under the international offering of Share Stapled Units; and

(l) an agreement dated 9 June 2015 entered into between the Company and Qatar Holding LLC ("**Qatar Holding**") pursuant to which the Company agreed to sell, or procure the sale of, and Qatar Holding agreed to purchase, 1,460,333,582 Share Stapled Units, representing approximately 16.53% of the total number of Share Stapled Units then in issue at an aggregate cash consideration of HK$7,681,354,641.32.

11. EXPERTS

The following are the qualifications of the experts which have given advice which is contained in this document:

Name of Expert	Qualification
Platinum Securities Company Limited	Licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
Deloitte Touche Tohmatsu	Certified Public Accountants
KPMG	Certified Public Accountants

12. CONSENTS

Each of Merrill Lynch (Asia Pacific) Limited, Platinum Securities Company Limited, Deloitte Touche Tohmatsu and KPMG has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or references to its name in the form and context in which they respectively appear.

13. ARRANGEMENTS AFFECTING THE DIRECTORS

As at the Latest Practicable Date:

(a) no benefit (save for statutory compensation required under applicable laws) will be given to any Director as compensation for loss of office or otherwise in connection with the Scheme;

(b) save for the arrangements contemplated under the Proposal, there were no agreements or arrangements between any Director and any other person which is conditional on or dependent upon the outcome of the Scheme or otherwise connected with the Scheme; and

(c) there were no material contracts entered into by CKI or the Offeror in which any Director had a material personal interest.

14. SERVICE CONTRACTS

As at the Latest Practicable Date, there were no service contracts which had been entered into by any of the Directors with the Company or any of its subsidiaries or associated companies (a) which (including both continuous or fixed term contracts) had been entered into or amended within six months before the commencement of the Offer Period, (b) which were continuous contracts with a notice period of 12 months or more or (c) which were fixed term contracts with more than 12 months to run irrespective of the notice period.

1. THREE YEAR FINANCIAL SUMMARY

The Company's consolidated financial statements are prepared and presented in accordance with HKFRS.

The Company's consolidated financial statements for each of the years ended 31 December 2012, 2013 and 2014 have been audited by KPMG, Certified Public Accountants, as stated in their unqualified audit reports dated 6 March 2013, 25 February 2014 and 24 February 2015, respectively.

During each of the years ended 31 December 2012, 2013 and 2014, the Group adopted all of the new and revised standards, amendments and interpretations issued by HKICPA that are relevant to the Group's operations and mandatory for annual accounting periods beginning 1 January 2012, 2013 and 2014, respectively. The 2012 financial information has been restated as a result of the adoption of HKFRS 11 "Joint Arrangements" ("**HKFRS 11**") which has been applied retrospectively by the Group. The 2013 financial information has been restated as a result of the principal activities of the Group being changed from generation and supply of electricity to investment in power and utility-related businesses upon completion of the spin-off of the Hong Kong electricity business in 2014.

The following summary financial information (i) for each of the years ended 31 December 2012, 2013 and 2014 is extracted from the consolidated financial statements of the Company for the years ended 31 December 2013 and 2014 as set forth in the annual report of the Company for the years ended 31 December 2013 and 2014 and (ii) for the six months ended 30 June 2014 and 2015 is extracted from the consolidated financial statements of the Company for the six months ended 30 June 2015 as set forth in the interim report of the Company for the six months ended 30 June 2015. Defined terms used in this document have been used in the financial information below, except that references to the "**Group**" in the financial information below refer to the Company and its subsidiaries, associates and joint ventures.

Summary Consolidated Statements of Profit or Loss

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	(restated)[(1)]	(restated)[(2)]		(unaudited)	
			HK$ million		
Turnover[(3)]	10,415	11,578	2,131	1,432	626
Direct costs	(4,162)	(4,228)	(307)	(304)	(4)
	6,253	7,350	1,824	1,128	622
Gain on disposal of subsidiaries	–	–	52,928	52,928	–
Other revenue and other net income/(loss)[(3)]	1,515	211	760	573	(176)
Other operating costs	(1,292)	(1,504)	(941)	(816)	(322)
Operating profit	6,476	6,057	54,571	53,813	124
Finance costs	(648)	(692)	(434)	(229)	(140)
Share of profits less losses of joint ventures	4,025	5,585	4,709	2,301	2,458
Share of profits less losses of associates	640	641	2,252	789	780
Profit before taxation	10,493	11,591	61,098	56,674	3,222
Income tax:					
Current	(676)	(907)	(11)	(48)	15
Deferred	(159)	93	(2)	(2)	–
Subtotal	(835)	(814)	(13)	(50)	15
Profit after taxation	9,658	10,777	61,085	56,624	3,237
Scheme of Control transfers from/(to):					
Tariff Stabilisation Fund	72	389	(80)	(80)	–
Rate Reduction Reserve	(1)	(1)	–	–	–
Subtotal	71	388	(80)	(80)	–
Profit for the year/period attributable to equity shareholders of the Company	9,729	11,165	61,005	56,544	3,237
Earnings per share (basic and diluted)	HK$4.56	HK$5.23	HK$28.58	HK$26.49	HK$1.52

Notes:

(1) The 2012 financial information has been restated as a result of the adoption in 2013 of HKFRS 11 which has been applied retrospectively by the Group.

(2) The 2013 financial information has been restated as a result of the spin-off of the Hong Kong electricity business in 2014. Upon the completion of the spin-off, the principal activities of the Group changed from generation and supply of electricity to investment in power and utility-related businesses. Interest income from loans to joint ventures and associates as well as dividends from other financial assets are included in "Turnover" instead of "Other net income".

(3) "Turnover" and "Other revenue and other net income/(loss)" for the year ended 31 December 2012 is extracted from the consolidated financial statements of the Company for the year ended 31 December 2013 and are not restated as described in note (2) above. These figures are not comparable to the figures disclosed for the years ended 31 December 2013 and 2014. If they are restated as per note (2) above, comparatives for the year ended 31 December 2012 are as follows:

	As reported	**Effect of change of principal activities**	**If restated**
	HK$ million	*HK$ million*	*HK$ million*
Turnover	10,415	1,393	11,808
Other revenue and other net income/(loss)	1,515	(1,393)	122

Except for the gain on disposal of the Hong Kong electricity business in 2014 of approximately HK$52,928 million and the accounting loss on disposal of share stapled units of HK Electric Investments and HK Electric Investments Limited in 2015 of approximately HK$532 million, no item which was exceptional because of its size, nature or incidence was recorded in the financial statements of the Group for the years ended 31 December 2012, 2013 and 2014 or the six months ended 30 June 2014 and 2015.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

The following financial information has been extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2014 as set forth in the annual report of the Company for the year ended 31 December 2014 which was released on 30 March 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2014
(Expressed in Hong Kong dollars)

	Note	2014	2013
		$ million	*$ million*
			Restated
Turnover	*4*	2,131	11,578
Direct costs		(307)	(4,228)
		1,824	7,350
Gain on disposal of subsidiaries	*32*	52,928	–
Other net income	*5*	760	211
Other operating costs		(941)	(1,504)
Operating profit		54,571	6,057
Finance costs	*7*	(434)	(692)
Share of profits less losses of joint ventures		4,709	5,585
Share of profits less losses of associates		2,252	641
Profit before taxation	*8*	61,098	11,591
Income tax:	*9*		
Current		(11)	(907)
Deferred		(2)	93
		(13)	(814)
Profit after taxation		61,085	10,777
Scheme of Control transfers (to)/from:			
Tariff Stabilisation Fund		(80)	389
Rate Reduction Reserve		–	(1)
		(80)	388
Profit for the year attributable to equity shareholders of the Company		61,005	11,165
Earnings per share			
Basic and diluted	*11*	$ 28.58	$ 5.23

The notes on pages V-10 to V-73 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 25(b).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014
(Expressed in Hong Kong dollars)

	Note	2014 $ million	2013 $ million
Profit for the year attributable to equity shareholders of the Company		61,005	11,165
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss			
Remeasurement of net defined benefit asset/liability		(41)	922
Share of other comprehensive income of joint ventures and associates		179	16
Income tax relating to items that will not be reclassified to profit or loss		(12)	(170)
		126	768
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating operations outside Hong Kong, including joint ventures and associates		(2,722)	(438)
Net investment hedges		1,119	(165)
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments recognised during the year		30	267
Reclassification adjustments for amounts transferred to profit or loss		–	3
Reclassification adjustments for disposal of subsidiaries	*32*	(20)	–
Amounts transferred to the initial carrying amount of hedged items		–	6
		10	276
Share of other comprehensive income of joint ventures and associates		(434)	218
Income tax relating to items that may be reclassified subsequently to profit or loss		31	(129)
		(1,996)	(238)
		(1,870)	530
Total comprehensive income for the year attributable to equity shareholders of the Company		59,135	11,695

The notes on pages V-10 to V-73 form part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

At 31 December 2014

(Expressed in Hong Kong dollars)

		The Group		The Company	
		2014	2013	2014	2013
	Note	*$ million*	*$ million*	*$ million*	*$ million*
Non-current assets					
Fixed assets					
– Property, plant and equipment		14	44,063	1	–
– Assets under construction		–	3,058	–	–
– Interests in leasehold land held for own use under finance leases		18	2,001	–	–
	12	32	49,122	1	–
Investments in subsidiaries	*13*	–	–	112,179	59,056
Interest in joint ventures	*14*	41,318	36,354	–	–
Interest in associates	*15*	32,748	8,257	–	–
Other non-current financial assets	*16*	67	67	–	–
Derivative financial instruments	*22*	–	283	–	–
Deferred tax assets	*24(b)*	4	42	–	–
Employee retirement benefit assets	*23(a)*	4	618	–	–
		74,173	94,743	112,180	59,056
Current assets					
Inventories	*17*	–	948	–	–
Trade and other receivables	*18*	810	1,647	4	2
Fuel Clause Recovery Account		–	1	–	–
Current tax recoverable	*24(a)*	–	4	–	–
Bank deposits and cash	*19(a)*	61,291	7,894	25	10
		62,101	10,494	29	12
Current liabilities					
Trade and other payables	*20*	(2,698)	(4,109)	(320)	(72)
Bank overdrafts – unsecured	*19(a)*	–	(3)	–	–
Current portion of bank loans and other interest-bearing borrowings	*21*	–	(500)	–	–
Current tax payable	*24(a)*	(2)	(340)	–	–
		(2,700)	(4,952)	(320)	(72)
Net current assets/(liabilities)		59,401	5,542	(291)	(60)
Total assets less current liabilities		133,574	100,285	111,889	58,996

		The Group		The Company	
		2014	2013	2014	2013
	Note	*$ million*	*$ million*	*$ million*	*$ million*
Non-current liabilities					
Bank loans and other interest-bearing borrowings	*21*	(10,204)	(21,845)	–	–
Derivative financial instruments	*22*	(160)	(549)	–	–
Customers' deposits		–	(1,900)	–	–
Deferred tax liabilities	*24(b)*	–	(5,955)	–	–
Employee retirement benefit liabilities	*23(a)*	(122)	(559)	(122)	(117)
		(10,486)	(30,808)	(122)	(117)
Rate Reduction Reserve		–	(3)	–	–
Tariff Stabilisation Fund		–	(36)	–	–
Net assets		123,088	69,438	111,767	58,879
Capital and reserves					
Share capital	*25(c)*	6,610	2,134	6,610	2,134
Reserves		116,478	67,304	105,157	56,745
Total equity attributable to equity shareholders of the Company		123,088	69,438	111,767	58,879

Approved and authorised for issue by the Board of Directors on 24 February 2015.

Tsai Chao Chung, Charles
Director

Chan Loi Shun
Director

The notes on pages V-10 to V-73 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company						
$ million	Share capital *(note 25(c))*	Share premium	Exchange reserve *(note 25(d)(i))*	Hedging reserve *(note 25(d)(ii))*	Revenue reserve *(note 25(d)(iii))*	Proposed/ declared dividend *(note 25(b))*	Total
Balance at 1 January 2013	2,134	4,476	1,585	(1,124)	52,059	3,905	63,035
Changes in equity for 2013:							
Profit for the year	–	–	–	–	11,165	–	11,165
Other comprehensive income	–	–	(603)	365	768	–	530
Total comprehensive income	–	–	(603)	365	11,933	–	11,695
Final dividend in respect of the previous year approved and paid (see note 25(b)(ii))	–	–	–	–	–	(3,905)	(3,905)
Interim dividend paid (see note 25(b)(i))	–	–	–	–	(1,387)	–	(1,387)
Proposed final dividend (see note 25(b)(i))	–	–	–	–	(4,055)	4,055	–
Balance at 31 December 2013 and 1 January 2014	2,134	4,476	982	(759)	58,550	4,055	69,438
Changes in equity for 2014:							
Profit for the year	–	–	–	–	61,005	–	61,005
Other comprehensive income	–	–	(1,603)	(393)	126	–	(1,870)
Total comprehensive income	–	–	(1,603)	(393)	61,131	–	59,135
Transfers on 3 March 2014 (see note 25(c))	4,476	(4,476)	–	–	–	–	–
Final dividend in respect of the previous year approved and paid (see note 25(b)(ii))	–	–	–	–	–	(4,055)	(4,055)
Interim dividend paid (see note 25(b)(i))	–	–	–	–	(1,430)	–	(1,430)
Proposed final dividend (see note 25(b)(i))	–	–	–	–	(4,290)	4,290	–
Balance at 31 December 2014	6,610	–	(621)	(1,152)	113,961	4,290	123,088

The notes on pages V-10 to V-73 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2014
(Expressed in Hong Kong dollars)

	Note	2014 $ million	2013 $ million
Operating activities			
Cash generated from operations	19(b)	602	8,299
Interest paid		(397)	(693)
Interest received		2,153	1,554
Income tax paid		(205)	(945)
Tax paid for operations outside Hong Kong		(7)	(3)
Tax refunded for operations outside Hong Kong		47	51
Net cash generated from operating activities		2,193	8,263
Investing activities			
Purchase of fixed assets and capital stock		(123)	(1,934)
Increase in bank deposits with more than three months to maturity when placed		(11,854)	(1,783)
Capitalised interest paid		(2)	(69)
Receipts from sale of fixed assets		–	4
Investments in joint ventures		(4,451)	(763)
New loans to joint ventures		–	(1,514)
Repayment from joint ventures		–	20
Dividends received from joint ventures		1,915	3,615
Dividends received from associates		1,099	414
Dividends received from available-for-sale equity securities		50	41
Proceeds from disposal of subsidiaries	32	30,764	–
Repayment from disposed subsidiaries	32	27,445	–
Net cash generated from/(used in) investing activities		44,843	(1,969)
Financing activities			
New bank loans and other borrowings		–	6,111
Repayment of bank loans and other borrowings		–	(7,292)
New customers' deposits		27	275
Repayment of customers' deposits		(17)	(214)
Dividends paid to equity shareholders of the Company		(5,485)	(5,292)
Net cash used in financing activities		(5,475)	(6,412)
Net increase/(decrease) in cash and cash equivalents		41,561	(118)
Cash and cash equivalents at 1 January		5,294	5,385
Effect of foreign exchange rate changes		(1)	27
Cash and cash equivalents at 31 December	19(a)	46,854	5,294

The notes on pages V-10 to V-73 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1. GENERAL INFORMATION

Power Assets Holdings Limited ("the Company") is a limited company incorporated and domiciled in Hong Kong. The address of its registered office is Rooms 1913-1914, 19th Floor, Hutchison House, 10 Harcourt Road, Hong Kong.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interests in joint ventures and associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 31.

Upon the spin-off of the Group's Hong Kong electricity business in January 2014, the principal activities of the Group changed from generation and supply of electricity to investment in power and utility-related businesses. Interest income from loans to joint ventures and associates as well as dividends from other financial assets are included in "Turnover" instead of "Other net income". Comparatives for the year ended 31 December 2013 are restated as follows:

	As previously reported	Effect of change of principal activities	As restated
	$ million	*$ million*	*$ million*
Consolidated statement of profit or loss for the year ended 31 December 2013			
Turnover	10,222	1,356	11,578
Other net income	1,567	(1,356)	211

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to 31 December each year, together with the Group's share of the results for the year and the net assets at the end of reporting period of its joint ventures and associates.

(d) Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments in subsidiaries are consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)) or, when appropriate, the cost on initial recognition of an investment in a joint venture or an associate (see note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(l)).

(e) Joint ventures and associates

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in a joint venture or an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(f) and 2(l)). Any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment, the Group's share of the post-acquisition, post-tax results of the investees and impairment losses for the year, if any, are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition, post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in a joint venture or an associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long– term interests that in substance form part of the Group's net investment in the joint venture or the associate.

Unrealised profits and losses resulting from transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have joint control over a joint venture or significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in a former joint venture at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)) or, when appropriate, the cost on initial recognition of an investment in an associate. Any interest retained in a former associate at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

(f) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in a joint venture or an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in a joint venture or an associate is recognised immediately in profit or loss.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(l)). In respect of joint ventures or associates, the carrying amount of goodwill is included in the carrying amount of the interest in the joint venture or associate and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (see note 2(l)).

(g) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries, joint ventures and associates, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are subsequently recognised in the statement of financial position at cost less impairment losses (see note 2(l)).

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 2(i)).

(i) Hedging

(i) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss, along with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

(ii) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gain or loss on remeasurement of the derivative financial instrument to fair value is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity and included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

(iii) Hedge of net investments in foreign operations

The portion of the gain or loss on remeasurement to fair value of an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised in other comprehensive income and accumulated separately in equity in the exchange reserve until the disposal of the foreign operation, at which time the cumulative gain or loss is reclassified from equity to profit or loss. The ineffective portion is recognised immediately in profit or loss.

(j) Fixed assets, depreciation and amortisation

(i) Fixed assets are stated in the statement of financial position at cost less accumulated depreciation (see note 2(j)(vii)), amortisation (see note 2(j)(vi)) and impairment losses (see note 2(l)).

(ii) The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located and an appropriate proportion of production overheads and borrowing costs (see note 2(w)).

(iii) Where parts of a fixed asset have different useful lives, the cost of the fixed asset is allocated on a reasonable basis between the parts and each part is depreciated separately. Subsequent expenditure to replace a component of a fixed asset that is accounted for separately, or to improve its operational performance is included in the asset's carrying amount or recognised as a separate asset as appropriate when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group and the cost of the item can be measured reliably. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iv) Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(v) Leasehold land held for own use under finance leases is stated in the statement of financial position at cost less accumulated amortisation (see note 2(j)(vi)) and impairment losses (see note 2(l)).

(vi) The cost of acquiring land held under a finance lease is amortised on a straight-line basis over the period of the unexpired lease term.

(vii) Depreciation is calculated to write off the cost of fixed assets less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

	Years
Cable tunnels	100
Buildings	60
Ash lagoon and gas pipeline	60
Transmission and distribution equipment, overhead lines and cables	60
Generating plant and machinery	35
Gas turbines and gas turbine combined cycle	30
Mechanical meters	30
Photovoltaic systems	25
Wind turbines	20
Electronic meters, microwave and optical fibre equipment and trunk radio systems	15
Furniture and fixtures, sundry plant and equipment	10
Computers	5 to 10
Motor vehicles and marine craft	5 to 6
Workshop tools and office equipment	5

Immovable assets are amortised on a straight-line basis over the unexpired lease terms of the land on which the immovable assets are situated if the unexpired lease terms of the land are shorter than the estimated useful lives of the immovable assets.

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(k) Leased assets and operating lease charges

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

(I) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in subsidiaries recognised at cost and joint ventures and associates recognised using the equity method (see note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 2(l)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(l)(ii).

– For unquoted equity securities and other financial assets carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets carried at amortised cost share similar risk characteristics, such as similar past due status and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

Except for equity securities carried at cost, if in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each end of reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– fixed assets; and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year (see notes 2(l)(i) and 2(l)(ii)).

Impairment losses recognised in an interim period in respect of goodwill and available-for-sale equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(m) Inventories

Coal, stores, fuel oil and natural gas are valued at cost measured on a weighted average basis.

Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost of inventories recognised as an expense includes the write-off and all losses of inventories.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(l)(ii)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, with the exception of fixed interest borrowings that are designated as hedged items in fair value hedges (see note 2(i)(i)), interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

For interest-bearing borrowings that are designated as hedged items in fair value hedges, subsequent to initial recognition, the interest-bearing borrowings are stated at fair value with the fair value changes that are attributable to the hedged risk recognised in profit or loss (see note 2(i)(i)).

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(t)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(r) Employee benefits

(i) Short term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit retirement scheme obligations

The Group's net obligation in respect of defined benefit retirement schemes is calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any scheme assets is deducted. The discount rate is the yield at the end of reporting period on Hong Kong Special Administrative Region Government Exchange Fund Notes that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the "Projected Unit Credit Method".

Where the calculation of the Group's net obligation results in a negative amount, the asset recognised is limited to the present value of any future refunds from or reductions in future contributions to the defined benefit retirement scheme.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in the revenue reserve and will not be reclassified to profit or loss.

The Group determines the net interest expense or income for the period on the net defined benefit liability or asset by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability or asset, taking into account any changes in the net defined liabilities or assets during the year as a result of contributions and benefit payments.

(iii) Contributions to defined contribution retirement schemes

Obligations for contributions to defined contribution retirement schemes, including contributions payable under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in profit or loss as incurred.

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income, in which case the relevant amounts of tax are recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

All deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset.

(t) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

When consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in profit or loss.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) Revenue recognition

(i) Regulation of earnings under the Scheme of Control Agreement

The earnings of The Hongkong Electric Company, Limited ("HK Electric"), a subsidiary until its disposal on 29 January 2014 (see note 32), are regulated by the Hong Kong SAR Government ("the Government") under a Scheme of Control Agreement ("SoCA") which provides for a permitted level of earnings based principally on a return on HK Electric's capital investment in electricity generation, transmission and distribution assets (the "Permitted Return"). The SoCA also provides for performance based incentives and penalties which encourage emission reduction, customer service quality, energy efficiency and the use of renewable energy. The Net Return of HK Electric under the SoCA is determined by deducting from the Permitted Return interest and excess capacity adjustments, if any, and adjusting for the abovementioned incentives and penalties.

(ii) Fuel Clause Recovery Account

Under the SoCA, any difference between the standard cost of fuel, as agreed with the Government, and the actual cost of fuel consumed is transferred to the Fuel Clause Recovery Account ("Fuel Cost Account Adjustments").

Fuel Clause Charges (or Rebates) are charged (or given) to customers by adding to (or deducting from) the Basic Tariff to produce a Net Tariff payable by customers and are credited (or debited) to the Fuel Clause Recovery Account.

The balance on the Fuel Clause Recovery Account at the end of a financial year represents the difference between Fuel Clause Charges (or Rebates) and Fuel Cost Account Adjustments during the year, together with any balance brought forward from the prior year and interest thereon based on prevailing market interest rates. Any debit balance is carried forward as a deferred receivable to be recovered from Fuel Clause Charges and/or Fuel Cost Account Adjustments and any credit balance is carried forward as a deferred payable to be cleared by Fuel Clause Rebates and/or Fuel Cost Account Adjustments.

Fuel Clause Charges or Rebates are utilised to smooth increases in Net Tariffs paid by customers. The impact of tariff smoothing is to reduce the Net Tariffs payable by customers in certain years and increase the Net Tariffs in other years. However, the tariff smoothing has no impact on HK Electric's total earnings and the related balance on the Fuel Clause Recovery Account is expected to be recovered by Fuel Clause Charges and/or Fuel Cost Account Adjustments.

(iii) Income recognition

Electricity income is recognised based on the actual and accrued units of electricity consumed by customers during the year at the Basic Tariff, which is the unit charge agreed with the Government during the Annual Tariff Review for each financial year.

Electricity-related income is recognised when the related services are rendered.

Dividend income from unlisted investments is recognised when the shareholders' right to receive payment is established.

Interest income is recognised on a time apportioned basis using the effective interest method.

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the foreign exchange rates ruling at the transaction dates, or at contract rates if foreign currencies are hedged by forward foreign exchange contracts. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the foreign exchange rates ruling at the end of reporting period.

Exchange gains and losses in respect of fixed assets under construction are, up to the date of commissioning, incorporated in the cost of the assets. All other exchange differences are dealt with in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of operations outside Hong Kong are translated into Hong Kong dollars at the average exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an operation outside Hong Kong, the cumulative amount of the exchange differences relating to that operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(x) Related parties

(i) A person or a close member of that person's family is related to the Group if that person:

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group.

(ii) An entity is related to the Group if any of the following conditions apply:

(a) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) One entity is a joint venture or an associate of the other entity (or a joint venture or an associate of a member of a group of which the other entity is a member).

(c) Both entities are joint ventures of the same third party.

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(f) The entity is controlled or jointly controlled by a person identified in note 2(x)(i).

(g) A person identified in note 2(x)(i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(y) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker of the Group for the purposes of resource allocation and performance assessment. Accordingly, the Group's aggregated operating segments are based on their principal activities and geographical regions to present the reportable segments.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a few amendments to HKFRSs and a new interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Interpretation 21	Levies

The adoption of these amendments to HKFRSs and new interpretation of HK(IFRIC) have no material impact on the Group's result and financial position for the current or prior periods. The Group has not applied any new standard or amendment that is not effective for the current accounting period.

4. TURNOVER

The principal activity of the Group is investment in power and utility-related businesses. Group turnover represents sales of electricity and other electricity-related income, interest income from loans granted to joint ventures and associates, dividends from other financial assets and engineering and consulting services fees.

	2014	2013
	$ million	*$ million*
		Restated
Sales of electricity	676	10,176
Concessionary discount on sales of electricity	–	(6)
Electricity-related income	6	39
Interest income	1,389	1,315
Dividends	50	41
Others	10	13
	2,131	11,578
Share of revenue of joint ventures	18,586	16,992

5. OTHER NET INCOME

	2014	2013
	$ million	*$ million*
		Restated
Interest income from financial assets not at fair value through profit or loss	898	89
Foreign exchange (loss)/gain on loans and receivables	(156)	81
Net profit on sale of fixed assets	–	2
Sundry income	18	39
	760	211

6. SEGMENT INFORMATION

The Group has aggregated operating segments with similar characteristics to present the following reportable segments.

- Sales of electricity: this segment supplies electricity in Hong Kong.
- Investments: this segment invests in power and utility-related businesses and is segregated further into four reportable segments (United Kingdom, Australia, Mainland China and Others) on a geographical basis.
- All other activities: this segment represents other activities carried out by the Group.

The basis of accounting for the Group's segment information is the same as that for the Group's financial statements. The financial information about the Group's segments is set out in Appendix 1 on pages V-65 to V-66.

7. FINANCE COSTS

	2014	2013
	$ million	*$ million*
Interest on overdrafts, bank loans and other borrowings repayable within 5 years	424	559
Interest on other borrowings repayable over 5 years	18	226
Less: Interest capitalised to fixed assets	(7)	(73)
Interest transferred to fuel costs	(1)	(20)
Total interest expense on financial liabilities not at fair value through profit or loss	434	692

Interest expenses have been capitalised at an average rate of approximately 2.1% per annum (2013: 2.3% per annum) for assets under construction.

8. PROFIT BEFORE TAXATION

	2014	2013
	$ million	*$ million*
Profit before taxation is arrived at after charging:		
Depreciation	146	1,923
Amortisation of leasehold land	5	58
Costs of inventories	238	5,291
Write down of inventories	–	14
Staff costs	68	587
Fixed assets written off		
Auditors' remuneration	2	37
– audit and audit related work		
– KPMG	3	6
– other auditors	1	1
– non-audit work		
– KPMG	–	6
– other auditors	6	9

The consolidated profit attributable to equity shareholders of the Company includes a profit of $58,375 million (2013: $11,146 million) which has been dealt with in the financial statements of the Company.

9. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2014	**2013**
	$ million	*$ million*
Current tax – Hong Kong Profits Tax		
Provision for the year	51	952
Current tax – operations outside Hong Kong		
Provision for the year	7	6
Tax credit for the year	(47)	(51)
	(40)	(45)
	11	907
Deferred tax (see note 24(b)(i))		
Origination and reversal of temporary differences	2	(93)
	13	814

The provision for Hong Kong Profits Tax for 2014 is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the year.

Taxation for operations outside Hong Kong is similarly calculated using tax rates applicable in the relevant countries.

A subsidiary of the Company has paid to the Australian Taxation Office ("ATO"), a total of $458 million (A$72 million) being 50% (which percentage is based on ATO customary practice) of the tax in dispute, including interest and penalties, claimed by the ATO pending resolution of a dispute regarding the deductibility of certain fees paid by that subsidiary for income tax purposes. The subsidiary is of the view that the fees are deductible and that no amount should be payable to the ATO and that the amount paid is expected to be recovered from the ATO. The subsidiary has obtained legal advice and will vigorously defend its position.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2014	**2013**
	$ million	*$ million*
Profit before taxation	61,098	11,591
Less: Share of profits less losses of joint ventures	(4,709)	(5,585)
Share of profits less losses of associates	(2,252)	(641)
	54,137	5,365
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	8,931	883
Tax effect of non-deductible expenses	159	165
Tax effect of non-taxable income	(9,088)	(249)
Tax effect of temporary difference not recognised	–	1
Tax effect of unused tax losses not recognised	11	14
Actual tax expense	13	814

10. DIRECTORS' EMOLUMENTS AND SENIOR MANAGEMENT REMUNERATION

Directors' emoluments comprise payments to Directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The emoluments of each of the Directors of the Company are as follows:

Name of Directors	Fees	Salaries, allowances and other benefits	Retirement scheme contributions	Bonuses	2014 Total emoluments	2013 Total emoluments
	$ million	*$ million*	*$ million*	*$ million*	*$ million*	*$ million*
Executive Directors						
Fok Kin Ning, Canning (3)(4)						
Chairman	0.12	0.06	–	–	0.18	0.93
Tsai Chao Chung, Charles (14)						
Chief Executive Officer	0.06	2.54	0.37	1.35	4.32	–
Chan Loi Shun (5)	0.07	4.20	–	–	4.27	4.06
Andrew John Hunter	0.07	0.08	–	–	0.15	0.16
Neil Douglas McGee (12)	0.07	–	–	–	0.07	0.07
Wan Chi Tin (7)	0.07	0.43	–	–	0.50	10.88
Chow Woo Mo Fong, Susan (8)	0.01	–	–	–	0.01	0.16
Yuen Sui See (8)	0.01	0.29	–	–	0.30	6.76
Kam Hing Lam (8)	0.01	–	–	–	0.01	0.10
Non-executive Directors						
Li Tzar Kuoi, Victor (11) (17)	0.07	0.04	–	–	0.11	0.56
Frank John Sixt (11)	0.07	0.01	–	–	0.08	0.14
Ip Yuk-keung, Albert (1) (2) (15)	0.11	–	–	–	0.11	–
Ralph Raymond Shea (1) (2) (3)	0.16	0.01	–	–	0.17	0.20
Wong Chung Hin (1) (2) (3)	0.16	0.01	–	–	0.17	0.23
Wu Ting Yuk, Anthony (1) (16)	0.04	–	–	–	0.04	–
Tso Kai Sum (6)	0.01	0.47	–	–	0.48	6.60
Ronald Joseph Arculli (9)	0.01	0.01	–	–	0.02	0.19
Fong Chi Wai, Alex (10)	0.01	–	–	–	0.01	0.09
Holger Kluge (13)	0.05	–	–	–	0.05	0.14
Lee Lan Yee, Francis (10)	0.01	–	–	–	0.01	0.09
George Colin Magnus (10)	0.01	–	–	–	0.01	0.10
Total for the year 2014	1.20	8.15	0.37	1.35	11.07	
Total for the year 2013	1.63	20.98	0.04	8.81		31.46

Notes:

(1) Independent Non-executive Director.

(2) Member of the Audit Committee.

(3) Member of the Remuneration Committee.

(4) During the year, Mr. Fok Kin Ning, Canning received director's fees of $111,000 from HK Electric Investments Limited, which is an associate of the Group. The director's fees received were paid back to the Company.

(5) During the year, Mr. Chan Loi Shun received director's emoluments of THB451,000 from Ratchaburi Power Company Limited and $2,284,000 from HK Electric Investments Limited, which are associates of the Group. The director's emoluments received were paid back to the Company.

(6) Retired from the office of Group Managing Director and re-designated from an Executive Director to a Non-executive Director and appointed as Deputy Chairman and Senior Adviser to the Board with effect from 1 January 2013, and resigned the positions with effect from 29 January 2014.

(7) Appointed as Group Managing Director with effect from 1 January 2013 and ceased the position on 29 January 2014, and remained as an Executive Director. During the year, Mr. Wan Chi Tin received director's fees of $65,000 from HK Electric Investments Limited, which is an associate of the Group. The director's fees received were paid back to the Company.

(8) Resigned as an Executive Director with effect from 29 January 2014.

(9) Resigned as a Non-executive Director and ceased to be a member of the Audit Committee with effect from 29 January 2014.

(10) Resigned as an Independent Non-executive Director with effect from 29 January 2014.

(11) Re-designated from an Executive Director to a Non-executive Director with effect from 29 January 2014.

(12) Re-designated from a Non-executive Director to an Executive Director with effect from 29 January 2014.

(13) Retired as an Independent Non-executive Director and ceased to be a member of the Audit Committee with effect from 15 May 2014.

(14) Appointed as Chief Executive Officer with effect from 29 January 2014. During the year, Mr. Tsai Chao Chung, Charles received director's fees of THB451,000 from Ratchaburi Power Company Limited, which is an associate of the Group. The director's fees received were paid back to the Company.

(15) Appointed as an Independent Non-executive Director with effect from 29 January 2014 and a member of the Audit Committee with effect from 3 June 2014.

(16) Appointed as an Independent Non-executive Director with effect from 3 June 2014.

(17) During the year, Mr. Li Tzar Kuoi, Victor received director's fees of $7,000 from HK Electric Investments Limited, which is an associate of the Group. The director's fees received were paid back to the Company.

The five highest paid individuals of the Group included two directors (2013: three) whose total emoluments are shown above. The remuneration of the other three individuals (2013: two) who comprises the five highest paid individuals of the Group is set out below:

	2014	**2013**
	$ million	*$ million*
Salary and other benefits	8.8	8.1
Retirement scheme contributions	0.6	0.8
	9.4	8.9

The total remuneration of senior management, excluding directors, is within the following bands:

	2014	2013
	Number	*Number*
$0 – $500,000	1	–
$1,000,001 – $1,500,000	3	1
$2,000,001 – $2,500,000	–	1
$2,500,001 – $3,000,000	2	6
$3,000,001 – $3,500,000	–	1
$3,500,001 – $4,000,000	–	1
$4,000,001 – $4,500,000	1	2
$4,500,001 – $5,000,000	–	1

The remuneration of directors and senior management is as follows:

	The Group		The Company	
	2014	2013	2014	2013
	$ million	*$ million*	*$ million*	*$ million*
Short-term employee benefits	23	65	14	44
Post-employment benefits	2	3	–	1
	25	68	14	45

At 31 December 2014 and 2013, there was no amount due from directors and senior management.

11. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $61,005 million (2013: $11,165 million) and 2,134,261,654 ordinary shares (2013: 2,134,261,654 ordinary shares) in issue throughout the year.

There were no dilutive potential ordinary shares in existence during the years ended 31 December 2014 and 2013.

12. FIXED ASSETS

The Group

$ million	Site formation and buildings	Plant, machinery and equipment	Assets under construction	Sub-total	Interests in leasehold land held for own use under finance leases	Total fixed assets
Cost:						
At 1 January 2013	14,038	62,804	2,852	79,694	2,818	82,512
Additions	3	329	1,621	1,953	20	1,973
Transfers between categories	51	1,363	(1,415)	(1)	1	–
Disposals	–	(301)	–	(301)	–	(301)
At 31 December 2013	14,092	64,195	3,058	81,345	2,839	84,184
At 1 January 2014	14,092	64,195	3,058	81,345	2,839	84,184
Additions	–	6	80	86	–	86
Transfers between categories	3	61	(64)	–	–	–
Disposals	–	(5)	–	(5)	–	(5)
Disposal of a subsidiary	(14,069)	(64,251)	(3,074)	(81,394)	(2,809)	(84,203)
At 31 December 2014	26	6	–	32	30	62
Accumulated amortisation and depreciation:						
At 1 January 2013	5,398	27,036	–	32,434	780	33,214
Written back on disposals	–	(247)	–	(247)	–	(247)
Charge for the year	250	1,787	–	2,037	58	2,095
At 31 December 2013	5,648	28,576	–	34,224	838	35,062
At 1 January 2014	5,648	28,576	–	34,224	838	35,062
Written back on disposals	–	(3)	–	(3)	–	(3)
Written back on disposal of a subsidiary	(5,654)	(28,704)	–	(34,358)	(831)	(35,189)
Charge for the year	21	134	–	155	5	160
At 31 December 2014	15	3	–	18	12	30
Net book value:						
At 31 December 2014	11	3	–	14	18	32
At 31 December 2013	8,444	35,619	3,058	47,121	2,001	49,122

The Company

$ million	**Plant, machinery and equipment**
Cost:	
At 1 January 2013, 31 December 2013 and 1 January 2014	–
Additions	1
At 31 December 2014	1
Accumulated amortisation and depreciation:	
At 1 January 2013, 31 December 2013 and 1 January 2014	–
Charge for the year	–
At 31 December 2014	–
Net book value:	
At 31 December 2014	1
At 31 December 2013	–

The Group's leasehold land at 31 December 2014 is held in Hong Kong and comprises long term and medium term leasehold land with carrying values of $1 million (2013: $41 million) and $17 million (2013: $1,960 million) respectively.

Financing costs capitalised during the year for electricity-related fixed assets amounted to $7 million (2013: $73 million).

Depreciation charges for the year included $9 million (2013: $114 million), relating to assets utilised in development activities, which has been capitalised.

13. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2014	*2013*
	$ million	$million
Unlisted shares, at cost	5,747	3,443
Loan capital (see note below)	–	8,845
Amounts due from subsidiaries (see note below)	107,445	47,861
Amounts due to subsidiaries (see note below)	(1,013)	(1,093)
	112,179	59,056

Loan capital represented an investment of funds in HK Electric as permanent shareholders' investment. The loan capital was fully repaid by HK Electric on 6 February 2014.

The amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed repayment terms but the Company is unlikely to demand payment or repay these amounts within 12 months of the end of reporting period except for those amounts due from HK Electric which were fully repaid on 6 February 2014.

Particulars of the principal subsidiaries at the end of the reporting period are set out in Appendix 2 on pages V-67 to V-69.

14. INTEREST IN JOINT VENTURES

	The Group	
	2014	2013
	$ million	*$ million*
Share of net assets of unlisted joint ventures	32,410	26,976
Loans to unlisted joint ventures (see note below)	8,720	9,197
Amounts due from unlisted joint ventures (see note below)	188	181
	41,318	36,354
Share of total assets of unlisted joint ventures	101,684	93,680

The loans to unlisted joint ventures are unsecured, interest bearing at rates ranging from 6.7% per annum to 11.0% per annum (2013: 6.5% per annum to 11.0% per annum) and are not due within one year.

Included in the loans to unlisted joint ventures are subordinated loans totalling $4,062 million (2013: $4,323 million). The rights in respect of these loans are subordinated to the rights of any other lenders to the joint ventures and they are treated as part of the investment in the joint ventures.

The amounts due from unlisted joint ventures are unsecured, interest free and have no fixed repayment terms. They are neither past due nor impaired.

All the Group's joint ventures are unlisted corporate entities for which a quoted market price is not available.

Details of the Group's material joint ventures at the end of the reporting period are set out in Appendix 3 on page V-70 to V-71.

(a) Summarised financial information of material joint ventures

Summarised financial information in respect of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs adjusted by the Group for equity accounting purposes and before adjustments for the Group's effective share.

	UK Power Networks		Northern Gas Networks		Wales & West Gas Networks		Zhuhai Power		Jinwan Power	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	$ million	*$ million*	*$ million*	*$ million*	*$ million*	*$ million*	*$ million*	*$ million*	*$ million*	*$ million*
Current assets	5,604	5,528	665	732	1,090	1,165	5,220	3,904	1,754	1,215
Non-current assets	124,050	122,172	30,509	31,012	42,544	43,934	92	1,284	5,966	6,230
Current liabilities	(10,340)	(9,718)	(1,833)	(1,748)	(1,342)	(1,289)	(185)	(265)	(923)	(647)
Non-current liabilities	(76,647)	(79,117)	(20,853)	(21,554)	(37,656)	(38,549)	–	–	(2,860)	(2,881)

The above amounts of assets and liabilities include the following:

	UK Power Networks		Northern Gas Networks		Wales & West Gas Networks		Zhuhai Power		Jinwan Power	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	$ million	*$ million*	*$ million*	*$ million*	*$ million*	*$ million*	*$ million*	*$ million*	*$ million*	*$ million*
Cash and cash equivalents	2,172	1,939	67	11	514	523	4,974	3,759	848	447
Current financial liabilities (excluding trade and other payables and provisions)	–	–	(570)	(495)	–	–	–	–	(68)	(60)
Non-current financial liabilities (excluding trade and other payables and provisions)	(60,560)	(61,593)	(17,109)	(17,718)	(30,170)	(31,253)	–	–	(2,856)	(2,881)

	UK Power Networks		Northern Gas Networks		Wales & West Gas Networks		Zhuhai Power		Jinwan Power	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	$ million	*$ million*	*$ million*	*$ million*	*$ million*	*$ million*	*$ million*	*$ million*	*$ million*	*$ million*
Revenue	22,938	21,327	5,253	4,852	5,363	4,933	4,663	4,722	3,122	3,449
Profit from continuing operations	8,381	9,823	1,315	1,977	1,099	1,932	181	273	353	178
Other comprehensive income for the year	432	(957)	(105)	(23)	(1,074)	(57)	–	–	–	–
Total comprehensive income for the year	8,813	8,866	1,210	1,954	25	1,875	181	273	353	178
Dividends received from the joint ventures during the year	1,109	1,120	298	1,309	109	89	–	655	149	181

The above profit or loss for the year includes the following:

	UK Power Networks		Northern Gas Networks		Wales & West Gas Networks		Zhuhai Power		Jinwan Power	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	$ million	*$ million*	*$ million*	*$ million*	*$ million*	*$ million*	*$ million*	*$ million*	*$ million*	*$ million*
Depreciation and amortisation	(2,732)	(1,942)	(887)	(762)	(1,061)	(895)	(853)	(862)	(325)	(318)
Interest income	423	406	1	1	3	15	28	41	5	7
Interest expense	(3,426)	(3,147)	(923)	(597)	(1,128)	(1,055)	–	–	(172)	(193)
Income tax (expense)/ credit	(1,988)	(473)	(349)	256	(256)	615	(263)	(265)	(218)	(217)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint ventures recognised in the consolidated financial statements:

	UK Power Networks		Northern Gas Networks		Wales & West Gas Networks		Zhuhai Power		Jinwan Power	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	$ million	*$ million*	*$ million*	*$ million*	*$ million*	*$ million*	*$ million*	*$ million*	*$ million*	*$ million*
Net assets of the joint ventures	42,667	38,865	8,488	8,442	4,636	5,261	5,127	4,923	3,937	3,917
Group's effective interest	40.0%	40.0%	41.29%	41.29%	30.0%	30.0%	45.0%	45.0%	45.0%	45.0%
Group's share of net assets of the joint ventures	17,066	15,546	3,504	3,485	1,391	1,578	2,307	2,215	1,772	1,763
Consolidation adjustments	77	79	–	–	–	–	–	–	–	–
Carrying amount of the Group's interest in joint ventures	17,143	15,625	3,504	3,485	1,391	1,578	2,307	2,215	1,772	1,763

(b) Aggregate information of joint ventures that are not individually material

	2014	2013
	$ million	*$ million*
The Group's share of net assets	6,293	2,310
The Group's share of profit from continuing operations	243	57
The Group's share of other comprehensive income	19	72
The Group's share of total comprehensive income	262	129

15. INTEREST IN ASSOCIATES

	The Group	
	2014	2013
	$ million	*$ million*
Share of net assets		
– Listed associate	24,884	–
– Unlisted associates	3,421	3,430
	28,305	3,430
Loans to unlisted associates (see note below)	4,372	4,752
Amounts due from associates (see note below)	71	75
	32,748	8,257

The market value (level 1 fair value measurement (see note 26(f))) of above listed associate, HK Electric Investments and HK Electric Investments Limited ("HKEI"), at 31 December 2014 is $22,575 million. All the Group's other associates are unlisted corporate entities for which a quoted market price is not available.

The loans to unlisted associates are unsecured, interest bearing at rates ranging from 10.9% per annum to 13.8% per annum (2013: 10.9% per annum to 13.8% per annum) and are not due within one year.

The loans to unlisted associates are subordinated loans. The rights in respect of these loans are subordinated to the rights of any other lenders to the associates and they are treated as part of the investment in the associates.

The amounts due from associates are unsecured, interest free and have no fixed repayment terms. They are neither past due nor impaired.

At 31 December 2014, the Group's interest in an associate of $504 million (2013: $529 million) had been pledged as part of the security to secure financing facilities granted to the associate.

Details of each of the Group's material associates at the end of the reporting period are set out in Appendix 4 on pages V-72 to V-73.

(a) Summarised financial information of material associates

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in each associate's financial statements prepared in accordance with HKFRSs adjusted by the Group for equity accounting purposes and before adjustments for Group's effective share.

	HKEI		**SA Power Networks**		**Victoria Power Networks**	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
	$ million	*$ million*	*$ million*	*$ million*	*$ million*	*$ million*
Current assets	6,698	–	2,854	2,121	1,908	2,439
Non-current assets	106,113	–	37,901	39,019	49,032	50,428
Current liabilities	(3,858)	–	(4,267)	(3,555)	(5,149)	(6,347)
Non-current liabilities	(59,762)	–	(33,185)	(34,549)	(39,487)	(40,048)

	HKEI		**SA Power Networks**		**Victoria Power Networks**	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
	$ million	*$ million*	*$ million*	*$ million*	*$ million*	*$ million*
Revenue	10,504	–	8,748	9,214	8,186	8,286
Profit from continuing operations	3,201	–	1,472	1,529	408	276
Other comprehensive income for the year	(29)	–	(90)	795	32	827
Total comprehensive income for the year	3,172	–	1,382	2,324	440	1,103
Dividends received from the associates during the year	729	–	214	222	–	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associates recognised in the consolidated financial statements:

	HKEI		SA Power Networks		Victoria Power Networks	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
	$ million	*$ million*	*$ million*	*$ million*	*$ million*	*$ million*
Net assets of the associates	49,191	–	3,303	3,036	6,304	6,472
Group's effective interest	49.9%	–	27.93%	27.93%	27.93%	27.93%
Group's share of net assets of the associates	24,546	–	922	848	1,760	1,807
Consolidation adjustment	338	–	–	–	–	–
Carrying amount of the Group's interest in the associates	24,884	–	922	848	1,760	1,807

(b) Aggregate information of associates that are not individually material

	2014	**2013**
	$ million	*$ million*
The Group's share of net assets	739	775
The Group's share of profit from continuing operations	130	137
The Group's share of other comprehensive income	1	1
The Group's share of total comprehensive income	131	138

16. OTHER NON-CURRENT FINANCIAL ASSETS

	The Group	
	2014	**2013**
	$ million	*$ million*
Unlisted available-for-sale equity securities, at cost	67	67

17. INVENTORIES

	The Group	
	2014	2013
	$ million	*$ million*
Coal, fuel oil and natural gas	–	592
Stores and materials	–	356
	–	948

18. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2014	2013	2014	2013
	$ million	*$ million*	*$ million*	*$ million*
Trade debtors (see note below)	–	649	–	–
Interest and other receivables	583	908	–	–
	583	1,557	–	–
Derivative financial instruments (see note 22)	225	2	2	–
Deposits and prepayments	2	88	2	2
	810	1,647	4	2

Trade with customers is carried out on credit and invoices are normally due within 1 month after issued. All of the trade and other receivables are expected to be recovered within one year.

The ageing analysis of trade debtors based on invoice date, which are neither individually nor collectively considered to be impaired, is as follows:

	The Group	
	2014	2013
	$ million	*$ million*
Within 1 month	–	606
1 to 3 months	–	30
More than 3 months but less than 12 months	–	13
Total trade debtors	–	649

19. BANK DEPOSITS AND CASH

(a) Bank deposits and cash comprise:

	The Group		The Company	
	2014	2013	2014	2013
	$ million	*$ million*	*$ million*	*$ million*
Deposits with banks and other financial institutions with 3 months or less to maturity when placed	46,820	5,256	–	–
Cash at bank and on hand	34	41	25	10
Bank overdrafts	–	(3)	–	–
Cash and cash equivalents in the consolidated cash flow statement	46,854	5,294		
Bank overdrafts	–	3	–	–
Deposit with banks and other financial institutions with more than 3 months to maturity when placed	14,437	2,597	–	–
Bank deposits and cash in the statement of financial position	61,291	7,894	25	10

(b) Reconciliation of profit before taxation to cash generated from operations:

		2014	2013
	Note	*$ million*	*$ million*
Profit before taxation		61,098	11,591
Adjustments for:			
Share of profits less losses of joint ventures		(4,709)	(5,585)
Share of profits less losses of associates		(2,252)	(641)
Interest income	*4,5*	(2,287)	(1,404)
Dividend income from unlisted available-for-sale equity securities	*4*	(50)	(41)
Finance costs	*7*	435	712
Depreciation	*8*	146	1,923
Amortisation of leasehold land	*8*	5	58
Fixed assets written off	*8*	2	37
Other non-cash items		–	181
Net profit on sale of fixed assets	*5*	–	(2)
Exchange loss/(gain)		25	(84)
Financial instrument revaluation loss		42	–
Gain on disposal of subsidiaries	*32*	(52,928)	–
Changes in working capital:			
Decrease in inventories		63	170
Increase in trade and other receivables		(43)	(21)
Decrease in Fuel Clause Recovery Account		102	819
Increase in trade and other payables		946	540
Decrease in amounts due from joint ventures		4	–
Increase in amounts due from associates		(2)	–
Increase/decrease in net employee retirement benefit liabilities/assets		5	46
Cash generated from operations		602	8,299

20. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	$ million	*$ million*	*$ million*	*$ million*
Creditors measured at amortised cost (see note below)	2,621	4,107	275	72
Derivative financial instruments (see note 22)	77	2	45	–
	2,698	4,109	320	72

All of the trade and other payables are expected to be settled within one year.

Creditors' ageing is analysed as follows:

	The Group	
	2014	**2013**
	$ million	*$ million*
Due within 1 month or on demand	29	830
Due after 1 month but within 3 months	41	286
Due after 3 months but within 12 months	2,551	2,991
	2,621	4,107

21. NON-CURRENT BANK LOANS AND OTHER INTEREST-BEARING BORROWINGS

	The Group	
	2014	**2013**
	$ million	*$ million*
Bank loans	10,204	10,883
Hong Kong dollar notes	–	5,480
United States dollar notes	–	5,982
	–	11,462
Current portion	–	(500)
	–	10,962
Total	10,204	21,845

Some banking facilities of the Group are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand and any undrawn amount will be cancelled. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 26(b). As at 31 December 2014 and 2013, none of the covenants relating to drawn down facilities had been breached.

None of the non-current interest-bearing borrowings is expected to be settled within one year. All the above borrowings are unsecured.

The non-current borrowings are repayable as follows:

	The Group	
	2014	2013
	$ million	*$ million*
After 1 year but within 2 years	3,901	500
After 2 years but within 5 years	6,303	12,081
After 5 years	–	9,264
	10,204	21,845

22. DERIVATIVE FINANCIAL INSTRUMENTS

	The Group			
	2014		2013	
	Assets	Liabilities	Assets	Liabilities
	$ million	*$ million*	*$ million*	*$ million*
Derivative financial instruments used for hedging:				
Cash flow hedges				
Interest rate swaps	–	(78)	41	(143)
Forward foreign exchange contracts	–	–	2	(3)
Fair value hedges				
Cross currency interest rate swaps	–	–	242	–
Net investment hedges				
Forward foreign exchange contracts	223	(114)	–	(405)
Derivative financial instruments not qualifying as accounting hedges:				
Forward foreign exchange contracts	2	(45)	–	–
	225	(237)	285	(551)
Analysed as:				
Current	225	(77)	2	(2)
Non-current	–	(160)	283	(549)
	225	(237)	285	(551)

	The Company			
	2014		2013	
	Assets	Liabilities	Assets	Liabilities
	$ million	*$ million*	*$ million*	*$ million*
Derivative financial instruments not qualifying as accounting hedges:				
Forward foreign exchange contracts	2	(45)	–	–
Analysed as:				
Current	2	(45)	–	–
Non-current	–	–	–	–
	2	(45)	–	–

23. EMPLOYEE RETIREMENT BENEFITS

The Group offers three retirement schemes which together cover all permanent staff.

One of the schemes ("the Pension Scheme") provides pension benefits based on the employee's final basic salary and length of service. This scheme is accounted for as a defined benefit retirement scheme.

Another scheme is defined contribution in nature and offers its members choices to invest in various investment funds. One of the investment funds provides a guaranteed return; the scheme is accounted for as a defined benefit retirement scheme in respect of this investment fund ("the Guaranteed Return Scheme"). In respect of other investment funds which do not offer a guaranteed return, the scheme is accounted for as a defined contribution retirement scheme (see note 23(b)).

Both these schemes are established under trust and are registered under the Hong Kong Occupational Retirement Schemes Ordinance. The assets of the schemes are held independently of the Group's assets in separate trustee administered funds. The responsibility for the governance of the schemes – including investment and contribution decisions – lies with the independent trustees in accordance with the trust deeds of the schemes.

The Group also participates in a master trust Mandatory Provident Fund Scheme ("MPF Scheme") operated by an independent service provider under the Hong Kong Mandatory Provident Fund Schemes Ordinance. The MPF Scheme is a defined contribution retirement scheme with the employer and its employees each contributing to the plan in accordance with the relevant scheme rules. The MPF Scheme rules provide for voluntary contributions to be made by the employer calculated as a percentage of the employees' basic salaries.

(a) Defined benefit retirement schemes ("the Schemes")

The funding policy in respect of the Pension Scheme is based on valuations prepared periodically by independent professionally qualified actuaries at Towers Watson Hong Kong Limited. The policy for employer's contributions is to fund the scheme in accordance with the actuary's recommendations on an on-going basis. The principal actuarial assumptions used include discount rate and future pension increase rate which are disclosed in note 23(a)(viii) together with appropriate provisions for mortality rates. The most recent actuarial valuation of the Pension Scheme was carried out by the appointed actuary, represented by Ms. Wing Lui, FSA, as at 31 December 2013. The valuation revealed that the assets of the Pension Scheme were sufficient to cover the aggregate vested liabilities as at the valuation date.

Both defined retirement schemes expose the Group to investment risk and interest rate risk while the Pension Scheme also exposes the Group to risks of longevity and inflation.

The retirement scheme expense/income recognised in profit or loss for the year ended 31 December 2014 was determined in accordance with HKAS 19 (2011), Employee benefits.

(i) The amounts recognised in the statements of financial position are as follows:

	The Group		The Company	
	2014	2013	2014	2013
	$ million	*$ million*	*$ million*	*$ million*
Present value of defined benefit obligations	(428)	(4,388)	(423)	(417)
Fair value of assets of the Schemes	310	4,447	301	300
	(118)	59	(122)	(117)
Represented by:				
Employee retirement benefit assets	4	618	–	–
Employee retirement benefit liabilities	(122)	(559)	(122)	(117)
	(118)	59	(122)	(117)

The assets of the Schemes did not include ordinary shares issued by the Company for the years ended 31 December 2014 and 2013.

A portion of the above asset/liability is expected to be realised/settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future changes in actuarial assumptions and market conditions.

(ii) Movements in the present value of defined benefit obligations of the Schemes are as follows:

	The Group		The Company	
	2014	2013	2014	2013
	$ million	*$ million*	*$ million*	*$ million*
At 1 January	4,388	5,232	417	537
Current service cost	7	109	–	5
Interest cost	17	41	10	4
Employee contributions paid to the Schemes	1	18	–	1
Actuarial loss/(gain) due to:				
– Changes in liability experience	1	(34)	(1)	(19)
– Changes in financial assumptions	33	(873)	14	(91)
– Changes in demographic assumptions	–	179	–	29
Benefits paid	(28)	(284)	(17)	(52)
Intra-group transfer of members	–	–	–	3
Disposal of a subsidiary	(3,991)	–	–	–
At 31 December	428	4,388	423	417

(iii) Movements in fair value of plan assets of the Schemes are as follows:

	The Group		The Company	
	2014	2013	2014	2013
	$ million	*$ million*	*$ million*	*$ million*
At 1 January	4,447	4,415	300	324
Interest income on the Schemes' assets	14	35	7	3
Return on Schemes' assets, excluding interest income	(7)	194	11	18
Employer contributions paid to the Schemes	6	69	–	3
Employee contributions paid to the Schemes	1	18	–	1
Benefits paid	(28)	(284)	(17)	(52)
Intra-group transfer of members	–	–	–	3
Disposal of a subsidiary	(4,123)	–	–	–
At 31 December	310	4,447	301	300

The Group expects to contribute below $1 million to its defined benefit retirement schemes in 2015.

(iv) The expenses recognised in the consolidated statement of profit or loss, prior to any capitalisation of employment costs attributable to fixed assets additions, are as follows:

	2014	2013
	$ million	*$ million*
Current service cost	7	109
Net interest on net defined benefit asset/liability	3	6
	10	115

(v) The expenses are recognised in the following line items in the consolidated statement of profit or loss:

	2014	2013
	$ million	*$ million*
Direct costs	4	75
Other operating costs	6	40
	10	115

(vi) The cumulative amount of actuarial losses recognised in the consolidated statement of comprehensive income is as follows:

	2014	2013
	$ million	*$ million*
At 1 January	986	1,908
Remeasurement of net defined benefit asset/liability recognised in the consolidated statement of comprehensive income during the year	41	(922)
Disposal of a subsidiary	(869)	–
At 31 December	158	986

(vii) The major categories of assets of the Schemes are as follows:

	The Group		The Company	
	2014	2013	2014	2013
	$ million	*$ million*	*$ million*	*$ million*
Hong Kong equities	37	430	37	37
European equities	20	271	20	24
North American equities	49	564	47	46
Other Asia Pacific equities	17	208	17	19
Global bonds	182	2,847	175	170
Deposits, cash and others	5	127	5	4
	310	4,447	301	300

Strategic investment decisions are taken with respect to the risk and return profiles. There has been no change in the process used by the Group to manage its risks from prior periods.

(viii) The principal actuarial assumptions used as at 31 December (expressed as a weighted average) are as follows:

	The Group and the Company	
	2014	2013
Discount rate		
– The Pension Scheme	2.3%	2.6%
– The Guaranteed Return Scheme	1.8%	2.2%
Long term salary increase rate	Not applicable	5.0%
Future pension increase rate	2.5%	2.5%

(ix) Sensitivity analysis

(a) The Pension Scheme

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	$ million	*$ million*	*$ million*	*$ million*
Actuarial assumptions				
Discount rate				
– increase by 0.25%	(9)	(62)	(9)	(9)
– decrease by 0.25%	9	65	9	9
Pension increase rate				
– increase by 0.25%	9	58	9	9
– decrease by 0.25%	(8)	(56)	(8)	(8)
Mortality rate applied to specific age				
– set forward one year	(13)	(67)	(13)	(12)
– set backward one year	13	68	13	12

(b) The Guaranteed Return Scheme

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	$ million	*$ million*	*$ million*	*$ million*
Actuarial assumptions				
Discount rate				
– increase by 0.25%	(3)	(50)	(2)	(2)
– decrease by 0.25%	3	52	2	2
Interest to be credited				
– increase by 0.25%	3	51	2	2

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised within the statement of financial position.

(x) The following table sets out the weighted average durations of the defined benefit obligations of the Schemes:

	The Group		The Company	
	2014	2013	2014	2013
	No. of years	No. of years	No. of years	No. of years
The Pension Scheme	11.8	14.1	11.8	12.2
The Guaranteed Return Scheme	8.0	8.0	7.2	8.3

(b) Defined contribution retirement scheme

	2014	2013
	$ million	*$ million*
Expenses recognised in profit or loss	4	34

No forfeited contributions have been received during the year (2013: $2 million).

24. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the statement of financial position

	The Group	
	2014	2013
	$ million	*$ million*
Tax provision for the year	58	958
Provisional tax paid	(7)	(622)
Disposal of a subsidiary	(51)	–
Tax provision relating to prior years	2	–
	2	336
Current tax payable	2	340
Current tax recoverable	–	(4)
	2	336

(b) Deferred tax assets and liabilities

(i) The components of deferred tax (assets)/liabilities recognised in the statement of financial position and the movements during the year are as follows:

The Group

$ million	Depreciation allowances in excess of the related depreciation	Fuel Clause Recovery Account	Defined benefit retirement schemes	Others	Total
At 1 January 2013	5,966	136	(187)	(90)	5,825
Charged/(credited) to profit or loss	38	(136)	5	–	(93)
Charged to other comprehensive income	–	–	137	44	181
At 31 December 2013	6,004	–	(45)	(46)	5,913
At 1 January 2014	6,004	–	(45)	(46)	5,913
Charged/(credited) to profit or loss	19	(17)	–	–	2
(Credited)/charged to other comprehensive income	–	–	(7)	40	33
Disposal of a subsidiary	(6,023)	17	52	2	(5,952)
At 31 December 2014	–	–	–	(4)	(4)

(ii) Reconciliation to the statement of financial position:

	The Group	
	2014	**2013**
	$ million	*$ million*
Net deferred tax assets recognised in the statement of financial position	(4)	(42)
Net deferred tax liabilities recognised in the statement of financial position	–	5,955
	(4)	5,913

The Group and the Company had no material unprovided deferred tax assets or liabilities as at 31 December 2014 and 2013.

25. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

$ million	Share capital *(note 25(c))*	Share premium	Hedging reserve *(note 25(d)(ii))*	Revenue reserve *(note 25(d)(iii))*	Proposed/ declared dividend *(note 25(b))*	Total
Balance at 1 January 2013	2,134	4,476	(3)	42,411	3,905	52,923
Changes in equity for 2013:						
Profit for the year	–	–	–	11,146	–	11,146
Other comprehensive income	–	–	3	99	–	102
Total comprehensive income	–	–	3	11,245	–	11,248
Final dividend in respect of the previous year approved and paid (see note 25(b)(ii))	–	–	–	–	(3,905)	(3,905)
Interim dividend paid (see note 25(b)(i))	–	–	–	(1,387)	–	(1,387)
Proposed final dividend (see note 25(b)(i))	–	–	–	(4,055)	4,055	–
Balance at 31 December 2013 and 1 January 2014	2,134	4,476	–	48,214	4,055	58,879
Changes in equity for 2014:						
Profit for the year	–	–	–	58,375	–	58,375
Other comprehensive income	–	–	–	(2)	–	(2)
Total comprehensive income	–	–	–	58,373	–	58,373
Transfers on 3 March 2014 (see note 25(c))	4,476	(4,476)	–	–	–	–
Final dividend in respect of the previous year approved and paid (see note 25(b)(ii))	–	–	–	–	(4,055)	(4,055)
Interim dividend paid (see note 25(b)(i))	–	–	–	(1,430)	–	(1,430)
Proposed final dividend (see note 25(b)(i))	–	–	–	(4,290)	4,290	–
Balance at 31 December 2014	6,610	–	–	100,867	4,290	111,767

All of the Company's revenue reserve is available for distribution to equity shareholders. After the end of reporting period, the Directors proposed a final dividend of $2.01 (2013: $1.90) per ordinary share, amounting to $4,290 million (2013: $4,055 million).

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2014	2013
	$ million	*$ million*
Interim dividend declared and paid of $0.67 per ordinary share (2013: $0.65 per ordinary share)	1,430	1,387
Final dividend proposed after the end of reporting period of $2.01 per ordinary share (2013: $1.90 per ordinary share)	4,290	4,055
	5,720	5,442

The final dividend proposed after the end of reporting period is based on 2,134,261,654 ordinary shares (2013: 2,134,261,654 ordinary shares), being the total number of issued shares at the year end. The final dividend proposed after the end of reporting period has not been recognised as a liability at the end of reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2014	2013
	$ million	*$ million*
Final dividend in respect of the previous financial year, approved and paid during the year, of $1.90 per ordinary share (2013: $1.83 per ordinary share)	4,055	3,905

(c) Share capital

		The Company	
	Number of shares	**2014** *$ million*	**2013** *$ million*
Issued and fully paid:			
Voting ordinary shares:			
At the beginning of the year	2,134,261,654	2,134	2,134
Transfers from share premium	–	4,476	–
At the end of the year	2,134,261,654	6,610	2,134

As at 31 December 2013, 3,300,000,000 ordinary shares, with par value of $1 each, were authorised for issue. The new Companies Ordinance (Cap. 622) that came into effect on 3 March 2014 abolishes authorised share capital, par value and share premium, in respect of the share capital of Hong Kong companies. As a result, the amount of share premium of the Company is amalgamated with the share capital.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves

(i) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in notes 2(i)(iii) and 2(v).

(ii) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges (net of any deferred tax effect) pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 2(i)(ii).

(iii) Revenue reserve

The revenue reserve comprises the accumulated profits retained by the Company and its subsidiaries and includes the Group's share of the retained profits of its joint ventures and associates.

(e) Capital management

The Group's primary objectives when managing capital are:

– to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;

– to provide returns to shareholders by securing access to finance at a reasonable cost;

– to support the Group's stability and future growth; and

– to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure, taking into consideration the future capital requirements of the Group and capital efficiency, forecast profitability, forecast operating cash flows, forecast capital expenditure and projected investment opportunities.

The Group monitors its capital structure on the basis of a net debt-to-net total capital ratio. For this purpose the Group defines net debt as interest-bearing borrowings (as shown in the consolidated statements of financial position) less bank deposits and cash. Net total capital includes net debt and equity which comprises all components of equity (as shown in the consolidated statement of financial position).

During 2014, the Group's strategy, which was unchanged from 2013, was to control its level of debt in order to secure access to finance at a reasonable cost. In order to maintain or adjust the level of debt, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

As at 31 December 2014, the net cash position of the Group amounted to $51,087 million (2013: net debt $14,454 million and net debt-to-net capital ratio was at 17%).

During the current year, the Company acted as the guarantor in respect of certain loan facilities granted to its subsidiaries and joint ventures and fully complied with the capital requirements under the loan facility agreements.

26. FINANCIAL RISK MANAGEMENT

The Group is exposed to credit, liquidity, interest rate and currency risks in the normal course of its businesses. The Group is also exposed to equity price risk arising from its equity investments in other entities. In accordance with the Group's treasury policy, derivative financial instruments are only used to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. The Group does not hold or issue derivative financial instruments for trading or speculative purposes.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables relating to bank deposits and over-the-counter derivative financial instruments entered into for hedging purposes. The Group has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group has defined minimum credit rating requirements and transaction limits for counterparties when dealing in financial derivatives or placing deposits to minimise credit exposure. The Group does not expect any counterparty to fail to meet its obligations.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the statement of financial position. Except for the financial guarantees given by the Group as set out in note 28, the Group has not provided any other guarantee which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of reporting period is disclosed in note 28.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 18.

The Group has no significant concentration of credit risk arising from trade and other receivables, with exposure spread over a number of counterparties.

Offsetting financial assets and financial liabilities

The Group's derivative transactions are executed with financial institutions and governed by either International Swaps and Derivatives Association Master Agreements or the general terms and conditions of these financial institutions, with a conditional right of set off under certain circumstances that would result in all outstanding transactions being terminated and net settled.

As these financial institutions currently have no legal enforceable right to set off the recognised amounts and the Group does not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously, all such financial instruments are recorded on gross basis at the end of reporting period.

The following table presents the recognised financial instruments that are subject to enforceable netting arrangements but not offset as at the end of reporting period.

The Group

$ million	*Note*	2014 Gross amounts of financial instruments in the statement of financial position	2014 Related financial instruments that are not offset	2014 Net amount	2013 Gross amounts of financial instruments in the statement of financial position	2013 Related financial instruments that are not offset	2013 Net amount
Financial assets	*22*						
Cross currency interest rate swaps		–	–	–	242	(1)	241
Interest rate swaps		–	–	–	41	(21)	20
Forward foreign exchange contracts		225	(106)	119	2	(1)	1
Total		225	(106)	119	285	(23)	262
Financial liabilities	*22*						
Interest rate swaps		78	(15)	63	143	–	143
Forward foreign exchange contracts		159	(91)	68	408	(23)	385
Total		237	(106)	131	551	(23)	528

The Company

$ million	*Note*	2014 Gross amounts of financial instruments in the statement of financial position	2014 Related financial instruments that are not offset	2014 Net amount	2013 Gross amounts of financial instruments in the statement of financial position	2013 Related financial instruments that are not offset	2013 Net amount
Financial assets	*22*						
Forward foreign exchange contracts		2	(2)	–	–	–	–
Total		2	(2)	–	–	–	–
Financial liabilities	*22*						
Forward foreign exchange contracts		45	(2)	43	–	–	–
Total		45	(2)	43	–	–	–

(b) Liquidity risk

The Group operates a central cash management system for all its subsidiaries in order to achieve a better control of risk and minimise the costs of funds. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with loan covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding to meet its liquidity requirements in the short and longer term. The Group had bank deposits and cash $61,291 million (2013: $7,894 million) and no undrawn committed bank facilities at 31 December 2014 (2013: $2,300 million).

The following tables show the remaining contractual maturities at the end of reporting period of the Group's and the Company's non-derivative financial liabilities and derivative financial instruments, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting period) and the earliest date the Group and the Company can be required to pay.

The Group

	2014				
	Contractual undiscounted cash outflow/(inflow)				
$ million	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**
Non-derivative financial liabilities					
Bank loans and other borrowings and interest accruals	219	4,019	6,448	–	10,686
Trade and other payables	2,567	–	–	–	2,567
Derivative financial instruments					
Net settled					
Interest rate swaps	63	34	43	–	140
Gross settled					
Forward foreign exchange contracts:					
– outflow	9,385	3,639	–	1,820	14,844
– inflow	(9,528)	(3,597)	–	(1,815)	(14,940)
	2,706	4,095	6,491	5	13,297

The Group

	2013				
	Contractual undiscounted cash outflow/(inflow)				
$ million	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**
Non-derivative financial liabilities					
Bank loans and other borrowings and interest accruals	1,182	1,148	13,511	10,558	26,399
Trade and other payables	4,009	–	–	–	4,009
Derivative financial instruments					
Net settled					
Interest rate swaps	165	67	79	–	311
Gross settled					
Forward foreign exchange contracts held as cash flow hedging instruments:					
– outflow	4,292	488	–	–	4,780
– inflow	(4,292)	(488)	–	–	(4,780)
Forward foreign exchange contracts:					
– outflow	1,779	2,538	3,807	1,904	10,028
– inflow	(1,778)	(2,403)	(3,597)	(1,815)	(9,593)
Cross currency interest rate swaps:					
– outflow	117	117	350	233	817
– inflow	(247)	(247)	(676)	(527)	(1,697)
	5,227	1,220	13,474	10,353	30,274

The Company

$ million	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total
	2014				
	Contractual undiscounted cash outflow/(inflow)				
Non-derivative financial liabilities					
Trade and other payables	275	–	–	–	275
Derivative financial instruments					
Gross settled					
Forward foreign exchange contracts:					
– outflow	3,403	–	–	–	3,403
– inflow	(3,361)	–	–	–	(3,361)
	317	–	–	–	317

The Company

$ million	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total
	2013				
	Contractual undiscounted cash outflow/(inflow)				
Non-derivative financial liabilities					
Trade and other payables	72	–	–	–	72
Derivative financial instruments					
Gross settled					
Forward foreign exchange contracts:					
– outflow	1,743	–	–	–	1,743
– inflow	(1,743)	–	–	–	(1,743)
	72	–	–	–	72

(c) Interest rate risk

The Group is exposed to cash flow interest rate risk on its interest-bearing assets and liabilities. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

(i) Hedging

The Group's policy is to maintain a balanced combination of fixed and variable rate debt to reduce its interest rate exposure. The Group also uses cross currency interest rate swaps and interest rate derivatives to manage the exposure in accordance with its treasury policy. At 31 December 2014, the Group had cross currency interest rate swaps with a total notional amount of $Nil (2013: $5,826 million) and interest rate swaps with a total notional amount of $7,886 million (2013: $8,473 million).

(ii) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's net interest-bearing assets and liabilities at the end of reporting period, after taking into account the effect of cross currency interest rate swaps and interest rate swaps designated as cash flow or fair value hedging instruments (see (i) above).

	The Group			
	2014		2013	
	Weighted average interest rate		Weighted average interest rate	
	%	*$ million*	*%*	*$ million*
Net fixed rate assets/ (liabilities)				
Loans to unlisted joint ventures/associates	10.2	11,935	10.2	12,738
Deposits with banks and other financial institutions	1.4	61,257	1.6	1,053
Bank loans and other borrowings	3.5	(7,867)	3.6	(15,448)
		65,325		(1,657)
Net variable rate assets/ (liabilities)				
Loans to unlisted joint ventures/associates	6.7	1,157	6.5	1,211
Cash at bank and on hand	<0.1	34	<0.1	41
Deposits with banks and other financial institutions	–	–	1.6	6,800
Bank overdrafts – unsecured	–	–	5.0	(3)
Bank loans and other borrowings	1.8	(2,337)	1.5	(6,897)
Customers' deposits	–	–	<0.1	(1,900)
		(1,146)		(748)

	The Company			
	2014		2013	
	Weighted average interest rate		Weighted average interest rate	
	%	*$ million*	%	*$ million*
Variable rate assets				
Cash at bank and on hand	<0.1	25	<0.1	10
		25		10

(iii) Sensitivity analysis

At 31 December 2014, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/ increased the Group's profit for the year and revenue reserve by approximately $13 million (2013: increased/decreased by approximately $2 million). Other components of consolidated equity would have increased/decreased by approximately $126 million (2013: increased/decreased by approximately $200 million) in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The analysis has been performed on the same basis as for 2013.

(d) Currency risk

The Group is exposed to currency risk primarily arising from investments outside Hong Kong. The Group is also exposed to foreign currency risk arising from foreign currency transactions which give rise to receivables, payables and cash balances that are denominated in a currency other than the functional currency of the operations to which the transactions relate. The Group manages this risk as follows:

(i) Investments outside Hong Kong

Currency exposure arising from investments outside Hong Kong is mitigated in part either by funding a portion of the investment through external borrowings in the same currency as the underlying investment or by hedging with forward foreign exchange contracts. The fair value of such borrowings at 31 December 2014 was $10,241 million (2013: $10,937 million). The fair value of forward foreign exchange contracts at 31 December 2014 was an asset of $109 million (2013: liability $405 million).

(ii) Recognised assets and liabilities

The Group uses forward foreign exchange contracts to manage its foreign currency risk arising from foreign currency transactions. The following table details the Group's and the Company's exposure at the end of reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

The Group

	2014				
	Exposure to foreign currencies				
'million	**USD**	**RMB**	**GBP**	**AUD**	**NZD**
Trade and other receivables	1	–	3	1	2
Bank deposits and cash	678	67	45	32	7
Trade and other payables	–	–	–	(1)	–
Gross exposure arising from recognised assets and liabilities	679	67	48	32	9
Notional amounts of forward foreign exchange contracts not qualified as economic hedges	–	–	277	–	–
Overall exposure	679	67	325	32	9

The Group

	2013				
	Exposure to foreign currencies				
'million	**USD**	**JPY**	**GBP**	**AUD**	**NZD**
Trade and other receivables	1	–	4	1	2
Bank deposits and cash	570	5	154	40	3
Trade and other payables	(64)	(1,083)	(1)	–	–
Interest-bearing borrowings	(750)	–	–	–	–
Gross exposure arising from recognised assets and liabilities	(243)	(1,078)	157	41	5
Notional amounts of cross currency interest rate swaps used as economic hedges	750	–	–	–	–
Notional amounts of forward foreign exchange contracts used as economic hedges	226	395	–	–	–
Overall exposure	733	(683)	157	41	5

The Company

	2014	
	Exposure to foreign currencies	
'million	**USD**	**GBP**
Bank deposits and cash	1	–
Gross exposure arising from recognised assets and liabilities	1	–
Notional amounts of forward foreign exchange contracts not qualified as economic hedges	–	277
Overall exposure	1	277

	2013	
	Exposure to foreign currencies	
'million	USD	GBP
Notional amounts of forward foreign exchange contracts used as economic hedges	225	–
Overall exposure	225	–

(iii) Sensitivity analysis

The following table indicates that a 10 percent strengthening in the following currencies against Hong Kong dollars at the end of reporting period would have increased/(decreased) the Group's profit for the year (and revenue reserve) and other components of consolidated equity.

The Group

	2014		2013	
$ million	Effect on profit for the year and revenue reserve increase/ (decrease)	Effect on other components of equity increase/ (decrease)	Effect on profit for the year and revenue reserve increase/ (decrease)	Effect on other components of equity increase/ (decrease)
Japanese yen	–	–	(1)	4
Sterling pounds	58	–	199	–
Australian dollars	20	–	28	–
New Zealand dollars	5	–	3	–

A 10 percent weakening in the above currencies against Hong Kong dollars at the end of reporting period would have had an equal but opposite effect on the Group's profit for the year (and revenue reserve) and other components of consolidated equity.

This sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to currency risk at the end of reporting period, and that all other variables, in particular interest rates, remain constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' profit for the year and other components of equity measured in their respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis has been performed on the same basis as for 2013.

(e) Equity price risk

The Group is exposed to equity price changes arising from unlisted available-for-sale equity securities which are held for strategic purposes (see note 16).

All of the Group's unlisted investments are held for long term strategic purposes. Their performance is reviewed regularly based on information available to the Group.

These unlisted investments do not have a quoted market price in an active market and are stated at cost. Any increase or decrease in impairment losses in respect of these investments would affect the Group's net profit. As at the end of reporting period, none of these unlisted investments was considered to be impaired. The review has been performed on the same basis as for 2013.

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the carrying value of financial instruments measured at fair value at the end of reporting period across the three levels of the fair value hierarchy defined in HKFRS 13, Fair value measurement, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments;

– Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data;

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

Recurring fair value measurements

	The Group	
	Fair value measurements using significant observable inputs (Level 2)	
	2014	**2013**
	$ million	*$ million*
Financial assets		
Derivative financial instruments:		
– Interest rate swaps	–	41
– Forward foreign exchange contracts	225	2
– Cross currency interest rate swaps	–	242
	225	285
Financial liabilities		
Derivative financial instruments:		
– Interest rate swaps	(78)	(143)
– Forward foreign exchange contracts	(159)	(408)
Fixed rate notes subject to fair value hedges	–	(4,456)
	(237)	(5,007)

(ii) Valuation techniques and inputs in fair value measurements

The fair value of forward foreign exchange contracts is measured using forward exchange market rates at the end of reporting period. The fair value of cross currency interest rate swaps and interest rate swaps is measured by discounting the future cash flows of the contracts at the current market interest rate.

(ii) Fair values of financial assets and liabilities carried at other than fair value

Unlisted available-for-sale equity securities, amounts due from joint ventures and associates, trade and other receivables, trade and other payables and external borrowings are carried at cost or amortised cost which are not materially different from their fair values as at 31 December 2014 and 2013.

27. CAPITAL COMMITMENTS

The Group's capital commitments outstanding at 31 December and not provided for in the financial statements were as follows:

	The Group	
	2014	2013
	$ million	*$ million*
Contracted for:		
Capital expenditure for fixed assets	–	783
Authorised but not contracted for:		
Capital expenditure for fixed assets	1	10,555
Investment in a joint venture	189	206
	190	10,761

28. CONTINGENT LIABILITIES

	The Group		The Company	
	2014	2013	2014	2013
	$ million	*$ million*	*$ million*	*$ million*
Financial guarantees issued in respect of banking facilities available to:				
– Subsidiaries	–	–	10,241	10,938
Other guarantees given in respect of:				
– Subsidiaries	–	–	133	569
– Joint venture	836	909	836	909
	836	909	11,210	12,416

There is a claim by the ATO against the Company relating to tax disputes concerning the South Australian electricity distribution businesses, SA Power Networks and Victoria Power Networks, which owns the CitiPower and Powercor electricity distribution businesses. The Company has sought legal advice since the dispute arose and is of the view that the Company has a good case to resist the claim and will vigorously defend its position.

As at the end of reporting period, the Company had issued guarantees to banks in respect of banking facilities granted to wholly-owned subsidiaries. In addition, the Company had provided performance guarantees for a joint venture. The Directors do not consider it is probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of reporting period under the issued guarantees is disclosed above. The Company has not recognised any deferred income in respect of the guarantees as their fair value cannot be reliably measured using observable market data.

29. MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the year:

(a) Shareholder

(i) On 17 June 2011, a wholly owned subsidiary of the Company entered into an agreement with a wholly owned subsidiary of Cheung Kong Infrastructure Holdings Limited ("CKI"), a substantial shareholder holding approximately 38.87% of the issued shares of the Company. Pursuant to the agreement, the subsidiary of the Company undertook a turnkey solution project for the subsidiary of CKI at a consideration of $27 million. The project was completed in December 2014.

(ii) Outram Limited ("Outram"), a subsidiary of the Company, reimbursed CKI $34 million (2013: $33 million) being the actual costs incurred for providing the operation and management services to Outram and its subsidiaries for the year. The transaction constitutes a continuing connected transaction under the Listing Rules for the Company.

(b) Joint ventures

(i) Interest income received/receivable from joint ventures in respect of the loans to joint ventures amounted to $843 million (2013: $729 million) for the year. The outstanding balances with joint ventures are disclosed in note 14.

(ii) Tax credit claimed under the consortium relief received/receivable from a joint venture in the United Kingdom amounted to $47 million (2013: $51 million) for the year.

(c) Associates

(i) Interest income received/receivable from associates in respect of the loans to associates amounted to $546 million (2013: $586 million) for the year. The outstanding balances with associates are disclosed in note 15.

(ii) Other operating costs included support service charge recovered by an associate amounted to $36 million (2013: $Nil) for the total costs incurred in the provision or procurement of the general office administration and other support services and office facilities. The outstanding balance with the associate was $2 million (2013: $Nil).

(iii) The Company entered into a gas sales contract (the "Gas Supply Contract") with Guangdong Dapeng LNG Company Limited to purchase natural gas and on-sold the gas to its associate at cost. During the period, the aggregate amounts paid by the associate in discharge of obligations owing by the Company were $145 million. The contract was novated to the associate on 1 April 2014. The amounts charged were based on gas prices which were determined based on the gas price formula under the Gas Supply Contract.

30. SUBSTANTIAL SHAREHOLDER OF THE COMPANY

The Company is a Hong Kong listed company and its shares are widely held by the public. Cheung Kong Infrastructure Holdings Limited currently holds approximately 38.87% of the issued share capital of the Company and is a substantial shareholder of the Company.

31. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The methods, estimates and judgements the Directors used in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements on matters that are inherently uncertain. In addition to notes 9, 23, 26 and 28 which contain information about the assumptions and their risk factors relating to valuation of defined benefit retirement scheme assets and liabilities, financial instruments and tax disputes with the ATO, certain critical accounting judgements in applying the Group's accounting policies are described below.

(a) Impairment

In considering the impairment losses that may be required for the Group's assets which include unlisted available-for-sale securities and fixed assets, the recoverable amounts of the assets need to be determined. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. It is difficult to precisely estimate the fair value less costs to disposal because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant judgement. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount.

Any increase or decrease in impairment losses, recognised as set out above, would affect the net profit in future years.

(b) Associates

(i) CKI Spark Holdings No. One Limited holds a 51% attributable interest in Victoria Power Networks Pty Limited. Victoria Power Networks Pty Limited is the holding company of Powercor and CitiPower. Powercor operates and manages an electricity distribution business in western Victoria, Australia. CitiPower distributes electricity to the Melbourne Central business district. The Group holds 54.76% of CKI Spark Holdings No. One Limited but the Group does not have effective control over it and, therefore, it has been accounted for as an associate.

(ii) CKI Spark Holdings No. Two Limited holds a 51% attributable interest in SA Power Networks Partnership. SA Power Networks Partnership is the sole electricity distributor in South Australia. The Group holds 54.76% of CKI Spark Holdings No. Two Limited but the Group does not have effective control over it and, therefore, it has been accounted for as an associate.

32. DISPOSAL OF SUBSIDIARIES

The Company completed the spin-off and separate listing of the Group's Hong Kong electricity business which is operated by HK Electric, by way of the listing of the share stapled units jointly issued by HKEI on the Main Board of The Stock Exchange of Hong Kong Limited on 29 January 2014. The Group's total consideration of the disposal of 100% holding of HK Electric includes cash and 49.9% interests in the total issued share stapled units of HKEI. The Group ceased to have control over HKEI. Thereafter, HKEI became an associated company of the Group. Details of the net assets disposed and the gain on disposal are as follows:

	2014
	$ million
Fixed assets	49,014
Net employee retirement benefit assets	132
Net derivative financial instruments	278
Inventories	848
Trade and other receivables	1,203
Cash and bank balances	1,148
External borrowings	(11,500)
Amount due to the Company	(27,445)
Trade and other payables	(2,375)
Fuel Clause Recovery Account	(101)
Current tax payable	(186)
Customers' deposits	(1,910)
Deferred tax liabilities	(5,952)
Tariff Stabilisation Fund	(119)
Net assets	3,035
Cash	32,026
Interests in HKEI	24,031
	56,057
Direct costs for disposal	(114)
Consideration received	55,943
Gain on disposal of subsidiaries before release of hedging reserve	52,908
Release of hedging reserve	20
Gain on disposal of subsidiaries	52,928
Analysis of net cash inflow of cash and cash equivalents arising on disposal:	
Cash consideration	32,026
Cash and cash equivalents disposed	(1,148)
Direct costs for disposal	(114)
	30,764

33. POSSIBLE IMPACT OF AMENDMENTS AND NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2014

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
• Amendments to HKAS 19, *Defined benefit plans: Employee contribution*	1 July 2014
• Annual improvements to HKFRSs 2010-2012 cycle	1 July 2014
• Annual improvements to HKFRSs 2011-2013 cycle	1 July 2014
• Annual improvements to HKFRSs 2012-2014 cycle	1 January 2016
• Amendments to HKFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
• Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
• Amendments to HKFRS 10 and HKFRS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	1 January 2016
• HKAS 27, *Separate Financial Statements*	1 January 2016
• HKFRS 15, *Revenue from contracts with customers*	1 January 2017
• HKFRS 9 (2014), *Financial instruments*	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the above developments are relevant to the Group's financial statements but the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position except for HKFRS 9. The Group is presently studying the implications of applying HKFRS 9 but it is impracticable to quantify its effect as at the date of publication of these consolidated financial statements.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the company's first financial year commencing after 3 March 2014 (i.e. the company's financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

APPENDIX 1

Segment information

	2014							
	Sales of electricity	Investments						
$ million	Hong Kong	United Kingdom	Australia	Mainland China	Others	Sub-total	All other activities	Total
For the year ended 31 December								
Revenue								
Turnover	682	674	546	50	169	1,439	10	2,131
Other net income/(loss)	2	–	–	–	6	6	(146)	(138)
Reportable segment revenue	684	674	546	50	175	1,445	(136)	1,993
Result								
Segment earnings	484	674	546	23	175	1,418	(1,006)	896
Gain on disposal of subsidiaries	–	–	–	–	–	–	52,928	52,928
Depreciation and amortisation	(149)	–	–	–	–	–	(2)	(151)
Bank deposit interest income	1	–	–	–	–	–	897	898
Operating profit	336	674	546	23	175	1,418	52,817	54,571
Finance costs	(20)	(117)	(276)	–	(21)	(414)	–	(434)
Share of profits less losses of joint ventures and associates	1,597	4,257	638	288	179	5,362	2	6,961
Profit before taxation	1,913	4,814	908	311	333	6,366	52,819	61,098
Income tax	(53)	47	–	(5)	–	42	(2)	(13)
Profit after taxation	1,860	4,861	908	306	333	6,408	52,817	61,085
Scheme of Control transfers	(80)	–	–	–	–	–	–	(80)
Reportable segment profit	1,780	4,861	908	306	333	6,408	52,817	61,005
At 31 December								
Assets								
Fixed assets	–	–	–	–	–	–	32	32
Other assets	–	–	227	67	–	294	591	885
Interest in joint ventures and associates	24,886	29,158	11,358	4,676	3,980	49,172	8	74,066
Bank deposits and cash	–	–	–	–	–	–	61,291	61,291
Reportable segment assets	24,886	29,158	11,585	4,743	3,980	49,466	61,922	136,274
Liabilities								
Segment liabilities	–	(241)	(48)	(4)	(43)	(336)	(2,644)	(2,980)
Current and deferred taxation	–	–	–	–	–	–	(2)	(2)
Interest-bearing borrowings	–	(5,360)	(3,901)	–	(943)	(10,204)	–	(10,204)
Reportable segment liabilities	–	(5,601)	(3,949)	(4)	(986)	(10,540)	(2,646)	(13,186)
For the year ended 31 December								
Other information								
Capital expenditure	85	–	–	–	–	–	1	86

	2013							
	Sales of electricity	Investments						
	Hong Kong	United Kingdom	Australia	Mainland China	Others	Sub-total	All other activities	Total
$ million		*Restated*	*Restated*	*Restated*	*Restated*	*Restated*		*Restated*
For the year ended 31 December								
Revenue								
Turnover	10,209	553	585	41	177	1,356	13	11,578
Other net income	31	–	–	–	6	6	85	122
Reportable segment revenue	10,240	553	585	41	183	1,362	98	11,700
Result								
Segment earnings	7,446	553	585	14	183	1,335	(832)	7,949
Depreciation and amortisation	(1,983)	–	–	–	–	–	2	(1,981)
Bank deposit interest income	1	–	–	–	–	–	88	89
Operating profit	5,464	553	585	14	183	1,335	(742)	6,057
Finance costs	(286)	(106)	(295)	–	(5)	(406)	–	(692)
Share of profits less losses of joint ventures and associates	–	5,367	548	256	53	6,224	2	6,226
Profit before taxation	5,178	5,814	838	270	231	7,153	(740)	11,591
Income tax	(859)	51	–	(4)	–	47	(2)	(814)
Profit after taxation	4,319	5,865	838	266	231	7,200	(742)	10,777
Scheme of Control transfers	388	–	–	–	–	–	–	388
Reportable segment profit	4,707	5,865	838	266	231	7,200	(742)	11,165
At 31 December								
Assets								
Fixed assets	49,137	–	–	–	–	–	(15)	49,122
Other assets	2,903	41	42	67	–	150	557	3,610
Interest in joint ventures and associates	–	28,173	7,530	4,645	4,255	44,603	8	44,611
Bank deposits and cash	1,060	–	–	–	–	–	6,834	7,894
Reportable segment assets	53,100	28,214	7,572	4,712	4,255	44,753	7,384	105,237
Liabilities								
Segment liabilities	(4,424)	(504)	(171)	(4)	(17)	(696)	(1,997)	(7,117)
Current and deferred taxation	(6,295)	–	–	–	–	–	–	(6,295)
Interest-bearing borrowings	(11,465)	(5,599)	(4,236)	–	(1,048)	(10,883)	–	(22,348)
Rate Reduction Reserve	(3)	–	–	–	–	–	–	(3)
Tariff Stabilisation Fund	(36)	–	–	–	–	–	–	(36)
Reportable segment liabilities	(22,223)	(6,103)	(4,407)	(4)	(1,065)	(11,579)	(1,997)	(35,799)
For the year ended 31 December								
Other information								
Capital expenditure	1,973	–	–	–	–	–	–	1,973

APPENDIX 2

Principal subsidiaries

The following list contains only the particulars of subsidiaries as at 31 December 2014 which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Issued share capital	Percentage of equity held by the Company	Place of incorporation/ operation	Principal activity
Ace Keen Limited	US$1	100*	British Virgin Islands	Property holding
Associated Technical Services Limited	HK$1,000,000	100	Hong Kong	Consulting
Beta Central Profits Limited	GBP277,303,283	100*	United Kingdom	Investment holding
Champion Race Limited	US$1	100*	British Virgin Islands/ Hong Kong	Property holding
Constant Wealth Limited	US$1	100	British Virgin Islands	Financing
Devin International Limited	US$1 and GBP711,200,000	100*	British Virgin Islands	Investment holding
Goldteam Resources Limited	US$1 and NZ$86,000,000	100*	British Virgin Islands	Investment holding
HEI Leting Limited	HK$1	100*	Hong Kong	Investment holding
HK Electric Investments Manager Limited	HK$1	100*	Hong Kong	Trust administration
Hong Kong Electric International Finance (Australia) Pty Ltd	A$71,686,777	100*	Australia	Financing
Hongkong Electric (Natural Gas) Limited	US$1	100	British Virgin Islands	Investment holding

Name of company	Issued share capital	Percentage of equity held by the Company	Place of incorporation/ operation	Principal activity
Hongkong Electric Yunnan Dali Wind Power Company Limited	HK$1	100*	Hong Kong	Investment holding
Jewel Star Investment Limited	HK$1 and A$177,625,751	100*	Hong Kong	Financing
Kind Eagle Investment Limited	HK$666,553,298	100	Hong Kong	Investment holding
More Advance Development Limited	HK$331,801,191	100*	Hong Kong	Investment holding and financing
Ocean Dawn Investments Limited	US$1	100	British Virgin Islands	Investment holding
Optimal Glory Limited	US$1	100*	British Virgin Islands/ Hong Kong	Financing
Outram Limited	US$1	100*	British Virgin Islands	Investment holding
PAH Gas Infrastructure Limited	GBP330,420,782	100*	United Kingdom	Investment holding
PAI Investment Holdings Limited	HK$2	100*	Hong Kong	Provision of management services
PAI International Power (Mauritius) Limited	US$2	100*	Mauritius	Investment holding
PAI Tap Limited S.A.	C$70,161,538	100*	Belgium	Investment holding
Power Assets (Electric Vehicles) Company Limited	HK$1	100	Hong Kong	Leasing of electric vehicles
Power Assets Investments Limited	US$50,901	100	British Virgin Islands	Investment holding

Name of company	Issued share capital	Percentage of equity held by the Company	Place of incorporation/ operation	Principal activity
Precious Glory Limited	HK$7,083,364,747	100*	Hong Kong	Investment holding and financing
Premier Zone Limited	US$1	100*	British Virgin Islands/ Hong Kong	Property holding
Quickview Limited	US$1	100	British Virgin Islands	Investment holding
Sigerson Business Corp.	US$101	100*	British Virgin Islands	Investment holding
Smarter Corporate Limited	US$1	100*	British Virgin Islands	Property holding
Superb Year Limited	US$2	100*	British Virgin Islands	Investment holding
Sure Grade Limited	US$1	100	British Virgin Islands	Investment holding
Vanora Holdings Limited	US$1	100*	British Virgin Islands	Financing
Well Joint Investment Limited	HK$2,457,616,097	100*	Hong Kong	Investment holding

* *Indirectly held*

APPENDIX 3

Principal joint ventures

The following list contains only the particulars of joint ventures as at 31 December 2014 which principally affected the results or assets of the Group:

Name of joint venture	Issued or registered share capital	Percentage of the Group's effective interest	Place of incorporation/ operation	Principal activity	Measurement method
Australian Gas Networks Limited *(note (a))*	A$879,082,753	27.51%	Australia	Gas distribution	Equity
AVR-Afvalverwerking B.V. *(note (b))*	EUR1	20%	The Netherlands	Producing energy from waste	Equity
Canadian Power Holdings Inc. *(note (c))*	C$139,000,000 Ordinary shares C$23,000,000 Preferred shares	50%	Canada	Electricity generation	Equity
Electricity First Limited *(note (d))*	GBP4	50%	United Kingdom	Electricity generation	Equity
Guangdong Zhuhai Jinwan Power Company Limited *(note (e))*	RMB822,250,000 and US$83,340,993	45%	People's Republic of China	Electricity generation	Equity
Guangdong Zhuhai Power Station Company Limited *(note (f))*	RMB1,765,000,000 and US$166,000,000	45%	People's Republic of China	Electricity generation	Equity
Northern Gas Networks Holdings Limited *(note (g))*	GBP71,670,980	41.29%	United Kingdom	Gas distribution	Equity
Transmission Operations (Australia) Pty Limited *(note (h))*	A$8,703,450	50%	Australia	Electricity transmission	Equity
UK Power Networks Holdings Limited *(note (i))*	GBP6,000,000 A Ordinary shares GBP4,000,000 B Ordinary shares GBP360,000,000 A Preference shares GBP240,000,000 B Preference shares	40%	United Kingdom	Electricity distribution	Equity

Name of joint venture	Issued or registered share capital	Percentage of the Group's effective interest	Place of incorporation/ operation	Principal activity	Measurement method
Wales & West Gas Networks (Holdings) Limited *(note (j))*	GBP290,272,506	30%	United Kingdom	Gas distribution	Equity
Wellington Electricity Distribution Network Limited *(note (k))*	NZ$172,000,100	50%	New Zealand	Electricity distribution	Equity

Notes:

(a) Australian Gas Networks Limited (formerly known as Envestra Limited) owns strategic gas distribution networks and transmission pipelines that operate in South Australia, Victoria, Queensland, New South Wales and the Northern Territory.

(b) AVR-Afvalverwerking B.V. is principally engaged in the business of waste processing and production and supply of renewable energy from the incineration of waste.

(c) Canadian Power Holdings Inc. holds a 49.99% partnership interest in TransAlta Cogeneration L.P. TransAlta Cogeneration L.P. owns interests in four gas-fired cogeneration facilities in Alberta and Ontario, Canada and in a coal-fired, generation facility in Alberta, Canada. Canadian Power Holdings Inc. also holds a 100% interest in the Meridian gas-fired combined cycle cogeneration plant in Saskatchewan, Canada.

(d) Electricity First Limited holds a 50% stake in Seabank Power Limited, an electricity-generating company located near Bristol in the United Kingdom.

(e) Guangdong Zhuhai Jinwan Power Company Limited ("Jinwan Power") owns and operates power plants in the People's Republic of China.

(f) Guangdong Zhuhai Power Station Company Limited ("Zhuhai Power") owns and operates power plants in the People's Republic of China.

(g) Northern Gas Networks Holdings Limited operates a gas distribution network in the North of England.

(h) Transmission Operations (Australia) Pty Limited operates a transmission line and a terminal station to transport the electricity generated from a wind farm in Victoria, Australia to the main power grid.

(i) UK Power Networks Holdings Limited owns and operates three regulated electricity distribution networks in the United Kingdom that cover London, South East England and East England. The power networks also include certain non-regulated electricity distribution businesses, which consist predominantly of commercial contracts to distribute electricity to a number of privately owned sites, including certain major airports and railway systems.

(j) Wales & West Gas Networks (Holdings) Limited is engaged in gas distribution in Wales and the southwest of England.

(k) Wellington Electricity Distribution Network Limited supplies electricity to Wellington, Porirua and Hutt Valley regions of New Zealand.

APPENDIX 4

Principal associates

The following list contains only the particulars of associates as at 31 December 2014 which principally affected the results or assets of the Group:

Name of associate	Issued share capital	Percentage of the Group's effective interest	Place of incorporation/ operation	Principal activity	Measurement method
HK Electric Investments and HK Electric Investments Limited *(note (a))*	8,836,200,000 share stapled units being the combination of 8,836,200,000 Units, HK$4,418,100 Ordinary shares and HK$4,418,100 Preference shares	49.9%	Cayman Islands/ Hong Kong	Investment holding	Equity
Huaneng Hongkong Electric Dali Wind Power Company Limited *(note (b))*	RMB150,690,000	45%	People's Republic of China	Electricity generation	Equity
Huaneng Laoting Wind Power Company Limited *(note (c))*	RMB185,280,000	45%	People's Republic of China	Electricity generation	Equity
Ratchaburi Power Company Limited *(note (d))*	THB7,325,000,000	25%	Thailand	Electricity generation	Equity
SA Power Networks Partnership *(note (e))*	N/A	27.93%	Australia	Electricity distribution	Equity
Secan Limited	HK$10	20%	Hong Kong	Property development	Equity
Victoria Power Networks Pty Limited *(note (f))*	A$315,498,640	27.93%	Australia	Electricity distribution	Equity

Notes:

(a) HK Electric Investments and HK Electric Investments Limited ("HKEI") holds 100% of HK Electric. HK Electric is responsible for the generation, transmission, distribution and supply of electricity to Hong Kong and Lamma Islands.

(b) Huaneng Hongkong Electric Dali Wind Power Company Limited is engaged in wind power development, operation, management and supply of electricity in the People's Republic of China.

(c) Huaneng Laoting Wind Power Company Limited is engaged in wind power development, operation, management and supply of electricity in the People's Republic of China.

(d) Ratchaburi Power Company Limited is engaged in the development, financing, operation and maintenance of a power generating station in Thailand.

(e) SA Power Networks Partnership operates and manages the electricity distribution business in the state of South Australia in Australia.

(f) Victoria Power Networks Pty Limited is the holding company of Powercor Australia Limited ("Powercor") and CitiPower I Pty Limited ("CitiPower"). Powercor operates and manages an electricity distribution business in western Victoria, Australia. CitiPower distributes electricity to the Melbourne Central business district in Australia.

3. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

The following financial information has been extracted from the unaudited consolidated financial statements of the Group for the six months ended 30 June 2015 as set forth in the interim report of the Company for the six months ended 30 June 2015 which was released on 11 August 2015.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2015
(Expressed in Hong Kong dollars)

	Note	2015 *$ million*	2014 *$ million*
Turnover	*5*	626	1,432
Direct costs		(4)	(304)
		622	1,128
Gain on disposal of subsidiaries		–	52,928
Other net (loss)/income		(176)	573
Other operating costs		(322)	(816)
Operating profit		124	53,813
Finance costs		(140)	(229)
Share of profits less losses of joint ventures		2,458	2,301
Share of profits less losses of associates		780	789
Profit before taxation	*6*	3,222	56,674
Income tax:	*7*		
Current		15	(48)
Deferred		–	(2)
		15	(50)
Profit after taxation		3,237	56,624
Scheme of Control transfers to:			
Tariff Stabilisation Fund		–	(80)
Profit for the period attributable to equity shareholders of the Company		3,237	56,544
Earnings per share			
Basic and diluted	*8*	$1.52	$26.49

The notes on pages V-80 to V-90 form part of these unaudited interim financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the period are set out in note 19.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015
(Expressed in Hong Kong dollars)

	2015	2014
	$ million	*$ million*
Profit for the period attributable to equity shareholders of the Company	3,237	56,544
Other comprehensive income for the period		
Items that will not be reclassified to profit or loss		
Remeasurement of net defined benefit asset/liability	(14)	(40)
Share of other comprehensive income of joint ventures and associates	(297)	(181)
Income tax relating to items that will not be reclassified to profit or loss	42	54
	(269)	(167)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating operations outside Hong Kong, including joint ventures and associates	(607)	1,461
Net investment hedges	217	(514)
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments recognised during the period	268	35
Reclassification adjustments for disposal of subsidiaries	–	(20)
	268	15
Share of other comprehensive income of joint ventures and associates	(122)	63
Income tax relating to items that may be reclassified subsequently to profit or loss	(50)	(33)
	(294)	992
	(563)	825
Total comprehensive income for the period attributable to equity shareholders of the Company	2,674	57,369

The notes on pages V-80 to V-90 form part of these unaudited interim financial statements.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2015
(Expressed in Hong Kong dollars)

	Note	30 June 2015	31 December 2014
		$ million	*$ million*
Non-current assets			
Fixed assets			
– Property, plant and equipment		14	14
– Interests in leasehold land held for own use under finance leases		18	18
	9	32	32
Interest in joint ventures	10	41,736	41,318
Interest in associates	11	24,248	32,748
Other non-current financial assets		67	67
Derivative financial instruments	16	229	–
Deferred tax assets		–	4
Employee retirement benefit assets		4	4
		66,316	74,173
Current assets			
Trade and other receivables	12	443	810
Bank deposits and cash	13	67,796	61,291
		68,239	62,101
Current liabilities			
Trade and other payables	14	(2,849)	(2,698)
Current tax payable		(15)	(2)
		(2,864)	(2,700)
Net current assets		65,375	59,401
Total assets less current liabilities		131,691	133,574

	Note	30 June 2015	31 December 2014
		$ million	*$ million*
Non-current liabilities			
Bank loans and other interest-bearing borrowings	*15*	(9,938)	(10,204)
Derivative financial instruments	*16*	(74)	(160)
Deferred tax liabilities		(69)	–
Employee retirement benefit liabilities		(138)	(122)
		(10,219)	(10,486)
Net assets		121,472	123,088
Capital and reserves			
Share capital	*17*	6,610	6,610
Reserves		114,862	116,478
Total equity attributable to equity shareholders of the Company		121,472	123,088

The notes on pages V-80 to V-90 form part of these unaudited interim financial statements.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company						
$ million	Share capital	Share premium	Exchange reserve	Hedging reserve	Revenue reserve	Proposed/ declared dividend	Total
Balance at 1 January 2014	2,134	4,476	982	(759)	58,550	4,055	69,438
Changes in equity for the six months ended 30 June 2014:							
Profit for the period	–	–	–	–	56,544	–	56,544
Other comprehensive income	–	–	947	45	(167)	–	825
Total comprehensive income	–	–	947	45	56,377	–	57,369
Transfers on 3 March 2014 *(see note 17)*	4,476	(4,476)	–	–	–	–	–
Final dividend in respect of the previous year approved and paid	–	–	–	–	–	(4,055)	(4,055)
Interim dividend *(see note 19)*	–	–	–	–	(1,430)	1,430	–
Balance at 30 June 2014	6,610	–	1,929	(714)	113,497	1,430	122,752
Balance at 1 January 2015	6,610	–	(621)	(1,152)	113,961	4,290	123,088
Changes in equity for the six months ended 30 June 2015:							
Profit for the period	–	–	–	–	3,237	–	3,237
Other comprehensive income	–	–	(390)	96	(269)	–	(563)
Total comprehensive income	–	–	(390)	96	2,968	–	2,674
Final dividend in respect of the previous year approved and paid	–	–	–	–	–	(4,290)	(4,290)
Interim dividend *(see note 19)*	–	–	–	–	(1,451)	1,451	–
Balance at 30 June 2015	6,610	–	(1,011)	(1,056)	115,478	1,451	121,472

The notes on pages V-80 to V-90 form part of these unaudited interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2015
(Expressed in Hong Kong dollars)

	2015	2014
	$ million	*$ million*
Net cash generated from operating activities	1,070	1,540
Net cash generated from investing activities	19,509	34,004
Net cash (used in)/generated from financing activities	(4,290)	23,400
Net increase in cash and cash equivalents	16,289	58,944
Cash and cash equivalents at 1 January	46,854	5,294
Effect of foreign exchange rate changes	27	–
Cash and cash equivalents at 30 June	63,170	64,238

The notes on pages V-80 to V-90 form part of these unaudited interim financial statements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1. REVIEW OF UNAUDITED INTERIM FINANCIAL STATEMENTS

These unaudited consolidated interim financial statements have been reviewed by the Audit Committee.

2. BASIS OF PREPARATION

These unaudited consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial statements and selected explanatory notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a few amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 19, *Defined benefit plans: Employee contributions*
- Annual improvements to HKFRSs 2010-2012 cycle
- Annual improvements to HKFRSs 2011-2013 cycle

The adoption of these amendments to HKFRSs has no material impact on the Group's result and financial position for the current or prior periods. The Group has not applied any new standard or amendment that is not effective for the current accounting period.

4. SEGMENT REPORTING

The analyses of the principal activities of the operations of the Group during the period are as follows:

	2015							
		Investments						
$ million	Investment in HKEI*	United Kingdom	Australia	Mainland China	Others	Sub-total	All other activities	Total
For the six months ended 30 June								
Revenue								
Turnover	–	310	237	–	74	621	5	626
Other net income	–	–	–	–	3	3	5	8
Reportable segment revenue	–	310	237	–	77	624	10	634
Result								
Segment earnings	–	310	237	(11)	77	613	(305)	308
Loss on partial disposal of an associate	–	–	–	–	–	–	(532)	(532)
Bank deposit interest income	–	–	–	–	–	–	348	348
Operating profit	–	310	237	(11)	77	613	(489)	124
Finance costs	–	(54)	(77)	–	(9)	(140)	–	(140)
Share of profits less losses of joint ventures and associates	568	2,050	273	261	85	2,669	1	3,238
Profit before taxation	568	2,306	433	250	153	3,142	(488)	3,222
Income tax	–	28	–	–	–	28	(13)	15
Reportable segment profit	568	2,334	433	250	153	3,170	(501)	3,237
At 30 June								
Reportable segment assets	16,413	30,475	11,335	4,407	3,706	49,923	68,219	134,555
Reportable segment liabilities	–	(5,604)	(3,860)	(2)	(896)	(10,362)	(2,721)	(13,083)

$ million	2014							
	Investment in HKEI*/ HK Electric	Investments					All other activities	Total
		United Kingdom	Australia	Mainland China	Others	Sub-total		
For the six months ended 30 June								
Revenue								
Turnover	682	339	275	45	86	745	5	1,432
Other net income	2	–	–	–	3	3	115	120
Reportable segment revenue	684	339	275	45	89	748	120	1,552
Result								
Segment earnings	484	339	275	33	89	736	(638)	582
Gain on disposal of subsidiaries	–	–	–	–	–	–	52,928	52,928
Depreciation and amortisation	(149)	–	–	–	–	–	(1)	(150)
Bank deposit interest income	1	–	–	–	–	–	452	453
Operating profit	336	339	275	33	89	736	52,741	53,813
Finance costs	(20)	(59)	(139)	–	(11)	(209)	–	(229)
Share of profits less losses of joint ventures and associates	483	2,067	258	224	57	2,606	1	3,090
Profit before taxation	799	2,347	394	257	135	3,133	52,742	56,674
Income tax	(53)	8	–	(4)	–	4	(1)	(50)
Profit after taxation	746	2,355	394	253	135	3,137	52,741	56,624
Scheme of Control transfers	(80)	–	–	–	–	–	–	(80)
Reportable segment profit	666	2,355	394	253	135	3,137	52,741	56,544
At 30 June								
Reportable segment assets	24,467	31,057	8,191	4,778	4,328	48,354	64,961	137,782
Reportable segment liabilities	–	(6,626)	(4,706)	(3)	(1,088)	(12,423)	(2,607)	(15,030)

Note:

* As at 1 January 2015, the Group has a 49.9% (2014: 49.9% effective from 29 January 2014) equity interest in HK Electric Investments and HK Electric Investments Limited (collectively as "HKEI"), which is listed on The Stock Exchange of Hong Kong Limited. On 9 June 2015, the Group disposed of a 16.53% stake in HKEI and retained approximately 33.37% stake at 30 June 2015.

5. TURNOVER

Group turnover represents interest income from loans granted to joint ventures and associates, dividends from other financial assets and engineering and consulting services fees.

	Six months ended 30 June	
	2015	**2014**
	$ million	*$ million*
Sales of electricity	–	676
Electricity-related income	–	6
Interest income	621	700
Dividends	–	45
Others	5	5
	626	1,432
Share of revenue of unlisted joint ventures	8,997	9,400

6. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2015	**2014**
	$ million	*$ million*
Profit before taxation is arrived at after charging/(crediting):		
Finance costs		
Interest on borrowings	140	230
Less: Interest transferred to fuel costs	–	(1)
	140	229
Depreciation		
Depreciation charges for the period	–	155
Less: Depreciation capitalised to fixed assets	–	(9)
	–	146
Amortisation of leasehold land	–	4

7. INCOME TAX

	Six months ended 30 June	
	2015	**2014**
	$ million	*$ million*
Current tax	(15)	48
Deferred tax	–	2
	(15)	50

Taxation is provided for at the applicable tax rate on the estimated assessable profits less available tax losses. Deferred taxation is provided on temporary differences under the liability method using tax rates applicable to the Group's operations in different countries.

As at 31 December 2014, a subsidiary of the Company has paid to the Australian Taxation Office ("ATO"), a total of A$72 million being 50% (which percentage is based on ATO customary practice) of the tax in dispute, including interest and penalties, claimed by the ATO pending resolution of a dispute regarding the deductibility of certain fees paid by that subsidiary for income tax purposes.

In June 2015, the Company and other relevant parties entered into an agreement with the ATO to resolve the above tax disputes. Under the settlement, the ATO will cease to pursue the legal proceedings against the Company in respect of unpaid tax, penalties and interests, and no penalties will be levied against the Company or its subsidiaries. A sum of approximately A$28 million will be refunded from the ATO and approximately A$69 million was charged to the consolidated statement of profit or loss during the period under review.

8. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $3,237 million for the six months ended 30 June 2015 (2014: $56,544 million) and 2,134,261,654 ordinary shares (2014: 2,134,261,654 ordinary shares) in issue throughout the period.

There were no dilutive potential ordinary shares in existence during the six months ended 30 June 2015 and 2014.

9. FIXED ASSETS

$ million	Site formation and buildings	Plant, machinery and equipment	Sub-total	Interests in leasehold land held for own use under finance leases	Total fixed assets
Net book value at 1 January 2015	11	3	14	18	32
Depreciation and amortisation	–	–	–	–	–
Net book value at 30 June 2015	11	3	14	18	32
Cost	26	6	32	30	62
Accumulated depreciation and amortisation	(15)	(3)	(18)	(12)	(30)
Net book value at 30 June 2015	11	3	14	18	32

10. INTEREST IN JOINT VENTURES

	30 June 2015	31 December 2014
	$ million	*$ million*
Share of net assets of unlisted joint ventures	32,911	32,410
Loans to unlisted joint ventures	8,571	8,720
Amounts due from unlisted joint ventures	254	188
	41,736	41,318
Share of total assets of unlisted joint ventures	102,122	101,684

11. INTEREST IN ASSOCIATES

	30 June 2015	31 December 2014
	$ million	*$ million*
Share of net assets		
– Listed associate	16,413	24,884
– Unlisted associates	3,617	3,421
	20,030	28,305
Loans to unlisted associates	4,137	4,372
Amounts due from associates	81	71
	24,248	32,748

12. TRADE AND OTHER RECEIVABLES

	30 June 2015	31 December 2014
	$ million	*$ million*
Interest and other receivables	266	583
Derivative financial instruments	174	225
Deposits and prepayments	3	2
	443	810

Trade with customers is carried out on credit and invoices are normally due within 1 month after issued.

13. BANK DEPOSITS AND CASH

	30 June 2015	31 December 2014
	$ million	*$ million*
Deposits with banks and other financial institutions with 3 months or less to maturity when placed	63,113	46,820
Cash at bank and on hand	57	34
Cash and cash equivalents in the consolidated cash flow statement	63,170	46,854
Deposits with banks and other financial institutions with more than 3 months to maturity when placed	4,626	14,437
	67,796	61,291

14. TRADE AND OTHER PAYABLES

	30 June 2015	31 December 2014
	$ million	*$ million*
Due within 1 month or on demand	110	29
Due after 1 month but within 3 months	5	41
Due after 3 months but within 12 months	2,656	2,551
Creditors measured at amortised cost	2,771	2,621
Derivative financial instruments	78	77
	2,849	2,698

15. NON-CURRENT BANK LOANS AND OTHER INTEREST-BEARING BORROWINGS

	30 June 2015	31 December 2014
	$ million	*$ million*
Bank loans	9,938	10,204

16. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2015		31 December 2014	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	$ million	*$ million*	*$ million*	*$ million*
Derivative financial instruments used for hedging:				
Cash flow hedges Interest rate swaps	229	(40)	–	(78)
Net investment hedges				
Forward foreign exchange contracts	64	(112)	223	(114)
Derivative financial instruments not qualifying as accounting hedges:				
Forward foreign exchange contracts	110	–	2	(45)
	403	(152)	225	(237)
Analysed as:				
Current	174	(78)	225	(77)
Non-current	229	(74)	–	(160)
	403	(152)	225	(237)

17. SHARE CAPITAL

	Number of shares	30 June 2015	31 December 2014
		$ million	*$ million*
Issued and fully paid:			
Voting ordinary shares:			
At the beginning of the period/year	2,134,261,654	6,610	2,134
Transfers from share premium	–	–	4,476
At the end of the period/year	2,134,261,654	6,610	6,610

There were no movements in the share capital of the Company during the period.

18. FAIR VALUE MEASUREMENT

(a) Recurring fair value measurements

	Level 2	
	30 June 2015	**31 December 2014**
	$ million	*$ million*
Financial assets		
Derivative financial instruments:		
– Interest rate swaps	229	–
– Forward foreign exchange contracts	174	225
	403	225
Financial liabilities		
Derivative financial instruments:		
– Interest rate swaps	(40)	(78)
– Forward foreign exchange contracts	(112)	(159)
	(152)	(237)

(b) Valuation techniques and inputs in fair value measurements

The fair value of forward foreign exchange contracts is measured using forward exchange market rates at the end of the reporting period. The fair value of interest rate swaps is measured by discounting the future cash flows of the contracts at the current market interest rate.

(c) Fair values of financial assets and liabilities carried at other than fair value

Unlisted available-for-sale equity securities, amounts due from joint ventures and associates, trade and other receivables, trade and other payables and external borrowings are carried at cost or amortised cost which are not materially different from their fair values as at 30 June 2015 and 31 December 2014.

19. INTERIM DIVIDEND

The interim dividend declared by the Board of Directors is as follows:

	Six months ended 30 June	
	2015	**2014**
	$ million	*$ million*
Interim dividend of $0.68 per ordinary share (2014: $0.67 per ordinary share)	1,451	1,430

20. CAPITAL COMMITMENTS

The Group's outstanding capital commitments not provided for in the financial statements were as follows:

	30 June 2015	31 December 2014
	$ million	*$ million*
Contracted for:		
Investment in a joint venture	28	–
Authorised but not contracted for:		
Capital expenditure for fixed assets	1	1
Investment in a joint venture	146	189
	147	190

21. CONTINGENT LIABILITIES

	30 June 2015	31 December 2014
	$ million	*$ million*
Guarantees given in respect of:		
– Joint ventures	885	836

22. MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the period:

(a) Shareholder

Outram Limited ("Outram"), a subsidiary of the Company, reimbursed a wholly owned subsidiary of Cheung Kong Infrastructure Holdings Limited, a substantial shareholder holding approximately 38.87% of the issued shares of the Company, $15 million (2014: $17 million) being the actual costs incurred for providing the operation and management services to Outram and its subsidiaries for the period. The transaction constitutes a continuing connected transaction under the Listing Rules for the Company.

(b) Joint ventures

(i) Interest income received/receivable from joint ventures in respect of the loans to joint ventures amounted to $384 million for the six months ended 30 June 2015 (2014: $425 million). The outstanding balances with joint ventures are disclosed in note 10.

(ii) Tax credit claimed under the consortium relief received/receivable from a joint venture in the United Kingdom amounted to $28 million for the six months ended 30 June 2015 (2014: $8 million).

(c) Associates

(i) Interest income received/receivable from associates in respect of the loans to associates amounted to $237 million for the six months ended 30 June 2015 (2014: $275 million). The outstanding balances with associates are disclosed in note 11.

(ii) Other operating costs included support service charge recovered by an associate amounted to $18 million (2014: $18 million) for the total costs incurred in the provision or procurement of the general office administration and other support services and office facilities. The outstanding balance at 30 June 2015 with the associate was $3 million (31 December 2014: $2 million).

4. MANAGEMENT DISCUSSION AND ANALYSIS ON THE COMPANY

Set out below is the management discussion and analysis on the Group for the three years ended 31 December 2014 and the six months ended 30 June 2015. The information set out below has been extracted or derived from the relevant annual reports of the Company and the 2015 interim report of the Company to provide further information relating to the financial condition and results of operations of the Group during the periods stated. Defined terms used in this document have been used in the discussion below.

A. For the six months ended 30 June 2015 (and as compared to the six months ended 30 June 2014)

Operating Review

As global economies continue on a steady growth trend, the Group's holdings around the world achieved stable results during the first half of 2015.

The four UK operating companies, UK Power Networks, Northern Gas Networks, Wales & West Utilities and Seabank delivered satisfactory performance, meeting all their operational parameters. The UK continues to be the Group's single largest market despite an unfavourable pound sterling exchange rate during the period. The Group's companies are expected to achieve further growth and profits under the RIIO (Revenue = Incentives + Innovation + Outputs) incentive framework as they are well placed to use their strengths in innovation, efficiency and cost-effectiveness to thrive under the framework.

UK Power Networks progressed with its five-phase business transformation programme to enhance efficiency and customer service during the period, completing two phases of the implementation. Northern Gas Networks and Wales & West Utilities remained the top performing gas distribution networks in customer satisfaction and efficiency. Wales & West Utilities now has ten biomethane production sites connected to the gas grid as part of its innovative environmental programme. Seabank has surpassed its operational objectives during the period.

In Australia, another key market, the Group benefited from an expanded presence in the natural gas market. Australian Gas Networks, acquired in the second half of 2014, performed in line with expectations, increasing its customer base and revenues while reducing operating expenses. Transmission Operations Australia's results were stable as the business continues to service its operating and maintenance contract with Victoria's Mount Mercer Wind Farm.

SA Power Networks improved system reliability and submitted a revised proposal to the regulator to determine prices and revenue allowances for the new 2015 – 2020 regulatory control period. CitiPower and Powercor Australia both continued to improve on their own performance in customer numbers, distribution revenues and lower operating costs. Following the signing of a Heads of Agreement with Australian Taxation Office ("**ATO**") in June 2015, the dispute between the Group's Australian operating companies and ATO regarding the deductibility of certain fees for income tax purposes has been resolved, providing clarity on tax deductibility to the operating companies.

In mainland China, the Group's power plants in Zhuhai, Jinwan and Siping continued to implement programmes to improve environmental performance and efficiency. Electricity sales dropped during the period as a result of competition from nuclear and hydro-electric power as well as new coal-fired plants, with impact offset by lower coal price and savings in operating costs. The Jinwan plant has succeeded in reducing sulphur dioxide, nitrogen oxides and particulates emissions by over 50% as compared with the same period last year. Thanks to higher wind yields, performance at the Laoting wind farm has improved over the previous year.

The energy-from-waste business in the Netherlands, home to the Group's first operation in continental Europe, delivered strong results. During the period, AVR-Afvalverwerking B.V. ("**AVR**") outperformed its interim deliverables in waste processing. AVR curtailed its electricity production to further enhance cycle efficiency and increase heat and steam production.

In Canada, the Meridian power plant installed new turbine parts in April 2015, the costs of which will be offset by improvements in efficiency and power output during the remainder of the year. Overall, Canadian Power continued to generate steady returns.

In New Zealand, Wellington Electricity met all its regulatory obligations and engaged with community groups to conduct public awareness campaigns on the importance of vegetation management to prevent fire. Ratchaburi Power in Thailand outperformed its production plan owing to higher availability. In addition, the power plant achieved fuel cost savings arising from efficiencies in plant performance and operation.

HK Electric, the Group's flagship business in Hong Kong continued to excel in power supply reliability and customer service at affordable tariffs. During the period under review, HK Electric made a submission to the Government in response to a public consultation on the future development of the electricity market. The Group supports HK Electric's view that maintaining the existing regulatory framework is the best way forward as it has met the four energy policy objectives with respect to safety, reliability, affordability and environmental protection set by the Government.

Under the Scheme of Control Agreement ("**SCA**"), HK Electric customers have been enjoying excellent power supply reliability which is much higher than many cities in the world, and yet their tariff is much more affordable. The Group notes HK Electric only raised tariff by 5.9% between 2008-2014 against an inflation rate of 23% over the same period and pledged to maintain tariff at the 2013 level till 2018. It has also made significant improvements on the environment, reducing emissions by 40-90% between 2008-2014, outperforming the Government's emissions cap. Given that the SCA has provided a perfect balance whereby consumers enjoy value for money services and investors receive a rate of return conducive to making long-term investments in electricity infrastructure, the Group agrees with HK Electric's position that no unnecessary changes should be made to the current regulatory regime.

Financial Performance

The Group's unaudited profit for the six months ended 30 June 2015 amounted to HK$3,237 million, including a loss of HK$532 million from the disposal of a 16.53% stake in HK Electric Investments and HK Electric Investments Limited in June 2015 (2014: HK$56,544 million, including a one-time gain of HK$52,928 million from the spin-off of The Hongkong Electric Company, Limited in January 2014).

Investments in the United Kingdom performed satisfactorily during the first half of the year, contributing earnings of HK$2,334 million (2014: HK$2,355 million). The UK remained the largest market of the Group despite a weakening of the pound sterling.

The Group's investments in Australia yielded reliable profit contributions of HK$433 million (2014: HK$394 million). It was higher than last year mainly due to contribution from Australian Gas Networks, which was acquired in the second half of 2014 but the overall contribution was impacted by a lower exchange rate of Australian dollar when compared with the same period of last year.

In mainland China, performance of our coal-fired plants recorded less favourable results due to Jinwan Power Plant completed a planned major overhaul in the first half of 2015 and electricity sales dropped, but offset by lower coal costs and savings in operating expenses, while the wind farm in Laoting improved their performance due to higher wind yields throughout the period.

The Group's investment in the Netherlands delivered strong results during the period. Investments in Canada, Thailand and New Zealand continued to make stable earnings contributions.

The Group's investment in Hong Kong electricity businesses recorded lower earnings of HK$568 million (2014: HK$666 million) mainly due to reduction of our share from 100% to 49.9% since 29 January 2014 and further reduced to 33.37% from 9 June 2015.

Secure earnings and a strong financial position allowed us to continue with a stable dividend policy. 2015 interim dividend of HK$0.68 per share (2014: HK$0.67 per share) representing a 1.5% growth.

Capital Expenditure, Liquidity and Financial Resources

The Group's capital expenditure and investments were primarily funded by cash from operations, dividends and other repatriation from investments. Total unsecured bank loans outstanding at 30 June 2015 were HK$9,938 million (31 December 2014: HK$10,204 million). In addition, the Group had bank deposits and cash of HK$67,796 million (31 December 2014: HK$61,291 million) and no undrawn committed bank facility at 30 June 2015 (31 December 2014: Nil).

Treasury Policy, Financing Activities and Debt Structure

The Group manages its financial risks in accordance with guidelines laid down in its treasury policy, which is approved by the Board. The treasury policy is designed to manage the Group's currency, interest rate and counterparty risks. Surplus funds, which arise mainly from dividends and other repatriation from investments, are generally placed on short term deposits denominated primarily in Australian dollars, Hong Kong dollars, pounds sterling and United States dollars. The Group aims to ensure that adequate financial resources are available for refinancing and business growth whilst maintaining a prudent capital structure.

The Group's financial profile remained strong during the period. Following the partial disposal of a 16.53% stake in HK Electric Investments and HK Electric Investments Limited on 9 June 2015, Standard & Poor's reaffirmed the "A-" long term credit ratings of the Company with a stable outlook. As at 30 June 2015, the net cash position of the Group amounted to HK$57,858 million (31 December 2014: HK$51,087 million).

The profile of the Group's external borrowings as at 30 June 2015, after taking into account interest rate swaps, was as follows:

(1) 9% were in Euro, 37% were in Australian dollars and 54% were in pounds sterling;

(2) 100% were bank loans;

(3) 100% were repayable between 2 and 5 years;

(4) 76% were in fixed rate and 24% were in floating rate.

The Group's policy is to maintain a portion of its debt at fixed interest rates. Interest rate risk is managed by either securing fixed rate borrowings or by using interest rate derivatives.

Currency and interest rate risks are actively managed in accordance with the Group's treasury policy. Derivative financial instruments are used primarily for managing interest rate and foreign currency risks and not for speculative purposes. Treasury transactions are only executed with counterparties with acceptable credit ratings to control counterparty risk exposure.

The Group's principal foreign currency exposures arise from its investments outside Hong Kong. Foreign currency transaction exposure also arises from settlement to vendors which is not material and is managed mainly through purchases in the spot market or utilisation of foreign currency receipts of the Group. Currency exposure arising from investments outside Hong Kong is, where considered appropriate, mitigated by financing those investments in local currency borrowings and by entering into forward foreign exchange contracts. Foreign currency fluctuations will affect the translated value of the net assets of investments outside Hong Kong and the resultant translation difference is included in the Group's reserve account. Income received from the Group's investments outside Hong Kong which is not denominated in Hong Kong dollars is, unless otherwise determined, converted into Hong Kong dollars on receipt.

The contractual notional amounts of derivative financial instruments outstanding at 30 June 2015 amounted to HK$22,372 million (31 December 2014: HK$22,869 million).

Charges on Group Assets

At 30 June 2015, the Group's interest in an associate of HK$542 million (31 December 2014: HK$504 million) had been pledged as part of the security to secure financing facilities granted to the associate.

Contingent Liabilities

As at 30 June 2015, the Group had given guarantees and indemnities totalling HK$885 million (31 December 2014: HK$836 million).

The Company had given guarantees and indemnities in respect of bank and other borrowing facilities made available to and financial commitments of subsidiaries totalling HK$10,084 million (31 December 2014: HK$10,374 million). The entire amount, while being a contingent liability of the Company, is reflected in the Consolidated Statement of Financial Position of the Group.

Employees

The Group continues its policy of pay-for-performance and the pay levels are monitored to ensure competitiveness is maintained. The Group's total remuneration costs for the six months ended 30 June 2015, excluding directors' emoluments, amounted to HK$11 million (2014: HK$91 million). As at 30 June 2015, the Group employed 11 (31 December 2014: 12) permanent employees. No share option scheme is in operation.

B. For the year ended 31 December 2014 (and as compared to the year ended 31 December 2013)

Operating Review

The Company is a growing and dynamic participant in the global energy business. The companies in our portfolio, spread across four continents, are viable businesses that combine earnings predictability and steady growth business models. They span the electricity generation, transmission and distribution, and gas distribution businesses, and allow us to achieve our mission of delivering long-term sustainable earnings growth in stable, well-structured international markets.

In 2014 our global portfolio of companies achieved robust results, driven by strong operating performance achieved by our associates and joint ventures in the UK, Hong Kong, Australia and mainland China as well as Canada, Netherlands, New Zealand and Thailand.

During the year the Group persisted with its strategy of expanding its global footprint through the acquisition of a 27.5% stake in Australian Gas Networks Limited (AGN), formerly Envestra Limited, one of Australia's largest natural gas distribution companies. AGN owns about 23,100 kilometres of natural gas distribution networks and 1,100 kilometres of transmission pipelines, serving 1.2 million consumers across the country.

The Hongkong Electric Company, Limited ("**HK Electric**"), our Hong Kong flagship company, is operating as an independent entity following the spin-off in January 2014, delivering improved revenues, efficiencies and customer satisfaction.

(i) United Kingdom

The UK is the Group's largest market of operations. We have four operating companies in this market operating in the electricity generation, and electricity and gas distribution sectors, serving about 13.3 million customers across the nation. In 2014 all four companies have delivered robust performance and achieved steady contribution and growth despite short-term currency fluctuations.

The power sector in the UK is dynamic and has seen several significant regulatory changes in recent years. To incentivise investment in innovation, efficiency and cost-effectiveness the regulator, Office of the Gas and Electricity Markets (Ofgem), has established a new incentive framework called RIIO (Revenue = Incentives + Innovation + Outputs). With efficient operations and strong records of innovation, our UK companies are favourably positioned to take advantage of the new framework to achieve greater savings and returns.

UK Power Networks (UKPN)

UKPN owns, operates and manages three of the 14 regulated electricity distribution networks in the UK. It serves London, the South East and the East of England, covering over 8.1 million customers via a distribution network measuring about 186,800 km.

During the year, UKPN distributed nearly 80,000 GWh of electricity and maintained its strong operational performance of the past several years. In November 2014, Ofgem released its RIIO ED1 proposals that reviewed price controls for electricity distribution. Under the proposals UKPN will achieve a real increase in the overall levels of revenue received in the next price control period when compared to the current period. It is one of only two UK distribution operator groups able to secure an increase in overall revenue levels: a testament to UKPN's cost-effectiveness and its high levels of reliability and performance.

In 2014 UKPN continued with the implementation of its business transformation programme, a company-wide initiative to update information systems and streamline business processes with the ultimate goal to enhance efficiency and further improve customer service levels. The project is well on track with the first two of five planned releases going live successfully. A significant proportion of the design and development work for the remaining three releases was also completed during 2014 and these releases are scheduled to go live as planned in 2015.

In addition to the business transformation programme, UKPN invested over GBP640 million across its networks in 2014 to improve performance and reliability. An important project commissioned during the year was the Smarter Network Storage project at Leighton Buzzard in Bedfordshire, a network innovation project involving the installation of a 6 MW/10 MWh electrical storage device which incorporates a smart optimisation and control system (SOCS). The SOCS, which was tested during the year, will be able to intelligently forecast demand and optimise the use of storage capacity. Once the technology is proven, these storage devices can be used to enhance network capacity and help to significantly improve the cost and time taken to reinforce distribution networks across the UK.

UKPN maintained its high service standards, reducing the average time its customers were without power and the average number of power outages per customer from last year, outperforming Ofgem targets on both counts. In addition, in line with UKPN's vision of being the Employer of Choice, the company obtained the Gold Accreditation for Investors in People (liP) award while also being voted as one of the Top 25 Best Companies to work for by the Sunday Times. UKPN also won the Utility Week 'Digital Utility' award in December for its industry leading work in opening up different channels of communication with its customers.

Northern Gas Networks (NGN)

NGN runs the gas distribution network in the north of England, one of the eight distribution networks in the UK. It supplies gas to 2.69 million customers via 36,100 km of pipelines.

During 2014, NGN's total gas throughput was 64,917 GWh, with the company meeting and in many cases exceeding all its operational targets and standards of service for the year. NGN remained the most efficient of the eight UK gas distribution networks, and has successfully secured approximately GBP6 million in performance incentives under the RIIO model, most of which will be collected in two years' time.

NGN invested GBP40.9 million to implement network improvements for enhanced reliability. This included a network extension programme launched in 2009 to contribute to the alleviation of fuel poverty in the areas it serves. NGN also continued to invest in a large-scale mains replacement programme to improve the future reliability and safety of the network, decommissioning over 500 km of old iron mains. The company's information technology infrastructure was also upgraded.

Wales & West Utilities (WWU)

WWU is a gas distribution business connecting 2.5 million consumers via 35,000 km of gas distribution pipelines in Wales and the South West of England.

WWU's revenues and profits are regulated by RIIO-GD1, the first gas distribution price control review to use Ofgem's RIIO model of network regulation. The RIIO-GD1 price control details the requirements for the UK's eight gas distribution networks in terms of customer services, as well as the associated revenues they are allowed to collect.

In 2014, WWU outperformed its targets in all the categories detailed in the RIIO-GD1 requirements. To increase efficiency the company took advantage of its common ownership with other UK utilities businesses to identify opportunities to reduce costs in the supply chain.

During the year, WWU invested GBP53.7 million in capital projects aimed at reinforcing its network infrastructure, upgrading its vehicle fleet, improving information technology solutions and depot acquisitions. WWU also continued with its ongoing mains replacement programme, in line with the requirements of the UK Health and Safety Executive and Ofgem. The mains replacement programme focused on the long term replacement of metallic mains in close proximity to dwellings.

WWU is recognised as one of the top performing UK gas distribution networks for customer satisfaction and complaint handling. WWU will strive for further improvement to maintain this position.

Seabank Power Limited (SPL)

SPL is the Group's UK generation business, located near Bristol. The company operates two combined-cycle gas turbine generation units (CCGT's) with an aggregate capacity of approximately 1,140 MW.

SPL continued to operate under long-term power purchase agreements and delivered stable returns despite challenging conditions for gas-fired generators.

Performance in the power generation sector as a whole, across the country, was mixed. Mild climatic conditions, combined with shifting cost differentials between the various forms of generation led to continued low generation levels for CCGT's. SPL generated 2,620 GWh of electricity, on par with 2013 levels.

(ii) Hong Kong

The Hongkong Electric Company (HK Electric)

Founded in 1889, HK Electric is the Company's flagship home business and the Group's longest-established company. It generates, transmits, distributes and supplies affordable and reliable electricity to its customer base of 570,000 in Hong Kong.

In 2014, HK Electric continued to fulfill its commitment to maintaining its world-leading standards of affordability, reliability and customer service. As one of the pillars of the Hong Kong community the company also persisted with its corporate social responsibility programme and environmental stewardship.

During the year electricity sales increased by 1.7% to 10,955 million kWh (2013: 10,773 million kWh) due to hotter weather during summer months.

Reducing emissions and carbon footprint without compromising reliability or affordability remains one of the primary drivers for the company. To this end HK Electric continued to increase the use of natural gas for power generation. In 2014 over 30% of power generated came from natural gas.

An extensive maintenance and replacement exercise was carried out across the entire transmission network during the year to ensure reliability. HK Electric has maintained a reliability rating in excess of 99.999% since 1997. In addition, HK Electric customers experienced on average less than one minute of unplanned power interruption per customer in 2014, a record the company has maintained since 2009.

In early 2014, the Hong Kong Government conducted a public consultation to solicit the community's views on the future fuel mix for electricity generation in Hong Kong. HK Electric submitted its views and considerations in favour of keeping electricity generation local while increasing the use of environmentally friendly natural gas in the fuel mix to 60%. HK Electric believes this is the best way to maintain reliability, environmental standards and affordability in the electricity sector in Hong Kong. This view was shared by the majority of those who responded as the Government had indicated that local generation is the mainstream opinion of over 80,000 responses expressed by the community during the three-month public consultation.

During the year HK Electric progressed its HK$13 billion five-year investment plan to improve efficiency and emissions performance. A tender was issued during the year for the construction of a new gas-fired combined cycle generation unit, which will replace an aging gas-fired unit.

The company also established a fund to improve energy efficiency in older residential buildings with an initial injection of close to HK$5 million. The fund will continue to run until end 2018.

In 2014, Lamma Power Station, the primary generation facility, achieved or outperformed all the statutory emissions targets set by the Hong Kong Government due to increased use of more environmentally friendly fuels, a proactive maintenance schedule, and the installation and upgrade of advanced emissions control equipment. Following a legislative amendment, statutory emissions targets will be further tightened from 2019: emissions allowances will be further reduced by 18% for SO_2, 5% for NOx and 20% for RSP from their 2017 levels.

The company achieved and surpassed all of its 18 pledged customer service standards in 2014 for the 15th year in a row and secured the financial incentives awarded under the Scheme of Control Agreement for the attainment of three customer performance indices: Average Supply Availability Index, Appointment Punctuality Index and Connection and Supply Performance Index.

HK Electric's dedicated and passionate team of 889 volunteers has been lending a helping hand to Hong Kong's residents for a decade. During the year the team provided over 5,600 hours of community service through a variety of activities. These ranged from programmes designed to help the elderly live more fulfilling and secure lives, to creating opportunities for disadvantaged persons to learn new skills. One of the key focus areas for our community engagement efforts is in encouraging responsible energy use and the promotion of a low-carbon lifestyle.

(iii) Australia

In Australia, the Company owns four leading companies in the energy transmission and distribution sector: SA Power Networks, CitiPower and Powercor Australia, Transmission Operations Australia and most recently, Australian Gas Networks Limited, formerly known as Envestra Limited. Together the four companies operate networks of over 181,400 km and gas pipelines of over 24,200 km, delivering energy to over 3.1 million customers in Australia.

Australian Gas Networks (AGN)

AGN is one of Australia's largest natural gas distribution companies, serving 1.2 million consumers across the country.

In August 2014, AGN became the latest addition to the Company's portfolio through the acquisition of a 27.5% stake. The acquisition was completed as part of a joint venture with CKI and Cheung Kong (Holdings) Limited. AGN has a nationwide reach in the well-regulated and attractive Australian natural gas distribution market.

During 2014, AGN continued to operate its gas distribution business safely and reliably while improving the steady growth in customer connections to the networks.

The company delivered 109,000 terajoules of gas during the year. It also continued with its capital expenditure programme during the year focusing on mains replacement. About 500 km of mains were replaced during the year.

SA Power Networks (SAPN)

SAPN is South Australia's sole electricity distributor with about 847,000 customers served by a network of 88,200 km.

SAPN distributed 10,586 Gwh of energy during 2014, lower than its performance in the previous year by 2%. An important undertaking during the year was the submission in October of a five-year regulatory proposal to the Australian Energy Regulator for the 2015-2020 regulatory control period.

Severe storms in January, February and June impacted network reliability and service levels. In response to these events a major review of extended outages has been taken with a view to identifying areas of improvement.

In 2014, SAPN improved its other customer service parameters and achieved a telephone Grade of Service of 90.1 % of calls answered within 30 seconds against a target of 88.7%.

SAPN upgraded its network data communication systems during 2014. The enhancement has enabled field services, the control room and management to efficiently and effectively manage the real time operations of SAPN's electricity grid through reduced manual processes, better visibility of unplanned outages and improved efficiency of planned outages and switching.

CitiPower and Powercor Australia

CitiPower and Powercor Australia operate distribution networks of over 93,000 km in Victoria covering an area of over 145,800 sq km and serving 1.1 million customers.

During the year, CitiPower and Powercor continued its focus on Health and Safety and lead indicator reporting. The company also experienced the lowest number of complaints to the Energy and Water Ombudsman of any Victorian distributor and achieved customer satisfaction ratings of 80% and 85% respectively in its annual survey.

While maintaining its focus on reducing underlying cost through improved operational and process efficiency CitiPower and Powercor continued to invest in network improvements. During the year, A$5.7 million was invested in converting over 19 km of high voltage overhead power lines to underground cable to reduce bushfire risk in the Otway Ranges. The project was implemented under the Powerline Replacement Fund, a Victorian Government funding commitment of over 10 years to reduce the risk of bushfires caused by electrical assets. Investments were also made to convert several private overhead electricity lines to underground cable to improve safety and reliability.

Transmission Operations Australia (TOA)

TOA builds, owns and operates the connection for the Mt Mercer wind farm in Victoria to the state's existing electrical transmission network via a 22 km 132 kV power line and the Elaine Terminal Station in Victoria. The terminal station steps the voltage up from 132 kV to 220 kV allowing the electricity to be transmitted across the national grid. TOA received a high commendation award from the Australian Institute of Project Management for the Elaine Terminal Station project.

During the year, the wind farm achieved full operational capacity allowing TOA to transmit 415 GWh of electricity.

Going forward, TOA will continue to invest in expanding its network to connect more wind farms to the national grid.

(iv) Mainland China

In mainland China, the Company has five power generation businesses, two of which are wind farms eligible for carbon credits, alongside three coal-fired plants.

In 2014, demand for coal-fired power in Guangdong and the Pearl River delta region continued to decline due to a combination of factors such as alternative supply from western China including hydro-electric power, new gas-fired units and nuclear reactors coming online. Challenging weather conditions affected the wind farms.

Due to systematic equipment maintenance and improved operating efficiencies, the performance of the mainland China companies remained stable during the year. All emissions targets were achieved or outperformed.

Coal plants – Zhuhai, Jinwan and Siping

The Zhuhai Power Plant in Zhuhai city, the neighbouring Jinwan Power Plant, and Siping Cogeneration Plant in Jilin province in north-eastern China have a combined generation capacity of 2,800 MW.

The three plants sold approximately 13 billion KWh of electricity, 368,200 tonnes of steam and 3 million GJ of heat during the year.

In 2014, newer and tighter national environmental protection standards came into effect, bringing into force more stringent emissions restrictions. To meet these standards the three coal-fired plants undertook equipment maintenance, upgrade and replacement programmes during the year.

The Zhuhai plant completed an extensive series of upgrades to emissions control equipment including expanding the capacity of the flue gas desulphurisation unit, installation of selective catalytic reduction systems and modifications to the electrostatic precipitators to convert them into precipitator/ fabric filter units.

In order to meet new nitrogen oxides emissions standards without compromising efficiency, the Jinwan plant conducted an equipment upgrade programme during the year, modifying its current economiser unit to a split type. Additional catalysts were installed onto the existing Selective Catalytic Reduction System. Further upgrades are in progress. Once completed the Jinwan plant will have almost completely eliminated most non-carbon emissions, enabling it to be ranked as an environmental demonstration coal-fired unit in Guangdong by the National Development and Reform Commission and Ministry of Environment.

Local authorities recognised the Jinwan plant's initiative and achievements in upgrading emissions control equipment by approving the plant's power sent out plan of 5.68 billion kWh in early 2014.

The Siping plant's three generating units achieved satisfactory performance during the year. To meet new emissions control standards for small coal fired units the plant has implemented a complete environmental upgrade scheme for its two 420 tons/hr boilers. Installation and modification work was carried out in 2014. It is expected the plant will be able to reduce emissions significantly from 2015 onwards.

Wind farms – Dali and Laoting

The 48 MW wind farm in Dali, Yunnan province, and 49.5 MW wind farm in Laoting, Hebei province, have been operational since 2009. The projects are eligible to generate carbon credits.

Adverse weather conditions affected the performance of the two wind farms in 2014. Prevalent wind speeds at Laoting were lower than in 2013. Heavy snowfall damaged the transmission lines at Dali wind farm, causing unscheduled plant outages and emergency repairs.

In 2014, the two wind farms generated a total of 193.1 GWh of electricity, cumulatively reducing carbon emissions by 185,534 tonnes. Both wind farms completed major equipment upgrade programmes during the year, including modifications to the blades of the turbines at Dali to increase plant productivity, and upgrades to plant equipment at Laoting to enhance reliability. The Dali wind farm provided educational training and support to disadvantaged young students to cultivate green energy awareness within the local community.

(v) Thailand

Ratchaburi Power (RCPL)

RPCL is a generation company situated in Ratchaburi province in southern Thailand. The plant operates two 700 MW gas-fired combined cycle units. All the power generated by the plant is sold to Electricity Generating Authority of Thailand under a 25-year take-or-pay power purchase agreement.

With a strong management team RPCL achieved steady operations following equipment maintenance and repair conducted on the Block 1 steam turbine in the first half of the year. The plant generated 6,009 GWh of electricity in 2014 and achieved a high availability factor of 92.8% as a whole.

During the early part of the year, political conditions in Thailand were uncertain. Despite the instability, RPCL has maintained smooth operations. The Thai currency is stable and a regular payment schedule has been maintained through the year. Prospects for the plant are positive in the year ahead.

(vi) Netherlands

AVR-Afvalverwerking B.V. (AVR)

AVR is the Group's first operating company in continental Europe, as well as the Group's first entry into the 'energy-from-waste' (EfW) business. It operates energy-from-waste power plants in Rozenburg and Duiven and is a market leader in the Dutch EfW market with a capacity of 1.7 million tonnes per annum and about 700 MWh of total installed thermal capacity (heat and steam), of which approximately 60% is classified as renewable energy.

In 2014, AVR generated 667 GWh of electricity, 2,458 TJ of heat and 420 kT of steam. In its first full year of operations as a Group company AVR maintained a favourable rate of return and stable profitability. It has a long-term contract in place for waste supply, being well secured until 2019 and beyond, as well as long-term contracts for steam and electricity sale primarily to nearby industrial plants.

AVR's continued focus is to maintain and strengthen sourcing relationships outside the Netherlands. In pursuit of this strategy, AVR has secured itself through contracts for the supply of sufficient residual waste to fuel the EfW plants in the medium to long term. It has also been successful in obtaining waste-streams abroad. In 2014 AVR was awarded with approximately 100,000 tonnes of municipal waste from the province of Brabant from 2017 until 2021. The company continues to secure further import volumes of waste streams for the longer term, leveraging its independent position in the Dutch market.

One of AVR's long term strategies is the diversification of its energy output in order to increase energy efficiency and maximise the value of its waste to energy conversion activities. Increasing heat and steam production is an important outcome of this strategy.

During the year, AVR commenced supply to Phase 2 of the Rotterdam city heating network and extended its city heating network to Duiven in the Netherlands. Over the next 30 years, AVR will feed the residual heat generated in the EfW plant into the heating grid, in the form of hot water. This form of district heating from refuse will help reduce carbon dioxide emissions.

AVR implemented a number of initiatives through the year for the improvement of plant availability, efficiency and predictability in order to maintain its position as a cost efficient and reliable supplier of sustainable energy.

(vii) New Zealand

Wellington Electricity Lines (WELL)

WELL is New Zealand's fourth largest electricity network serving 166,000 customers in the Wellington, Porirua and Hutt Valley regions of New Zealand and its network spans over 4,600 km.

During the year under review, WELL distributed 2,312 GWh of electricity. The company expanded its network with the purchase of a 6 km transmission line connecting the Mill Creek wind farm to its network at the Wilton grid exit point. This transmission line is leased to Meridian, a major retailer 51% owned by the Government.

The WELL network is mostly underground in the highly-populated central Wellington City area. The network is designed to be resilient to the high winds that are a feature of the Wellington region and over time, the WELL network has outperformed the New Zealand distribution business average for supply reliability.

WELL extended its network in 2014 with the purchase of three embedded networks. A large 33 kV cable replacement project is under way to enhance capacity and security of supply from a major substation. A number of other network upgrade projects continued including substation reinforcements and upgrades, cable replacement and other network enhancement to improve reliability.

Improvement in customer services was an important focus for WELL during the year. Additional resources were allocated to direct and implement the company's efforts in this area.

(viii) Canada

Canadian Power Holdings (Canadian Power)

In Canada, the Group's presence is founded upon a 50% interest in Canadian Power Holdings Inc., an electricity generation business with six plants and a capacity of 1,362 MW. It operates the Meridian 220 MW Cogeneration gas-fired plant in Saskatchewan and holds a 49.99% share of TransAlta Cogeneration, which operates five power plants in Ontario and Alberta.

In 2014, the Canadian business delivered high availability and improved performance over the previous year. Meridian benefited from extensive maintenance works and generated 1,640 GWh of electricity and 1,487 kT of steam. Meridian has stable long-term contracts in place with its two primary customers, SaskPower and Husky Energy. Its focus during the year was on providing reliable supply and maintaining high standards of customer service.

The five power plants operated by TransAlta Cogeneration in Ontario and Alberta generated a total of 4,310 GWh during the year. The Ottawa plant operated by TransAlta Cogeneration completed its first full year of operation under a new power purchase agreement and has made a successful transition from a continuous base load operation to a dispatchable plant, capable of short term peaks in operation.

Canadian Power completed its first full year of operation in 2014 under its new corporate identity after a rebranding exercise completed in late 2013. The rebranding exercise was undertaken to more effectively represent its current business as a participant in the Canadian power industry.

Financial Performance

Profit attributable to shareholders for 2014 amounted to HK$61,005 million. This includes a one-time gain of HK$52,928 million from the spin-off of the Hong Kong electricity business in January 2014. Excluding this one-time gain, the Group's audited profits were HK$8,077 million (2013: HK$11,165 million), representing a decrease of

28% that was mainly due to a reduction of interest in the Hong Kong electricity business from 100% to 49.9% and deferred tax credits arising from a reduction of the UK corporate tax rate in 2013.

The Group's investments in the United Kingdom contributed earnings of HK$4,861 million (2013: HK$5,865 million). The reduction of earnings was primarily due to deferred tax credits recorded in 2013 as a result of reduction in corporate tax rate. Excluding the impact on the deferred tax credits, all its four investments in the United Kingdom benefitted from stable performance and delivered satisfactory results in 2014.

The Group's Australian investments maintained its steady operational track record, contributing earnings of HK$908 million (2013: HK$838 million). It was higher than last year mainly due to contributions from Australian Gas Networks Limited (formerly known as Envestra Limited) which was acquired in August 2014 and higher regulated revenue due to higher tariffs but the overall contribution was impacted by a lower exchange rate of Australian dollar when compared with last year.

In mainland China, the performance of the coal-fired plants was higher than last year mainly due to lower coal costs and operating expenses partly offset by the drop in power sales and tariff.

Investment in the Netherlands, which was acquired in August 2013, maintained stable profitability and contributed first full year results to the Group. Our operations in Canada, Thailand and New Zealand delivered steady performances.

The Group's investment in Hong Kong electricity business, which share has been reduced from 100% to 49.9% since 29 January 2014, contributed earnings of HK$1,780 million.

Secure earnings and a strong financial position allowed us to continue with a stable dividend policy. 2014 full year dividends of HK$2.68 per share (2013: HK$2.55 per share) represented a 5.1% growth.

Financial Positions, Liquidity and Financial Resources

The Group's financial position remained strong. Capital expenditure and investments were primarily funded by cash from operations, dividends and other repatriation from investments. Interest in joint ventures and associates rose by 66% to HK$74,066 million (2013: HK$44,611 million). In 2014, we acquired a 27.5% stake in Australian Gas Networks Limited, one of Australia's largest natural gas distribution companies. Total unsecured bank loans outstanding at the year end were HK$10,204 million (2013: unsecured bank loans and debt securities in issue totalling HK$22,348 million). In addition, the Group had bank deposits and cash of HK$61,291 million (2013: HK$7,894 million) and no undrawn committed bank facility at the year end (2013: HK$2,300 million).

Treasury Policy, Financing Activities and Debt Structure

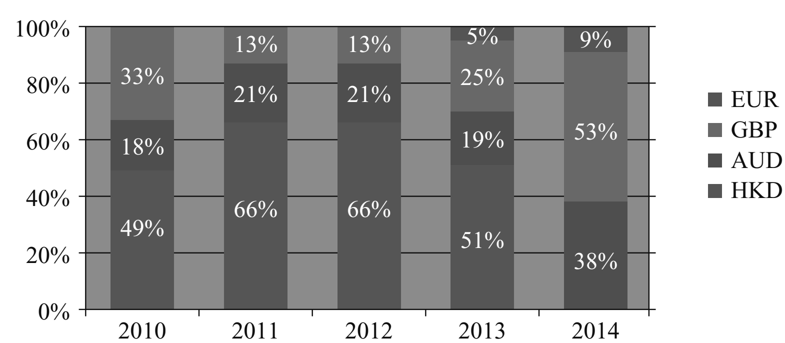
The Group manages its financial risks in accordance with guidelines laid down in its treasury policy, which is approved by the Board. The treasury policy is designed to manage the Group's currency, interest rate and counterparty risks. Surplus funds, which arise mainly from dividends and other repatriation from investments, are generally placed on short term deposits denominated primarily in Australian dollars, Hong Kong dollars, pounds sterling and United States dollars. The Group aims to ensure that adequate financial resources are available for refinancing and business growth, whilst maintaining a prudent capital structure.

The Group's financial profile remained strong during the year. Upon the spin-off of The Hongkong Electric Company, Limited ("**HK Electric**"), Standard & Poor's ("**S&P**") assessed the Company's stand-alone credit profile to be "aa-" as the lower recurring cash flow was mitigated by the lower debt stemming from the deconsolidation. However, as S&P has adopted a new group rating methodology which caps the rating of an entity to that of its controlling entity/major shareholders, the long term credit rating of the Company was lowered from "A+" to "A-" with a stable outlook on 29 January 2014.

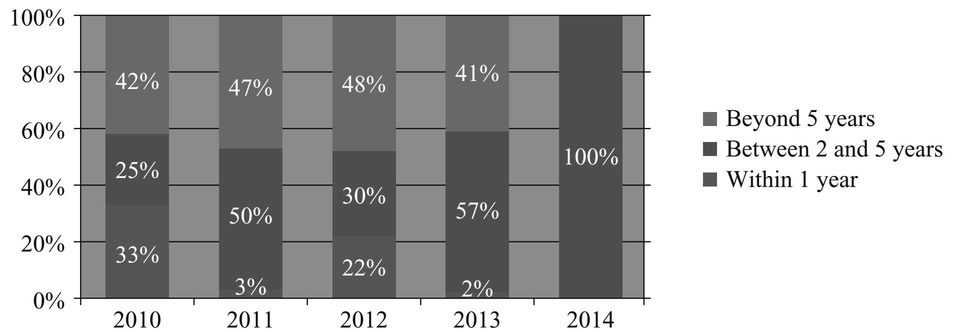
As at 31 December 2014, the net cash position of the Group was HK$51,087 million (2013: net debt at HK$14,454 million).

The profile of the Group's external borrowings as at 31 December 2014, after taking into account interest rate swaps, is set out in the tables below:

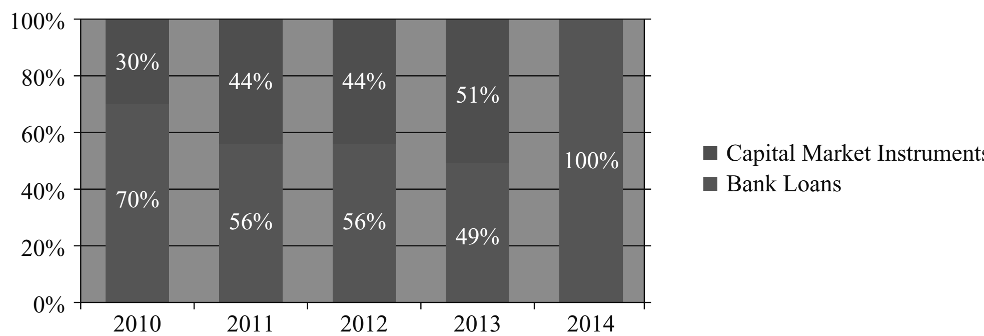
Debt Profile by Currency



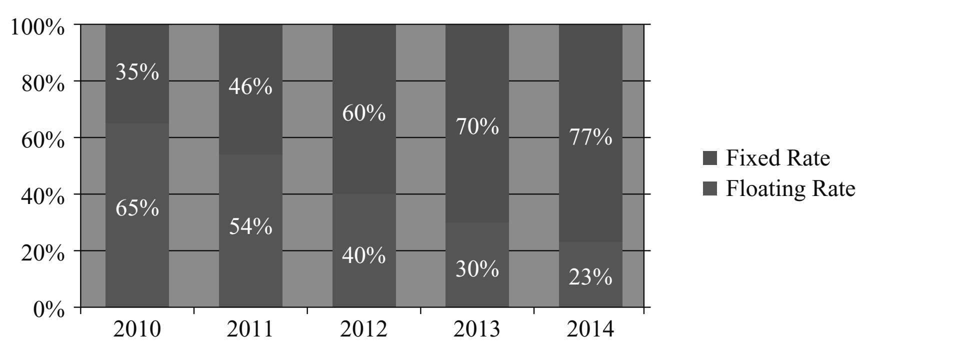
Debt Profile by Maturity



Debt Profile by Type of Borrowings



Debt Profile by Interest Rate Structure



The Group's policy is to maintain a portion of its debt at fixed interest rates. Interest rate risk is managed by either securing fixed rate borrowings or by using interest rate derivatives.

Currency and interest rate risks are actively managed in accordance with the Group's treasury policy. Derivative financial instruments are used primarily for managing interest rate and foreign currency risks and not for speculative purposes. Treasury transactions are only executed with counterparties with acceptable credit ratings to control counterparty risk exposure.

The Group's principal foreign currency exposures arise from its investments outside Hong Kong. Foreign currency transaction exposure also arises from settlement to vendors which is not material and is managed mainly through purchases in the spot market or utilisation of foreign currency receipts of the Group. Currency exposure arising from investments outside Hong Kong is, where considered appropriate, mitigated by financing those investments in local currency borrowings and by entering into forward foreign exchange contracts. Foreign currency fluctuations will affect the translated value of the net assets of investments outside Hong Kong and the resultant translation difference is included in the Group's reserve account. Income received from the Group's investments outside Hong Kong which is not denominated in Hong Kong dollars is, unless otherwise determined, converted into Hong Kong dollars on receipt.

The contractual notional amounts of derivative financial instruments outstanding at 31 December 2014 amounted to HK$22,869 million (2013: HK$29,107 million).

Charges on Assets

At 31 December 2014, the Group's interest in an associate of HK$504 million (2013: HK$529 million) had been pledged as part of the security to secure financing facilities granted to the associate.

Contingent Liabilities

As at 31 December 2014, the Group had given guarantees and indemnities totalling HK$836 million (2013: HK$909 million).

The Company had given guarantees and indemnities in respect of bank and other borrowing facilities made available to and financial commitments of subsidiaries totalling HK$10,374 million (2013: HK$11,507 million). The entire amount, while being a contingent liability of the Company, are reflected in the Consolidated Statement of Financial Position of the Group.

Employees

The Group continues its policy of pay-for-performance and the pay levels are monitored to ensure competitiveness is maintained. The Group's total remuneration costs for the year ended 31 December 2014, excluding directors' emoluments, amounted to HK$103 million (2013: HK$1,068 million). As at 31 December 2014, the Group employed 12 (2013: 1,839) permanent employees. The reduction in the remuneration costs and the number of permanent employees arose due to the spin-off of HK Electric and the resulting transfer of most employees to HK Electric on 1 January 2014. No share option scheme is in operation.

C. For the year ended 31 December 2013 (and as compared to the year ended 31 December 2012)

Operating Review

The Company's vision is to deliver steady growth and long-term value for shareholders through secure and diversified operations around the world while delivering excellence in reliability and customer services. This approach enabled the Group to once again deliver annual earnings growth of 15% combined with new heights in customer satisfaction across all its operating companies.

On 29 January 2014, the Company completed the spin-off of the Hong Kong electricity business operated by The Hongkong Electric Company, Limited (HK Electric) so that it can focus on the development of its power facilities and energy projects businesses outside Hong Kong. Following the divestment, the Group has a holding of 49.9% in HKEI, which is now an associate.

The Group's largest markets outside Hong Kong, featuring stable and transparent regulatory environments and mature market conditions, are the United Kingdom (UK) and Australia. The Group's portfolio also includes investments in mainland China, Thailand, Canada, New Zealand and the Netherlands, across power generation, transmission and distribution, sourced from coal, gas and renewable energy.

During the year, the Group continued to proactively identify and pursue high-potential opportunities for long-term stable growth. In this context, the Company acquired a 20% stake in AVR-Afvalverwerking B.V. (AVR), the largest energy-from-waste player in the Netherlands, which brings with its strong fundamentals, established and efficient technology, a focus on sustainable energy and a rich pipeline of customers and suppliers.

An important development during the year was the implementation of a new regulatory regime in the UK. This Revenue = Incentives + Innovation + Outputs (RIIO) framework emphasises cost control and innovation. The Group welcomes the new framework, which incentivises investment and innovation to deliver a sustainable energy network, as well as value for money. In response to these new regulations, the Group's UK companies will begin operating to a new set of performance, emissions and budgetary targets.

Fuel prices were uncertain globally during the year. The Group's transmission and distribution businesses remained relatively insulated from fuel price fluctuations, and its generation businesses in Thailand and the UK were also shielded from fuel risks due to their pricing models.

Effective integration of new operating companies is fundamental to the success of the Group's growth strategy. Following any new acquisition, the Group has established processes that maintain each operating company's unique ethos and practices while incorporating the Company's uncompromising approach to power supply reliability, operational efficiency and customer service excellence. The Group has a strong leadership team and is well placed to take advantage of key opportunities globally.

During the year, HK Electric's 2014-2018 Development Plan was approved by the HKSAR Government, under which the company's net tariffs are expected to remain unchanged until the end 2018 barring unforeseen circumstances. Following the Mid-Term Review of the Scheme of Control Agreement, which also took place during the year, HK Electric is going to establish an Energy Efficiency Fund to assist with the improvement of electrical infrastructure in old buildings.

HK Electric maintained its world-leading supply reliability and customer service performance, while maintaining efforts to reduce its own carbon footprint. The company also persisted with initiatives to increase renewable energy generation, including expanding its solar power system and making good progress with plans for the proposed offshore wind farm.

The company continued with its community outreach programmes, from educating children on renewable energy and the smart use of electricity to rendering support to the aged and under-privileged. Volunteerism flourished during the year with employees logging over 5,000 hours supporting various causes close to their hearts.

Despite the slow and uncertain recovery of the global economy, the Group has a positive outlook for its markets in 2014, and expects to grow revenues and profit. The Company will utilise the capital raised by spinning off the Hong Kong operations to seek out positive, secure opportunities to increase shareholder returns in Australia, Europe and North America through investments in generation, transmission and distribution.

(i) United Kingdom

The UK is the Company's largest market outside Hong Kong. It maintained this status in 2013, contributing the largest share of the Group's overseas income across its four joint ventures in the country. The transparent regulatory environment and mature market present ideal conditions to fulfil the Group's aspirations of becoming a leading player in energy markets around the world.

The UK economy has shown strong recovery – its gross domestic product grew by 1.9% in 2013, its strongest rate since 2007. With this, our UK operations are well prepared to support the growth of a sustainable energy network for our existing and future consumers.

The regulatory regime governing electricity transmission, gas transmission and distribution networks in the UK was reset during the year. The new regulatory framework is known as the RIIO model, which stands for: Revenue = Incentives + Innovation + Outputs. RIIO's objective is to encourage investment to maintain reliability, while addressing demand variability and increasing the use of sustainable energy.

UK Power Networks, Wales and West Utilities and Northern Gas Networks Limited, with their efficient operations and strong records of innovation, are all favourably positioned to take advantage of the new RIIO framework to realise greater savings and returns.

UK Power Networks (UKPN)

UKPN owns, operates and manages three of the 14 regulated distribution networks in the UK – in London, the South East and the East of England – covering an area of 30,000km^2 and serving 8 million customers.

During 2013, UKPN continued 2012's strong performance. An important focus for the year was to maintain and improve operational performance in a number of key areas including customer service, power supply reliability, and efficiency.

As part of an overall strategy to improve its London distribution network, UKPN embarked on a major infrastructure project at the end of 2011 to install high voltage cables in tunnels between London's Finsbury Market and New Cross. The second phase of this project, involving the construction of a 2.6 km tunnel, was completed on schedule in 2013. UKPN also made progress with its strategic programme of investment in network improvements, investing over GBP650 million in its networks.

Network performance in 2013 continued to be significantly ahead of the targets set by the Office of the Gas and Electricity Markets (Ofgem), with an average of 45 customer minutes lost due to power cuts generating incentive revenue in excess of GBP30 million.

During 2013, UKPN submitted its business plans for 2015-2023 to Ofgem under the regulator's RIIO framework, including details of proposed network improvement activity, performance targets and other operational parameters. The plans were well received by Ofgem.

UKPN made progress with its groundbreaking Low Carbon London project, overseeing a number of demonstrations and trials of a range of low carbon technologies on London's electricity distribution network. The company also implemented the Flexible Plug and Play project in Cambridgeshire, trialling new technologies and commercial arrangements to enable faster connection of renewable generation to UKPN's network.

UKPN maintained its track record of strong customer service standards in 2013. 99% of new customer connections were completed within the target time set in the Guaranteed Standards of Performance, well above the regulator's target of 90%. E-channels of communication did particularly well during the year with the UKPN website receiving awards for customer service standards.

Northern Gas Networks Limited (NGN)

NGN runs the North of England Gas Distribution Network, one of the eight distribution networks in the UK. It supplies gas to 2.66 million customers with 37,000 km of gas distribution pipelines transporting about 13% of the UK's gas.

NGN's focus for the year was to build on its eight-year track record of strong improvements in operational performance. These efforts were largely successful with Ofgem ranking the company as the most efficient gas distribution network in the UK for the seventh consecutive year in its most recent benchmarking exercise in 2011/12.

During 2013, NGN invested GBP35.5 million in capital expenditure projects for network improvements and IT infrastructure. This included investment in a network extension programme launched in 2009 to contribute to the alleviation of fuel poverty in the areas it serves. NGN also continued to invest in a large-scale mains replacement programme to improve the future reliability and safety of the network, decommissioning over 500 km of old iron mains.

NGN met, and in many cases exceeded, all mandatory operational targets and Licence Standards of Service for the regulatory year ended 31 March 2013.

With a "safety at the centre of our operations" ethos, NGN was again recognised by the UK's Health and Safety Executive as one of the best performing networks in terms of safety.

In 2013, NGN adopted a sophisticated set of customer service standards, focusing on customer satisfaction for the timeliness of complaint management with the introduction of a challenging target called "60 in 60", which promises to resolve 60% of customer complaints within 60 minutes of receipt.

NGN remains well placed to deliver strong operational and financial performance in 2013 and beyond through targeted cost reductions and improved service levels, whilst taking advantage of opportunities afforded by incentives available under the RIIO settlement terms for the new regulatory period.

Wales and West Utilities (WWU)

WWU is a gas distribution business with 35,000 km of gas distribution pipelines covering Wales and the South West of England. The company covers one-sixth of the UK, serving 2.5 million customers in a mix of urban and rural areas.

During the year WWU recorded an encouraging increase in gas throughput. The company was awarded over one-third of Ofgems' annual Discretionary Reward Scheme fund in 2013 in recognition of its best practice initiatives, including taking gas connections into rural areas, developing strategic and community partnerships, processing waste, and raising awareness of carbon monoxide.

WWU also delivered a strong performance in customer service during the year. Results of an independent customer satisfaction survey conducted in September 2013 by the Institute of Customer Service (ICS) rated WWU's customer satisfaction levels at 85.6%. This was considerably higher than not only the utility sector average of 71%, but also the average of 77.9% across all ICS member companies in all sectors including retail, automotive and tourism. During December 2013, WWU was subject to a week-long audit by the ICS where over 50 members of staff were interviewed in a bid to achieve the ICS customer Service Accreditation. A "strong recommendation" has been made to the ICS board by the auditor, who was impressed by the company's customer focused culture and quality of staff.

Following the successful delivery of the mains replacement programme from 2008 to 2013 through the Western Gas Alliance, WWU secured a new contract with its strategic alliance partners Amec plc and Morrison Utility Services Ltd for an additional five years, an important win for the company in continuing to deliver its replacement obligations.

During the year, WWU invested GBP70 million in capital projects aimed at enhancing its network infrastructure, fleet of vehicles, IT, and depot acquisitions, against which contributions of GBP10 million were received. In addition, WWU made steady progress with its ongoing mains replacement programme, in line with regulatory directives to replace metallic mains in proximity to dwellings. Spending on replacements in the year amounted to GBP77 million.

In 2013, WWU installed 2,260 connections to fuel-poor families as part of its community support initiative.

With the five-year extension of the mains replacement Western Gas Alliance contract and enhanced infrastructure in place as a result of investments made over the year, WWU is well placed to maintain its track record of strong performance in 2014.

Seabank Power Limited (SPL)

SPL is an electricity-generating company located near Bristol in the UK. SPL operates two combined-cycle gas turbine generation units running on natural gas with an aggregate capacity of approximately 1,140 MW.

During the year under review, SPL's generation output was low due to subdued power demand in response to customer preferences caused by the differential between high gas prices and low coal prices. Despite the lower power demand, SPL's earnings were protected by the revenue regime under the power purchase agreement. Availability was in line with targets. The lower utilisation of the plant in response to customer directives meant that operating costs were also lower.

With the European Union's Large Combustion Plants Directive coming into force, coal-fired plants that cannot meet the stringent emissions directive are expected to shut down in the coming years. SPL and Scottish and Southern Energy, its 50% shareholder, are in the process of securing public input before submitting a planning application to expand the Seabank plant with two additional combined cycle turbines.

(ii) Australia

In Australia, a number of important regulatory framework reviews were completed in 2012, affecting the way in which regulated revenues are established for network businesses. Through 2013, the Australian Energy Regulator consulted on and developed a range of regulatory guidelines including new approaches to setting an appropriate overall rate of return, determining expenditure allowances, promoting efficient expenditure, and new processes to encourage stakeholder engagement.

The Group's associated companies in Australia are in the process of planning for the 2015-2020 regulatory period, which will commence on 1 July 2015.

Transmission Operations Australia (TOA)

TOA is a 50:50 joint venture established by the Company and CKI to construct, own and operate a power transmission link in Victoria, which transports renewable energy from wind turbines at the 130 MW Mt. Mercer Wind Farm to Victoria's power grid. TOA has signed a 25-year off-take agreement with the wind farm, which helps deliver long-term stable returns.

During 2013, TOA completed its project connecting the 130 MW Mt. Mercer Wind Farm to the National Electricity Market's transmission system in Victoria. The construction of the Elaine Terminal Station and 21 km of 132 kV transmission lines was achieved on schedule and without injury within a very tight timeframe of 14 months.

During the year, TOA crystallised its own operating systems including new asset management processes, systems and standards. The company completed all the statutory certification and registration processes needed for its operations.

TOA's transmission link came into operation when Mt. Mercer Wind Farm began to generate electricity in November 2013.

SA Power Networks (SAPN)

SAPN is South Australia's sole electricity distributor with about 840,000 customers served by a network of 88,000 km.

Severe storms affected both unit sales and reliability during the year. The System Average Interruption Duration Index rose to 202 minutes against a target of 179 minutes. This increased Guaranteed Service Level payments for duration and frequency of interruptions for 2013. SAPN received approval from the Australian Energy Regulator to recover from customers the substantially increased cost of controlling the extraordinary vegetation growth around SAPN's network installations that took place when the drought in 2010-2011 ended.

SAPN has secured a large contract from National Broadband Network (NBN) Co. to construct a fibre-optic cable network that will connect 300,000 residents to the broadband network. The contract is for an initial three-year term, covering construction of overhead and underground parts of the local and distribution network for NBN and will employ up to 400 people.

Despite the severe weather, SAPN performed well on customer service. For the second year in a row, the company received a favourable award under the Service Performance Scheme. A new set of customer service strategy guidelines for 2014-2020 is under development, based on insights gathered through research, and engagement activities with employees and customers.

SAPN continued to upgrade its network data communications system to a platform that will enable real-time alerts, response and management of unplanned outages. The project will be completed in the first quarter of 2014.

CitiPower and Powercor Australia

CitiPower owns and operates the distribution network that delivers power to about 321,000 homes and businesses in Melbourne, and Central and Western Victoria. Powercor is the largest electricity distributor in Victoria, serving about 751,000 customers.

2013 saw a leadership team change and the implementation of a new business vision and strategy at CitiPower and Powercor. The companies established five strategic pillars for future development: productivity and efficiency, network for the future, growth, stakeholder management, and regulatory optimisation. All stakeholders, including employees and customers, have responded positively to the new strategy.

In 2013, CitiPower and Powercor's customer bases expanded by 1.1% and 1.5% respectively. The two companies now serve over 1,070,000 business and home customers.

A new A$13.7 million Powercor zone substation at Gisborne, Victoria, was opened in February 2013, enhancing the network's services to the area. CitiPower and Powercor's smart meter rollout project installed its one millionth meter in June 2013. The project was completed on time and on budget at the end of 2013.

CitiPower and Powercor maintained their standards of reliability, achieving network availability of 99.98% and 99.97% respectively. The companies also performed strongly on customer satisfaction with their combined customer satisfaction reaching the target level of 78%. They also recorded the lowest number of complaints to the Energy and Water Ombudsman of any Victorian electricity distributor.

CitiPower and Powercor were honoured in the prestigious innovation category of the 2013 Australian Business Awards.

(iii) Mainland China

The Group's businesses in mainland China are focused on power generation. As part of the Group's two-fold commitment to environmentally sustainable development and assured shareholder returns, it has invested in two wind farms on the mainland. It has also invested in two coal-fired plants in Zhuhai and one in Siping.

The mainland China power market was challenging in 2013. Growth in the electricity market remained marginal and abundant hydroelectric power transported from western China lowered the demand for electricity from coal-fired plants.

In response to these challenging market conditions, the Group's mainland China businesses directed their efforts towards maintaining capacity utilisation and increasing efficiencies to deliver stable results. An equipment upgrade programme in the power plants is underway to ensure compliance with new, stricter environmental targets that will come into force in 2014.

Dali and Laoting Wind Farms

The 48 MW wind farm in Dali, Yunnan province, and 49.5 MW wind farm in Laoting, Hebei province, have been operational since 2009. The projects are eligible to generate carbon credits.

In 2013, the two wind farms operated smoothly and sold a total of 200 GWh of electricity and reduced carbon emissions by approximately 193,700 tonnes.

Both wind farms continued to invest in equipment for improving reliability and operational efficiencies. Retrofits of surge arresters at the Dali wind farm and cable joints at the Laoting wind farm were conducted in 2013 to enhance reliability.

Zhuhai, Jinwan and Siping Power Stations

The 1,400 MW Zhuhai Power Plant and the 1,200 MW Jinwan Power Plant are both coal-fired generation plants located in Guangdong Province. The 200 MW Siping Cogeneration Plant is situated in Jilin Province.

During the year the Zhuhai Power Plant maintained power output at 2012 levels. The total electricity sold in 2013 remained in line with the Operational and Offtake Contract, despite the over-supply conditions prevailing in Guangdong Province.

To meet the new National Environmental Protection standards on emissions of nitrogen oxides (NOx) that will come into effect in 2014, selective catalytic reduction systems and low NOx burners were installed at the Zhuhai plant. The plant's electrostatic precipitators were upgraded to a precipitator/filter bag hybrid system, while the flue gas desulphurisation equipment was also upgraded.

Jinwan Power Plant experienced a decrease in units of electricity sold due to the prevailing over-supply conditions, but recorded higher sales of steam. Jinwan's on-grid electricity tariff has been adjusted downwards by RMB0.019/kWh from RMB0.506/kWh to RMB0.487/kWh, with effect from 25 September 2013. These impacts on 2013 earnings were partly compensated for by savings on coal costs as a result of weaker coal prices.

Investments were made at the Jinwan Power Plant to ensure compliance with the new National Environmental Protection standards that will come into force in 2014. De-nitrification plants were installed in 2013. Unit 4's flue gas desulphurisation equipment has been upgraded and Unit 3's will be upgraded in the first half of 2014. A wet electrostatic precipitator will also be constructed in 2014.

Jinwan Power Plant received multiple awards for information technology (IT) excellence in 2013. The Guangdong Provincial Economic and Information Technology Commission cited the plant as a Demonstration Project for IT Industrial Integration. The China Federation of IT Promotion presented the plant with the Outstanding IT Solution for China Power – Full-Life Cycle Production Materials Management award.

Siping Cogeneration Plant has been successful in maintaining satisfactory electricity and heat sales as per the Offtake Contract and Operational Contract, despite over-supply conditions that have lowered the utilisation of coal-fired power plants in the region.

Operational performance of all three generating units at Siping Cogeneration Plant was stable in 2013. Installation of a new low NOx burner was also completed.

(iv) Netherlands

AVR-Afvalverwerking B.V. (AVR)

As one of the largest producers of sustainable electricity in the Netherlands, AVR operates energy-from-waste power plants in Rozenburg and Duiven, with an energy-from-waste capacity of 1,700 kilotonnes per annum. It is the country's market leader, commanding a 22% market share of the waste processing industry and delivering stable revenue streams through long-term contracts for gate fees for processing waste as well as off-take for energy generated.

The Company took an important step forward in the production of sustainable energy with the acquisition of AVR in the Netherlands in 2013. This acquisition is strategically advantageous for the Company on many levels, both as its first investment on the European mainland and as an attractive diversification of the Group's investment portfolio into the energy-from-waste field.

AVR's sites in Rozenburg and Duiven are suppliers of sustainable energy – steam, heat, and electricity – through incinerating household and industrial waste. It also processes industrial wastewater; converts paper sludge into green energy and Topcrete (cement-like binding agent); and composts green waste. In line with the focus on sustainability, by-products of the incineration process are used in road construction and steel manufacture.

AVR's wide range of clients includes companies in the process engineering (water), agriculture, retail, concrete and cement industries. It also services waste service providers and municipalities, grid operators and energy companies. With the Rozenburg site in the Port of Rotterdam area and the Duiven site near the German border, AVR is in geographically advantageous locations to process waste from other European countries. In 2013, AVR converted more than 500,000 tonnes of waste from the UK, Ireland, Italy, Belgium and Germany into energy.

AVR completed several strategic capital improvement projects in 2013 in pursuit of its vision to become a supplier of sustainable energy with the highest possible energy yields and a "zero waste" process. Following these projects, the company is scheduled to supply heat to more than 150,000 households from 2015, making AVR one of the top three suppliers of district heating in the Netherlands.

AVR performed well on quality and safety, meeting stringent Dutch quality, safety and environmental requirements. It underwent regular inspections by the relevant agencies to ensure that it is operating within the guidelines set for safe and environmentally friendly operations.

During the year, AVR played an active role in the community by promoting renewable energy initiatives. The company ran an inspirational charity initiative, donating money to charity for each perfect day (no accidents, no emissions, full production) realised at the plant.

Apart from stable and well-proven technology, AVR also has a well-established supply chain. It has a secure portfolio of long-term contracts assuring sufficient waste volumes to operate its plants successfully until at least 2019. Two long-term operating subsidies for the production of renewable energy protect it from energy price fluctuations. With these strong fundamentals in place, AVR's contribution to the Company's portfolio is expected to remain strong in 2014 and beyond.

(v) New Zealand

Wellington Electricity (WELL)

WELL is New Zealand's fourth largest electricity distribution network serving 165,000 residential, commercial and industrial customers in the Wellington, Porirua and Hutt Valley regions. WELL'S network length extends to 4,600 km.

In the wake of a spate of natural disasters that struck Wellington in 2013, WELL's electricity sales for the year were slightly lower than 2012. However, increased tariffs following a regulatory price reset helped WELL record higher revenues than in 2012.

Two earthquakes and a number of severe wind and lightning storms hit the region in 2013. In particular, in June, the worst storm in 45 years hit Wellington. Wind gusts with speeds of up to 200 km/h caused widespread damage to properties and infrastructure in the region. WELL and its contractors restored electricity within 48 hours to 97% of affected premises.

While dealing with the impact these severe weather conditions had on the network, WELL took the opportunity to test and improve its response and recovery systems, and train staff on engagement and improved communication with the community during supply restoration.

WELL places great emphasis on health and safety. Safety breakfasts and safety seminars were arranged to convey work safety messages to employees and contractors. An employee received a Best Paper Award from the Electricity Engineers Association National Conference for a paper discussing "Infrastructure Resilience and Emergency Response".

(vi) Canada

Canadian Power Holdings Inc (Canadian Power)

The Company holds a 50% interest in Canadian Power Holdings Inc, an electricity generation business in Canada. Canadian Power in turn owns the Meridian Cogeneration Plant and has a 49.99% share of TransAlta Cogeneration.

Meridian is a 220 MW cogeneration gas-fired plant in Saskatchewan. TransAlta Cogeneration operates five power plants in Ontario and Alberta, which have a combined capacity of 1,142 MW.

In 2013, the Meridian plant generated the same level of electricity and sold more steam compared to 2012.

During 2013, Meridian benefited from enhanced performance as a result of major overhauls of its gas turbines completed in 2012. The plant focused on delivering excellent reliability and industry-leading customer service standards to both its primary customers – SaskPower and Husky Energy. Meridian has energy sales contracts extending to 2025 with both SaskPower and Husky Energy.

During the year, the five power plants of TransAlta Cogeneration recorded slightly lower output than the previous year. TransAlta Cogeneration successfully signed a new 20-year power supply agreement with the Ontario Power Authority for the Ottawa Cogeneration Plant, following the expiry of the previous agreement at the end of 2013.

(vii) Thailand

Ratchaburi Power Company Limited (RPCL)

RPCL operates a 2 x 700 MW gas-fired combined cycle power plant commissioned in 2008. The electricity generated is sold to the state owned Electricity Generating Authority of Thailand (EGAT) under a 25-year take-or-pay power purchase agreement.

During 2013, RPCL achieved the full contracted availability specified in its power purchase agreement and exceeded targets in thermal efficiency.

RPCL was commended by EGAT for operating reliably using diesel to provide sufficient reserve power during the nationwide natural gas outage in April 2013.

During the year, the plant met local and international standards for air and noise emissions and wastewater discharges. Ongoing investments were made to address statutory environmental requirements. A continuous emission monitoring system was installed at the plant in order to conduct an independent audit every six months.

Given its location in a flood-prone area, RPCL had over the years implemented a number of preventive measures including river water level monitoring and dyke strengthening to ensure that flooding does not affect operations. In 2013, RPCL completed the construction of a concrete flood wall around the 500 kV switch yard.

RPCL continued to contribute to the development of neighbouring communities through mobile clinics, scholarships and vocational training.

(viii) Hong Kong

The Hongkong Electric Company, Limited

The Hongkong Electric Company, Limited (HK Electric) is the Group's flagship operating company and one of Asia's best utility companies for operational excellence. HK Electric commenced operations when Hong Kong's first electric street lights were switched on in 1890 and today supplies power to over half a million customers on Hong Kong Island and Lamma Island.

For 17 years since 1997, HK Electric has maintained a world-leading supply reliability record of over 99.999%. With operations spanning power generation, transmission and distribution and supply of electricity, the company operates under a Scheme of Control Agreement with the HKSAR Government.

In 2013, the company's 2014-2018 Development Plan was submitted to and received approval from the government. Under the plan, HK Electric will maintain net tariffs at current levels while investing HK$13 billion in capital expenditure over the next five years.

On 29 January 2014, HK Electric ceased to be a subsidiary of the Company as a result of a spin-off. The Company now has a 49.9% holding in HKEI, which has now become an associate of the Group.

Ensuring a sustainable fuel mix supplied from CSR-compliant sources

HK Electric generates power at the Lamma Power Station, which has a total installed capacity of 3,737 MW. As part of HK Electric's drive to reduce emissions, Lamma Power Station continued with efforts to increase the proportion of natural gas and cleaner fuels in its fuel mix.

Coal, sourced from Indonesia and Russia, continues to be the primary fuel for power generation while natural gas, sourced mainly from Australia and Qatar, constitutes over 30% of the fuel mix.

To make sure its fuel supply was readily available and of high quality, coal mines in Indonesia were audited during the year for their operations in coal mining, processing and storage, as well as ship-loading. These efforts helped to safeguard the quality and reliability of the coal supply to the power station. It also verified that these coal mines were continually undertaking corporate social responsibility measures with regard to the environmental, social and economic aspects of their operations.

Lamma Power Station continued to achieve and exceed benchmarks for emissions performance through the use of cleaner fuels and green energy sources. In 2013, emission levels of sulphur dioxide, nitrogen oxides and respirable suspended particulates were reduced by 10% to 31% from 2012, and remained below mandatory levels. Carbon dioxide was also reduced by 6% as compared with 2012.

Taking strides forward in renewable energy generation

HK Electric believes that energy generated from renewable resources is integral to a sustainable energy future. To achieve this vision, it has invested in bringing renewable energy technologies to Hong Kong.

Lamma Winds, HK Electric's wind turbine on Lamma Island, generated 836,000 units of electricity in 2013. It has generated a total of 7,198,000 units of electricity and thereby contributed to the avoidance of 6,000 tonnes of carbon dioxide emissions since commissioning in 2006.

The capacity of Hong Kong's largest solar power system, located in the Lamma Power Station, was expanded to 1 MW in March 2013. The system now incorporates more than 8,600 thin-film photovoltaic modules and produces over 1.1 million units of green electricity annually. Since it was commissioned in July 2010, the system has generated more than 3 million units of electricity, offsetting 2,500 tonnes of carbon dioxide emissions.

During the year, staff from Lamma Power Station visited the Group's companies in the UK, Canada, Thailand and the Netherlands to share ideas, best practice and technical expertise.

Reliability records maintained

As a result of successful strategic investments made in people, processes, equipment and technologies, HK Electric operates one of the most modern transmission and distribution, and control systems in the world. A focus on network maintenance and upgrading ensures a robust network that is able to perform well in the inclement weather conditions that frequently affect Hong Kong.

A regular network reliability and operations review of the entire system was completed on schedule in 2013. This process, which involved thorough analysis of all HK Electric's transmission and distribution assets, and processes, concluded that HK Electric's systems and processes were performing well and all regulatory and legal requirements were being met. Enhancements recommended by the review will be implemented in the next few years.

HK Electric's transmission and distribution network is mostly underground, rendering it less susceptible to lightning and adverse weather conditions. The transmission network comprises primarily 275 kV and 132 kV underground and submarine cables, and only a few 132 kV overhead lines remain in use.

HK Electric applied sophisticated cable diagnostic techniques to identify weak components in its 11 kV cable network for replacement. In 2013, it extended the installation of an advanced online partial discharge detection system from 275 kV and 132 kV switching stations to three zone substations.

Pledged service standards were surpassed as HK Electric continued to provide electricity to its 569,000 customers with supply reliability at over 99.999%. To put this into perspective, the electricity supply was interrupted for less than one minute per customer per year on average in the last five years.

Network expansion and improvement

In 2013, a range of network expansion and improvement measures were taken to ensure supply meets additional demand and to improve network quality.

A new 132/33 kV 50 MVA gas insulated transformer was commissioned and various transmission and distribution cables were diverted to support a major expansion of the MTR railway network with the West and South Island Lines on Hong Kong Island. A total of 38 new distribution substations were commissioned and 78.5 km of distribution cables were laid for new supplies and system improvements.

HK Electric is maintaining efforts to improve the power quality and reliability of the distribution network by replacing old types of 11 kV capacitor switches and paper insulated lead covered cables, and by progressively converting 11 kV substations of open-ring supply design to 22 kV substations of closed-ring supply design.

Intelligent systems for an intelligent network

HK Electric employs sophisticated computer solutions to control and run its energy and distribution management systems.

In 2013, HK Electric made several enhancements to its Energy Management System and Distribution Management Systems, such as the implementation of an automated solution for fault location and supply restoration for its 11 kV network. A blueprint design and implementation road map for the next generation of these systems with enhanced smart and green grid features was also developed during the year to address future sustainability requirements.

To improve communications, a state-of-the-art digital trunked radio system and secure IP-based data communication network for engineering applications at primary substations were rolled out during the year. A biennial review of the security of critical cyber assets was positive in its conclusions.

Customer service excellence

In 2013, HK Electric achieved its 18 pledged customer service standards for the 14th year in a row, with a strong performance on all key customer service metrics. Average customer satisfaction stood at 4.44 on a five-point scale, on par with previous years. The commitment to service excellence continues to yield prestigious customer service awards including the "Service Retailers of the Year – Grand Award" from the Hong Kong Retail Management Association and the "Mystery Caller Assessment Award – Best-in-Class Award" in the Government and Public Utilities sector from the Hong Kong Call Centre Association.

As part of efforts to improve responsiveness to the needs of business customers, particularly small-to-medium-sized enterprise (SME) customers, HK Electric launched a series of new services in the year to speed up applications for supply, and published a booklet on the *Smart Use of Electricity* to help SME customers understand more about energy efficiency and electricity safety. In recognition of its commitment to meeting the needs of commercial customers, HK Electric was named the "Best SME's Partner" by the Hong Kong General Chamber of Small and Medium Business for the third year.

HK Electric's customer liaison group continued to be an effective platform to facilitate two-way communication between the company and its customers. A focus group meeting was held during the year to gather customer views on payment methods and different tariff plans.

In addition to the iPhone App developed in 2011, an Android version of the HK Electric Low Carbon App was launched in 2013, allowing customers to complete service requests via electronic forms, report meter readings, receive low carbon recipes, and tips to promote energy saving, as well as ways for quality living through green electric appliances.

Electrifying performance in the kitchen

HK Electric's Home Management Centre (HMC) was set up in 1976 with the aim of promoting electric cooking and modern living.

In 2013, HMC reached out to a cross-section of the Hong Kong community to share the benefits of electric cooking. Over 800 courses were conducted for more than 10,000 students. Cooking contests were held to reinforce the message of intelligent energy use through electric cooking.

HK Electric extended efforts to promote the principles of eco-friendly and electric cooking to restaurants, a priority customer segment. At HOFEX 2013, the largest food and hospitality tradeshow in the Asia-Pacific region, the company demonstrated advanced eco-electric commercial kitchen equipment and systems.

Financial Performance

The Group's 2013 turnover reached HK$10,222 million (2012: HK$10,415 million). The 1.9% drop in turnover was mainly due to a 2.4% decrease in unit sales of electricity in Hong Kong. Profit attributable to shareholders grew by 15% to HK$11,165 million (2012: HK$9,729 million), of which HK$6,386 million (2012: HK$5,108 million) came from operations outside Hong Kong and HK$4,779 million (2012: HK$4,621 million) was contributed by the Hong Kong operations.

The Group's investments in the United Kingdom delivered strong results in the year, providing a 39.8% higher earnings of HK$5,865 million (2012: HK$4,194 million). This was mainly contributed by the full year results of Wales and West Utilities which was acquired in October 2012 and deferred tax credits arising from the lowering of the UK corporation tax rate from 23% to 20%. The Group's Australian investments recorded slightly lower earnings of HK$838 million (2012: HK$847 million) due to weakening of the Australian dollar despite overall earnings being higher than 2012. Demand for electricity from our coal-fired plants in mainland China was still weak and they recorded less favourable results. The Group's operations in Canada, Thailand and New Zealand also delivered weaker performances compared with 2012 levels.

Profits from the Hong Kong operations grew by 3.4%, mainly contributed by the stable earnings of the electricity business regulated by the Scheme of Control Agreement with the Hong Kong SAR Government.

Secure earnings and a strong financial position allowed the Group to continue with a stable dividend policy. 2013 full year dividends of HK$2.55 per share (2012: HK$2.45 per share) represented a 4.1 % growth.

Financial Positions, Liquidity and Financial Resources

The Group's financial position remained strong. Fixed assets in Hong Kong slightly decreased to HK$49,122 million (2012: HK$49,298 million). Capital expenditure during the year amounted to HK$1,973 million (2012: HK$2,613 million), which was primarily funded by cash from operations. Interest in joint ventures and associates rose by 7.5% to HK$44,611 million (2012: HK$41,511 million). In August 2013, we acquired a 20% stake in AVR-Afvalverwerking B.V., which is principally engaged in the business of waste processing and production and supply of renewable energy from the incineration of waste in the Netherlands. Total external borrowings outstanding at the year end were HK$22,348 million (2012: HK$24,599 million), comprising unsecured bank loans and debt securities in issue. In addition, the Group had undrawn committed bank facilities of HK$2,300 million (2012: HK$8,033 million) and bank deposits and cash of HK$7,894 million (2012: HK$6,140 million).

Treasury Policy, Financing Activities and Debt Structure

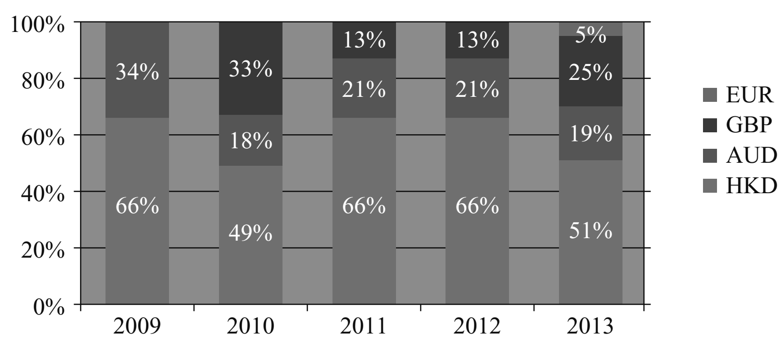
The Group manages its financial risks in accordance with guidelines laid down in its treasury policy, which is approved by the Board. The treasury policy is designed to manage the Group's currency, interest rate and counterparty risks. Surplus funds are generally placed on short term deposits denominated mostly in United States dollars, sterling pounds and Hong Kong dollars. The Group aims to ensure that adequate financial resources are available for refinancing and business growth whilst maintaining a prudent capital structure.

The Group's financial profile remained strong during the year and the latest long term credit rating of the Company issued by Standard & Poor's in January 2014 is "A-" with a stable outlook.

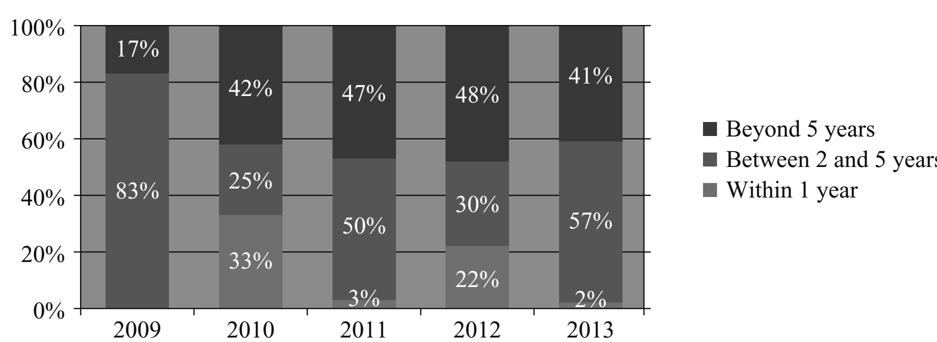
As at 31 December 2013, the net debt of the Group was HK$14,454 million (2012: HK$18,459 million) with a net debt-to-net total capital ratio of 17% (2012: 23%). After completion of the spin-off, the Group has a net cash position.

The profile of the Group's external borrowings as at 31 December, after taking into account interest rate and cross currency swaps, is set out in the tables below:

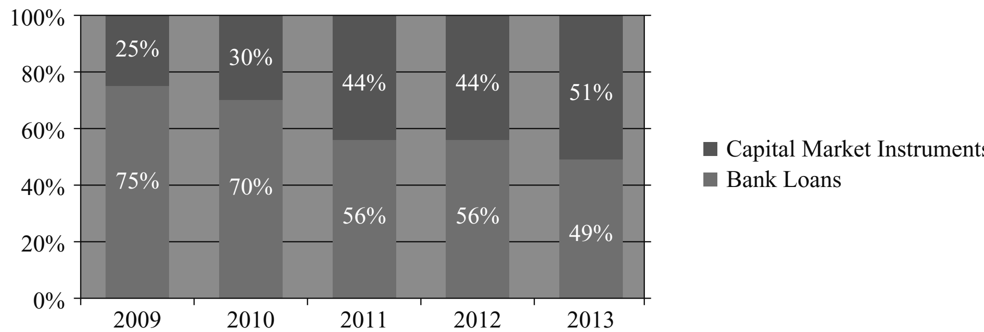
Debt Profile by Currency



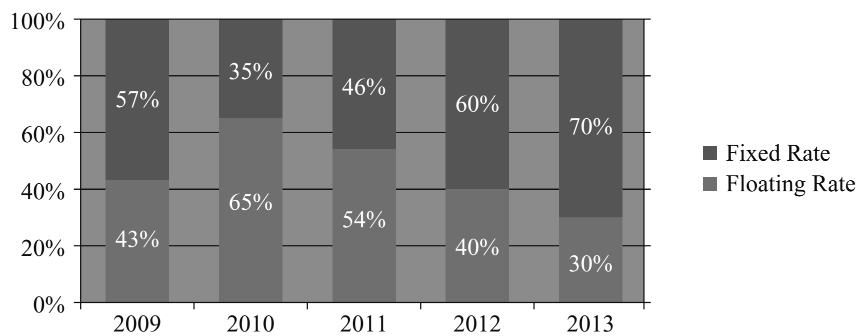
Debt Profile by Maturity



Debt Profile by Types of Borrowings



Debt Profile by Interest Rate Structure



The Group's policy is to maintain a portion of its debt at fixed interest rates. Interest rate risk is managed by either securing fixed rate borrowings or by using interest rate derivatives.

Currency and interest rate risks are actively managed in accordance with the Group's treasury policy. Derivative financial instruments are used primarily for managing interest rate and foreign currency risks and not for speculative purposes. Treasury transactions are only executed with counterparties with acceptable credit ratings to control counterparty risk exposure.

The Group's principal foreign currency exposures arise from its investments outside Hong Kong and from the import of fuel and capital equipment. Foreign currency transaction exposure is managed mainly through forward foreign exchange contracts. As at 31 December 2013, over 90% of the Group's transaction exposure from the import of fuel and capital equipment was either denominated in United States dollars or hedged into Hong Kong or United States dollars. Currency exposure arising from investments outside Hong Kong is, where considered appropriate, mitigated by financing those investments in local currency borrowings and by entering into forward foreign exchange contracts. Foreign currency fluctuations will affect the translated value of the net assets of investments outside Hong Kong and the resultant translation difference is included in the Group's reserve account. Income received from the Group's investments outside Hong Kong which is not denominated in Hong Kong dollars is, unless otherwise determined, converted into Hong Kong dollars on receipt.

The contractual notional amounts of derivative financial instruments outstanding at 31 December 2013 amounted to HK$29,107 million (2012: HK$32,467 million).

Charges on Assets

At 31 December 2013, the Group's interest in an associate of HK$529 million (2012: HK$630 million) had been pledged as part of the security to secure financing facilities granted to the associate.

Contingent Liabilities

As at 31 December 2013, the Group had given guarantees and indemnities totalling HK$909 million (2012: HK$979 million).

The Company had given guarantees and indemnities in respect of bank and other borrowing facilities made available to and financial commitments of subsidiaries totalling HK$11,507 million (2012: HK$8,889 million), while being a contingent liability of the Company, are reflected in the consolidated balance sheet of the Group.

Employees

The Group continues its policy of pay-for-performance and the pay levels are monitored to ensure competitiveness is maintained. The Group's total remuneration costs for the year ended 31 December 2013, excluding directors' emoluments, amounted to HK$1,068 million (2012: HK$910 million). As at 31 December 2013, the Group employed 1,839 (2012: 1,832) permanent employees. No share option scheme is in operation.

5. INDEBTEDNESS STATEMENT

As at 31 August 2015, being the latest practicable date prior to the printing of this document for ascertaining information for inclusion in this indebtedness statement, the Group had outstanding unsecured bank loans of approximately HK$9,743 million.

As at 31 August 2015, the Group had contingent liabilities of approximately HK$838 million. The contingent liabilities comprised guarantees in respect of bank and other borrowing facilities to joint ventures of approximately HK$98 million and performance and other guarantees of HK$740 million.

Save as set out above and apart from intra-group liabilities, the Group did not have any outstanding mortgages, charges, debentures or other loan capital or bank overdrafts, loans, debt securities or other similar indebtedness or acceptance credits or hire purchase commitments or any guarantees or other material contingent liabilities as at 31 August 2015.

The Directors have confirmed that there had been no material changes in the indebtedness position of the Group since 31 August 2015 and up to the Latest Practicable Date.

6. MATERIAL CHANGES

On 9 June 2015, the Group sold an approximately 16.53% stake in HK Electric Investments and HK Electric Investments Limited to Qatar Holding LLC at an aggregate cash consideration of approximately HK$7,681 million. Following completion of such transaction, the Group holds an approximately 33.37% stake in HK Electric Investments and HK Electric Investments Limited.

On 23 July 2015, the Company announced its interim results for the six months ended 30 June 2015 and, on 11 August 2015, published its interim report for the six months ended 30 June 2015.

On 8 September 2015, the respective boards of directors of CKI, the Offeror, the Company and CKH Holdings jointly announced that, on the same date, the CKI Board and the Offeror Board requested the Board to put forward the Proposal to the Scheme Shareholders regarding the proposed merger of CKI and the Company by way of the Scheme. On 7 October 2015, the respective boards of directors of CKI, the Offeror, the Company and CKH Holdings jointly announced that the Cancellation Consideration payable to the Scheme Shareholders under the Scheme was proposed to be 1.066 CKI Shares for every one Scheme Share held as at the Record Time. Please refer to the Explanatory Statement in this document for further details of the Proposal.

Save as disclosed above, the Directors confirm that there have been no material changes in the financial or trading position or outlook of the Group since 31 December 2014, the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

7. DIVIDENDS

The dividends paid by the Company for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 were HK$5,228 million, HK$5,442 million, HK$5,720 million, HK$1,430 million and HK$1,451 million, respectively, representing a dividend per Share of HK$2.45, HK$2.55, HK$2.68, HK$0.67 and HK$0.68, respectively.

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED CKI GROUP

The following is an illustrative unaudited pro forma consolidated statement of financial position, an illustrative unaudited pro forma consolidated income statement, and an illustrative unaudited pro forma consolidated statement of cash flows of the Enlarged CKI Group (the "**Unaudited Pro Forma Financial Information**"), which have been prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below, for the purpose of illustrating the effect of the Proposal as if it had taken place on 30 June 2015 for the unaudited pro forma consolidated statement of financial position and on 1 January 2014 for the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated statement of cash flows of the Enlarged CKI Group.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position, financial results or cash flows of the Enlarged CKI Group had the Proposal been completed as at 30 June 2015 and 1 January 2014 respectively or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this document.

I. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED CKI GROUP AS AT 30 JUNE 2015

As at 30 June 2015
HK$ million

	Unaudited		Pro forma adjustments				
	CKI	Power Assets	Note 1	Note 2	Note 3	Note 4	Total
Property, plant and equipment	2,385	32	–	187,232	–	–	189,649
Investment properties	305	–	–	–	–	–	305
Interests in associates	53,361	24,248	(46,793)	(11,068)	–	–	19,748
Interests in joint ventures	60,662	41,736	–	(54,849)	–	–	47,549
Investments in securities	2,136	67	–	–	–	–	2,203
Derivative financial instruments	177	229	–	3,055	–	–	3,461
Goodwill and intangible assets	2,553	–	–	88,469	–	–	91,022
Deferred tax assets	15	–	–	2,859	–	–	2,874
Employee retirement benefit assets	–	4	–	–	–	(4)	–
Other non-current assets	6	–	–	6,813	–	4	6,823
Total non-current assets	121,600	66,316	(46,793)	222,511	–	–	363,634
Inventories	216	–	–	665	–	–	881
Derivative financial instruments	120	–	–	1,840	–	–	1,960
Debtors and prepayments	874	443	56,081	(49,969)	–	–	7,429
Bank balances and deposits	7,753	67,796	–	5,704	–	–	81,253
Total current assets	8,963	68,239	56,081	(41,760)	–	–	91,523
Bank and other loans	38	–	–	8,075	–	–	8,113
Derivative financial instruments	518	–	–	417	–	–	935
Creditors and accruals	3,840	2,849	–	15,259	205	–	22,153
Taxation	91	15	–	770	–	–	876
Total current liabilities	4,487	2,864	–	24,521	205	–	32,077
Net current assets	4,476	65,375	56,081	(66,281)	(205)	–	59,446

	Unaudited		Pro forma adjustments				
	CKI	Power Assets	Note 1	Note 2	Note 3	Note 4	Total
Total assets less current liabilities	126,076	131,691	9,288	156,230	(205)	–	423,080
Bank and other loans	17,828	9,938	–	109,605	–	–	137,371
Derivative financial instruments	303	74	–	1,996	–	–	2,373
Deferred tax liabilities	498	69	–	23,442	–	–	24,009
Other non-current liabilities	33	138	–	10,851	–	–	11,022
Total non-current liabilities	18,662	10,219	–	145,894	–	–	174,775
Net assets	107,414	121,472	9,288	10,336	(205)	–	248,305
Representing:							
Share capital	2,520	6,610	–	(5,220)	–	–	3,910
Reserves	96,889	114,862	9,288	(18,148)	(205)	–	202,686
Equity attributable to shareholders of the company	99,409	121,472	9,288	(23,368)	(205)	–	206,596
Perpetual capital securities	7,933	–	–	–	–	–	7,933
Non-controlling interests	72	–	–	33,704	–	–	33,776
Total equity	107,414	121,472	9,288	10,336	(205)	–	248,305

II. UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE ENLARGED CKI GROUP FOR THE YEAR ENDED 31 DECEMBER 2014

For the year ended 31 December 2014
HK$ million

	Audited		Pro forma adjustments				
	CKI	Power Assets	Note 1	Note 2	Note 3	Note 4	Total
Group turnover	6,100	2,131	–	44,657	–	–	52,888
Direct costs	–	(307)	–	–	–	307	–
Operating costs	(4,395)	(941)	–	(25,505)	(205)	(307)	(31,353)
Other income	318	760	–	3,627	–	156	4,861
Finance costs	(906)	(434)	–	(8,026)	–	–	(9,366)
Exchange gain, net	207	–	–	–	–	(156)	51
Net gain on re-measurement of CKI's existing interests in Power Assets and the Entities	–	–	8,484	4,239	–	–	12,723
Gain on disposal of subsidiaries	2,236	52,928	–	–	–	–	55,164
Share of results of associates	23,156	2,252	(22,695)	(709)	–	–	2,004
Share of results of joint ventures	5,630	4,709	–	(7,842)	–	–	2,497
Profit before taxation	32,346	61,098	(14,211)	10,441	(205)	–	89,469
Taxation	(26)	(13)	–	(3,348)	–	–	(3,387)
Profit after taxation	32,320	61,085	(14,211)	7,093	(205)	–	86,082
Scheme of Control transfers to:							
Tariff Stabilisation Fund	–	(80)	–	–	–	–	(80)
Profit for the year	32,320	61,005	(14,211)	7,093	(205)	–	86,002
Attributable to:							
Shareholders of the company	31,782	61,005	(14,211)	4,239	(205)	–	82,610
Owners of perpetual capital securities	543	–	–	–	–	–	543
Non-controlling interests	(5)	–	–	2,854	–	–	2,849
	32,320	61,005	(14,211)	7,093	(205)	–	86,002

III. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED CKI GROUP FOR THE YEAR ENDED 31 DECEMBER 2014

For the year ended 31 December 2014
HK$ million

	Audited		Pro forma adjustments		
	CKI	Power Assets	Note 2	Note 4	Total
OPERATING ACTIVITIES					
Cash from operations	2,912	602	27,822	127	31,463
Interest paid	–	(397)	–	397	–
Interest received	–	2,153	(1,240)	(913)	–
Income taxes paid	(26)	(205)	(697)	40	(888)
Tax paid for operations outside Hong Kong	–	(7)	–	7	–
Tax refunded for operations outside Hong Kong	–	47	–	(47)	–
Net cash from operating activities	2,886	2,193	25,885	(389)	30,575
INVESTING ACTIVITIES					
Purchases of property, plant and equipment	(292)	(123)	(17,826)	–	(18,241)
Disposals of property, plant and equipment	1	–	66	–	67
Customer contribution	–	–	293	–	293
Additions to intangible assets	(14)	–	(18)	–	(32)
Proceeds from disposal of subsidiaries	–	30,764	–	–	30,764
Repayment from disposed subsidiaries	–	27,445	–	–	27,445
Disposal of interest in an associate	29	–	–	–	29
Advances to associates	(5)	–	–	–	(5)
Investments in joint ventures	(4,705)	(4,451)	(5)	–	(9,161)
Return of capital from a joint venture	5	–	(5)	–	–
Advances to joint ventures	(11)	–	–	–	(11)
Acquisition of businesses	(147)	–	–	–	(147)
Purchases of securities	(1,641)	–	–	–	(1,641)
Redemption of securities	1,341	–	–	–	1,341
Loan note repayment from stapled securities	33	–	–	–	33
Dividends received from associates	2,342	1,099	(2,221)	–	1,220

	Audited		Pro forma adjustments		
	CKI	Power Assets	Note 2	Note 4	Total
Dividends received from joint ventures	2,450	1,915	(2,839)	–	1,526
Dividends received from available-for-sale equity securities	–	50	–	–	50
Increase in bank deposits with more than three months to maturity when placed	–	(11,854)	–	–	(11,854)
Capitalised interest paid	–	(2)	–	–	(2)
Interest received	116	–	437	786	1,339
Net cash (utilised in) from investing activities	(498)	44,843	(22,118)	786	23,013
Net cash before financing activities	2,388	47,036	3,767	397	53,588
FINANCING ACTIVITIES					
New bank and other loans	7,308	–	9,661	–	16,969
Repayments of bank and other loans	(113)	–	(6,325)	–	(6,438)
Finance costs paid	(900)	–	(6,783)	(397)	(8,080)
New customers' deposits	–	27	–	–	27
Repayment of customer deposits	–	(17)	–	–	(17)
Dividends paid	(4,599)	(5,485)	667	–	(9,417)
Interest paid on perpetual capital securities	(599)	–	–	–	(599)
Redemption of perpetual capital securities	(2,340)	–	–	–	(2,340)
Net cash utilised in financing activities	(1,243)	(5,475)	(2,780)	(397)	(9,895)
Net increase in cash and cash equivalents	1,145	41,561	987	–	43,693
Cash and cash equivalents at 1 January 2014	5,955	5,294	3,407	–	14,656
Effect of foreign exchange rate changes	–	(1)	36	–	35
Cash and cash equivalents at 31 December 2014	7,100	46,854	4,430	–	58,384

IV. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED CKI GROUP

The consolidated financial information of Cheung Kong Infrastructure Holdings Limited ("**CKI**") and Power Assets Holdings Limited ("**Power Assets**") has been extracted from the unaudited consolidated statement of financial position as at 30 June 2015, and the audited consolidated income statement and the audited consolidated statement of cash flows of each of CKI and Power Assets for the year ended 31 December 2014, as set out in the interim reports for the six months ended 30 June 2015 and the annual reports for the year ended 31 December 2014 of CKI and Power Assets, respectively.

(1) Gain on re-measurement of CKI's existing interests in Power Assets and de-recognition of CKI's interest in Power Assets

Upon completion of the Proposal, Power Assets will become a wholly-owned subsidiary of CKI. For the purposes of this Unaudited Pro Forma Financial Information, and in accordance with Hong Kong Financial Reporting Standard 3 "Business Combinations" ("**HKFRS 3**"), the Proposal is accounted for as a business combination achieved in stages. The acquirer re-measured its previously held equity interest in the acquiree at its acquisition-date fair value and recognised the resulting gain or loss in the consolidated income statement.

The pro forma adjustments represent:

(i) the net re-measurement gain of CKI's existing interests in Power Assets of HK$8,484 million, which represents the excess of the deemed proceeds from the deemed disposal by CKI of its 38.87% interest in Power Assets of HK$56,081 million (calculated based on the 829,599,612 shares of Power Assets held by CKI and the closing price of Power Assets' shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 8 September 2015 of HK$67.6 per share) (the "**Fair Value of CKI's Existing Interests In Power Assets**"), over the aggregate amount of the carrying amounts of CKI's existing interests in Power Assets of HK$46,793 million at 30 June 2015 and the realisation of exchange reserve and other reserves of Power Assets of HK$804 million at 30 June 2015 for the purpose of preparing the Unaudited Pro Forma Financial Information. The carrying amounts of CKI's existing interests in Power Assets at 30 June 2015 and the exchange reserve and other reserves of Power Assets at 30 June 2015 are used in order to provide more relevant information regarding CKI's investment in Power Assets after taking into account the spin-off and separate listing of its Hong Kong electricity business on 29 January 2014; and

(ii) the elimination of interests in Power Assets previously held by CKI as interests in an associated company and the reversal of the results of Power Assets shared by CKI.

(2) Accounting for entities co-owned by CKI and Power Assets and Purchase Price Allocation Adjustments

CKI invests in infrastructure businesses through joint ventures and associates with parties including Power Assets. These infrastructure businesses as at 30 June 2015 comprised:

Name	Effective voting right exercisable by CKI as at 30 June 2015	Classification of investment by CKI as at 30 June 2015	Effective voting right exercisable by the Enlarged CKI Group upon completion of the Proposal	Classification of investment by the Enlarged CKI Group upon completion of the Proposal
UK Power Networks Holdings Limited ("**UKPN**")	40%	Joint Venture	80%	Subsidiary
Northern Gas Networks Holdings Limited ("**NGN**")	47.06%	Joint Venture	88.35%	Subsidiary
SA Power Networks ("**SAPN**")	23.07%	Associate	51%	Subsidiary
Victoria Power Networks Pty Limited ("**VPN**")	23.07%	Associate	51%	Subsidiary
Transmission General Holdings (Australia) Pty Limited ("**TOA**")	50%	Joint Venture	100%	Subsidiary
Wellington Electricity Distribution Network Limited ("**WELL**")	50%	Joint Venture	100%	Subsidiary
Canadian Power Holdings Inc. ("**CPH**")	50%	Joint Venture	100%	Subsidiary
Seabank Power Limited ("**Seabank**")	25%	Joint Venture	50%	Joint Venture
Wales & West Gas Networks (Holdings) Limited ("**WWU**")	30%	Joint Venture	60%	Joint Venture
Australian Gas Networks Holdings Pty Limited ("**AGN**")	45%	Joint Venture	72.5%	Joint Venture
Dutch Enviro Energy Holdings B.V. ("**Dutch Enviro**")	35%	Joint Venture	55%	Joint Venture

According to the shareholders' agreements of WWU, AGN and Dutch Enviro, decisions on certain relevant operating and financing activities of these joint ventures require the approval of at least 80% or more of the votes cast on a poll taken at the respective meetings of their boards of directors. Accordingly, the Enlarged CKI Group will not have the ability to exercise control over these three joint ventures and for the purposes of this Unaudited Pro Forma Financial Information, these investments continue to be accounted for using the equity method of accounting as interests in joint ventures under Hong Kong Financial Reporting Standard 11 "Joint Arrangements".

Based on the principal amount of bank and other debts less cash and cash equivalents, the net debts of WWU, AGN and Dutch Enviro (which amounted to HK$15,745 million, HK$13,996 million and HK$3,005 million, respectively, as at 30 June 2015) and the net cash of Seabank (which amounted to HK$321 million as at 30 June 2015) are not consolidated in the Unaudited Pro Forma Financial Information.

Upon completion of the Proposal, the entities currently co-owned by CKI and Power Assets over which CKI has control (the "**Entities**"), comprising UKPN, NGN, SAPN, VPN, TOA, WELL and CPH, will become indirectly owned subsidiaries of the Enlarged CKI Group.

For the purposes of this Unaudited Pro Forma Financial Information, and in accordance with HKFRS 3, CKI's existing interests in the Entities have been re-measured at their acquisition-date fair values based on the valuations estimated by the management of CKI and the resulting gain or loss is recognised in the consolidated income statement. The identifiable assets and liabilities of Power Assets and the Entities are accounted for in the Unaudited Pro Forma Financial Information under acquisition accounting at their fair values which are based on the valuations estimated by the management of CKI.

The pro forma adjustments represent:

(i) the net re-measurement gain of CKI's existing interests in the Entities of HK$4,239 million (including the realisation of exchange reserve and other reserves of HK$2,787 million) to the consolidated income statement;

(ii) the reversal of the results of the Entities shared by CKI and Power Assets;

(iii) the consolidation of the financial position of the Entities as at 30 June 2015 as if the Proposal had been completed on 30 June 2015. The identifiable assets and liabilities of Power Assets and the Entities are included in the unaudited pro forma consolidated statement of financial position at 30 June 2015 under acquisition accounting at their fair values which are based on the valuations estimated by the management of CKI. Income and expenses and cash flows of Power Assets and the Entities are consolidated in the unaudited pro forma consolidated income statement and unaudited pro forma consolidated statement of cash flows for the year as if the Proposal had been completed on 1 January 2014;

(iv) the elimination of the existing interests in the Entities and share capital and reserves of Power Assets and the Entities, and the issue of shares in CKI as the consideration for the acquisition of the 61.13% interests in Power Assets of HK$91,999 million (calculated based on the 1,304,662,042 shares of Power Assets not owned by CKI, the share exchange ratio of 1.066 shares in CKI for every one share in Power Assets and the closing price of shares in CKI on the Stock Exchange on 8 September 2015 of HK$66.15 per share) (the "**Cancellation Consideration**");

(v) the elimination of the dividends received from Power Assets by CKI and from the Entities by CKI and Power Assets as if the Proposal had been completed on 1 January 2014;

(vi) the elimination of interest income and expenses arising from loans made to the Entities by CKI and Power Assets as if the Proposal had been completed on 1 January 2014;

(vii) the elimination of costs reimbursed to CKI by a subsidiary of Power Assets for providing operation and management services to certain subsidiaries of Power Assets as if the Proposal had been completed on 1 January 2014; and

(viii) the excess of the aggregate amount of the Cancellation Consideration of HK$91,999 million, the Fair Value of CKI's Existing Interests In Power Assets of HK$56,081 million and the fair values of the Entities, over the aggregate amount of the fair values of the identifiable assets and liabilities of Power Assets and the fair values of the identifiable assets and liabilities of the Entities (including intangibles of HK$28,414 million which mainly comprise identifiable distribution licences of the Entities with indefinite life), in which the fair values are based on the valuations estimated by the management of CKI, recognised as goodwill of HK$60,055 million.

In making the adjustments described above, the directors of CKI have assessed whether there is any indication of impairment in respect of fixed assets, intangible assets and goodwill with reference to Hong Kong Accounting Standard 36 "Impairment of Assets". No impairment in respect of fixed assets, intangible assets and goodwill of the Enlarged CKI Group is expected.

The adjustment in (iii) above is expected to have a continuing effect on the consolidated statement of cash flows and consolidated income statement of CKI.

Since the fair value of the Cancellation Consideration, the Fair Value of CKI's Existing Interests In Power Assets and the fair values of the identifiable assets and liabilities of Power Assets and the Entities at the date of completion of the Proposal, may be substantially different from the fair values used in the preparation of the Unaudited Pro Forma Financial Information, the final amounts of the identifiable net assets (including intangible assets), goodwill and net gain from the re-measurement of the existing interests in Power Assets and the Entities to be recognised in connection with the Proposal may be different from the amounts presented above.

(3) The pro forma adjustments represent the estimated legal and professional fees and transaction costs for the Proposal amounting to HK$205 million, which will be borne by the Enlarged CKI Group. These adjustments are not expected to have a continuing effect on the consolidated income statement and consolidated statement of cash flows of CKI.

(4) The pro forma adjustments represent the reclassification of certain financial statement line items to conform with the presentation adopted by CKI.

(5) No other adjustment has been made to the unaudited pro forma consolidated statement of financial position to reflect any trading results or other transactions of the Enlarged CKI Group entered into subsequent to 30 June 2015, or to the unaudited pro forma consolidated income statement and unaudited pro forma consolidated statement of cash flows to reflect any trading results or other transactions entered into by the Enlarged CKI Group subsequent to 30 June 2015. In particular, the Unaudited Pro Forma Financial Information has not taken into account:

(i) the payment of the interim dividends for the six months ended 30 June 2015 of HK$1,512 million by CKI on 4 September 2015 and HK$1,451 million by Power Assets on 2 September 2015;

(ii) the proposed conditional special interim dividend of HK$7.50 per share payable to all CKI shareholders (including holders of CKI shares issued pursuant to the Scheme) amounting to approximately HK$29,328 million following completion of the Proposal. Should the proposed conditional special interim dividend be taken into account, the pro forma bank balances and deposits of the Enlarged CKI Group as at 30 June 2015 would decrease from HK$81,253 million to HK$51,925 million and the pro forma equity attributable to shareholders of the Enlarged CKI Group as at 30 June 2015 would decrease from HK$206,596 million to HK$177,268 million. Details of the conditions to the payment of the special dividend are set out in "*Letter from the Board – Proposed Dividend Arrangement*"; and

(iii) the sale and purchase agreement entered into by a joint venture formed by CKI and Power Assets for the acquisition of Iberwind – Desenvolvimento e Projectos, S.A., a company incorporated under the laws of Portugal and engaged in the business of generating electricity from wind in Portugal. Further information is set out in the announcement of Power Assets dated 2 October 2015.

(6) Additional analysis

(a) Unaudited pro forma revenue and profit attributable to the shareholders of the Enlarged CKI Group

Had completion of the Proposal taken place on 1 January 2014, the unaudited pro forma revenue and profit attributable to the shareholders of the Enlarged CKI Group by segments would have been as follows:

For the year ended 31 December 2014
HK$ million

	Turnover	Profit attributable to the Shareholders
Infrastructure investments		
United Kingdom	29,001	11,077
Australia	17,153	4,376
Hong Kong	682	1,780
Mainland China	50	593
New Zealand	2,467	261
Canada, Netherlands and Thailand	883	549
	50,236	18,636
Infrastructure related business	2,642	350
Gain on spin-off and separate listing of Hong Kong electricity business	–	52,928
Gain on re-measurement of CKI's existing interests in Power Assets and the Entities	–	12,723
Unallocated items	10	(2,027)
	52,888	82,610

(b) Unaudited pro forma total assets and total liabilities of the Enlarged CKI Group

Had completion of the Proposal taken place on 30 June 2015, the unaudited pro forma total assets and total liabilities of the Enlarged CKI Group by segments would have been as follows:

As at 30 June 2015
HK$ million

	Total assets	Total liabilities
Infrastructure investments		
United Kingdom	201,335	(100,254)
Australia	119,845	(64,862)
Hong Kong	15,923	–
Mainland China	5,451	(22)
New Zealand	8,611	(4,810)
Canada, Netherlands and Thailand	7,622	(2,212)
	358,787	(172,160)
Infrastructure related business	4,279	(651)
Unallocated items	92,091	(34,041)
	455,157	(206,852)

(c) Unaudited net debt to net total capital ratio of the Enlarged CKI Group

Had completion of the Proposal taken place on 30 June 2015, the Enlarged CKI Group would have had a net debt position with a net debt to net total capital ratio of 20.6%, which was based on its net debt of HK$64,231 million and net total capital, which represents the total borrowings plus total equity net of cash and bank deposits, of HK$312,536 million. Should the payment of the proposed conditional special interim dividend be taken into account, the net debt of the Enlarged CKI Group as at 30 June 2015 would increase from HK$64,231 million to HK$93,559 million, while the net total capital as at 30 June 2015 would remain at HK$312,536 million, resulting in a net debt to net total capital ratio of 29.9%.

(d) *Unaudited normalised profit attributable to shareholders of the Enlarged CKI Group*

If the profit attributable to shareholders of the Enlarged CKI Group for the year ended 31 December 2014 is normalised by excluding the one-off items, the normalised profit attributable to shareholders of the Enlarged CKI Group for the year ended 31 December 2014 would decrease from HK$82,610 million to HK$14,916 million. This has been arrived at by excluding the gain from the spin-off and separate listing of the Hong Kong electricity business of Power Assets of HK$52,928 million, the gain on disposal of a subsidiary by CKI of HK$2,236 million, the gain on disposal of an associate by CKI of HK$12 million (included in other income), the net gain on re-measurement of CKI's existing interests in Power Assets and the Entities of HK$12,723 million and the estimated legal and professional fees and transaction costs for the Proposal of HK$205 million.

2. ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE ENLARGED CKI GROUP

The following is the text of an accountant's report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for inclusion in this document, in respect of the unaudited pro forma consolidated financial information of the Enlarged CKI Group.

Deloitte.
德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Cheung Kong Infrastructure Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Cheung Kong Infrastructure Holdings Limited ("**CKI**") and its subsidiaries (hereinafter collectively referred to as the "**CKI Group**") by the directors of CKI (the "**CKI Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2015, the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2014 and related notes as set out on pages VI-1 to VI-14 of the scheme document jointly issued by CKI, Assets Global International Limited and Power Assets Holdings Limited dated 20 October 2015 (the "**Scheme Document**"). The applicable criteria on the basis of which the CKI Directors have compiled the unaudited pro forma financial information are described on pages VI-1 to VI-14 of the Scheme Document. Unless otherwise defined, capitalised terms shall have the same meanings as defined in the Scheme Document.

The unaudited pro forma financial information has been compiled by the CKI Directors to illustrate the impact of the proposed merger of CKI and Power Assets Holdings Limited involving a share exchange offer to the scheme shareholders of Power Assets Holdings Limited for the cancellation of all the scheme shares by way of a scheme of arrangement (the "**Proposed Transaction**") on the CKI Group's financial position as at 30 June 2015 and the CKI Group's financial performance and cash flows for the year ended 31 December 2014 as if the Proposed Transaction had taken place at 30 June 2015 and 1 January 2014 respectively. As part of this process, information about the CKI Group's financial position has been extracted by the CKI Directors from the CKI Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2015 for which no review report has been published; and information about the CKI Group's financial performance and cash flows has been extracted by the CKI Directors from the CKI Group's audited consolidated financial statements for the year ended 31 December 2014 on which an independent auditor's report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The CKI Directors are responsible for compiling the unaudited pro forma financial information which have been prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the CKI Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the CKI Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2015 or 1 January 2014 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the CKI Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the CKI Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the CKI Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed on pages VI-1 to VI-14 of the Scheme Document which is prepared in accordance with paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 October 2015

Copies of the following documents are available for inspection from the date of this document until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is the earlier (1) at the office of the Company at Rooms 1913-1914, 19th Floor, Hutchison House, 10 Harcourt Road, Hong Kong from 9:30 a.m. to 5:30 p.m. (except Saturdays, Sundays and public holidays), (2) on the website of the Company at **www.powerassets.com**, (3) on the website of CKI at **www.cki.com.hk** and (4) on the website of the SFC at **www.sfc.hk**:

(1) the Articles of Association of the Company;

(2) the memorandum of association and bye-laws of CKI;

(3) the memorandum and articles of association of the Offeror;

(4) the annual reports of the Company for the two financial years ended 31 December 2014;

(5) the annual reports of CKI for the two financial years ended 31 December 2014;

(6) the letter from the Board;

(7) the letter from the Independent Board Committee;

(8) the letter from the Independent Financial Adviser;

(9) the report on the unaudited pro forma consolidated financial information of the Enlarged CKI Group from Deloitte Touche Tohmatsu, the text of which is set out in "*Appendix VI – Unaudited Pro Forma Financial Information of the Enlarged CKI Group*";

(10) the material contracts referred to in "*Appendix II – Information on the CKI Group and the Offeror – Material Contracts*";

(11) the written consents referred to in "*Appendix II – Information on the CKI Group and the Offeror – Consents*";

(12) the material contracts referred to in "*Appendix IV – Information on the Group – Material Contracts*";

(13) the written consents referred to in "*Appendix IV – Information on the Group – Consents*";

(14) the swap master confirmation dated 9 July 2012 entered into by Bank of America, N.A. with third parties (together with the related amendment agreements) and the relevant supplemental confirmations;

(15) the swap master confirmation dated 10 April 2013 entered into by Bank of America, N.A. with a third party and the relevant supplemental confirmations; and

(16) this document.

In this document, the following words and expressions shall have the following meanings, unless the context otherwise requires:

"**A$**"	Australian dollars, the lawful currency of Australia
"**acting in concert**"	has the meaning ascribed to it in the Takeovers Code
"**Adjusted Total Assets**"	(a) in the case of CKI, means the total assets less bank deposits and cash and its attributable interest in the Company and (b) in the case of the Company, means the total assets less bank balances and deposits
"**ADS Deposit Agreement**"	the deposit agreement dated as of 29 July 1996 by and among the Company (formerly known as Hongkong Electric Holdings Limited 香港電燈集團有限公司), the Depositary and all holders and beneficial owners of American depositary receipts evidencing ADSs
"**ADS Holders**"	holders of ADSs
"**ADS Record Time**"	5:00 p.m. on Monday, 9 November 2015 (New York time) being the record date for determining ADS Holders entitled to instruct the Depositary to vote Shares represented by ADSs at the Court Meeting and the General Meeting
"**ADS Voting Instruction Card**"	the white voting instruction card for use by ADS Holders for providing instructions to the Depositary as to how to vote the Shares underlying their ADSs in connection with the Court Meeting and the General Meeting
"**ADS Voting Instruction Deadline**"	10:00 a.m. on Monday, 16 November 2015 (New York time) (or such other time and date determined by the Depositary), being the deadline for the receipt of the ADS Voting Instruction Card by the Depositary from the ADS Holders
"**ADSs**"	American depositary shares which are issued by the Depositary, each representing ownership of one Share
"**Announcement**"	the announcement dated 8 September 2015 jointly issued by CKI, the Offeror, the Company and CKH Holdings in relation to the Proposal
"**Articles of Association**"	the Articles of Association of the Company

"**Authorisations**"	authorisations, registrations, filings, rulings, consents, permissions and approvals (including approval in-principle)
"**Beneficial Owner**"	any beneficial owner of Shares whose Shares are registered in the name of a Registered Owner
"**Board**"	the board of Directors
"**BofAML**"	Merrill Lynch (Asia Pacific) Limited, a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the financial adviser to the Company in connection with the Proposal with effect from 3 October 2015
"**BofAML Group**"	BofAML and persons controlling, controlled by or under the same control as BofAML
"**Business Day**"	any day on which the Stock Exchange is open for the business of dealing in securities
"**C$**"	Canadian dollars, the lawful currency of Canada
"**Cancellation Consideration**"	the consideration for the cancellation and extinguishment of the Scheme Shares under the Scheme, being 1.066 CKI Shares for every one Scheme Share held at the Record Time
"**CCASS**"	the Central Clearing and Settlement System established and operated by HKSCC
"**Change of CKI Company Name**"	the proposed change of the English name of CKI from "Cheung Kong Infrastructure Holdings Limited" to "CK Infrastructure Assets (Holdings) Limited" and the proposed adoption of "長江基建實業(集團)有限公司" as CKI's secondary name
"**CKH Holdings**"	CK Hutchison Holdings Limited 長江和記實業有限公司, an exempted company incorporated in the Cayman Islands with limited liability on 11 December 2014, the shares of which are listed on the Main Board (stock code: 0001)
"**CKH Holdings Directors**"	the directors of CKH Holdings

"**CKI**"	Cheung Kong Infrastructure Holdings Limited, a company incorporated in Bermuda with limited liability on 28 May 1996, the shares of which are listed on the Main Board (stock code: 1038)
"**CKI Board**"	the board of CKI Directors
"**CKI Bye-laws**"	the bye-laws of CKI (as amended from time to time)
"**CKI Directors**"	the directors of CKI
"**CKI Dividend Record Time**"	the record time for determining the entitlement of the CKI Shareholders to the CKI Special Dividend, which is expected to be 8:50 a.m. on Tuesday, 5 January 2016
"**CKI Group**"	CKI and its subsidiaries
"**CKI SGM**"	a special general meeting of CKI convened to be held for the purposes of considering and, if thought fit, approving (a) the making of the Proposal (including the issue of new CKI Shares to the Scheme Shareholders pursuant to the Scheme), (b) the Change of CKI Company Name, (c) the increase in the authorised share capital of CKI, (d) the increase in the maximum number of CKI Directors and (e) the amendments to the CKI Bye-laws
"**CKI Share(s)**"	ordinary share(s) of HK$1.00 each in the share capital of CKI
"**CKI Shareholder(s)**"	holder(s) of CKI Shares
"**CKI Special Dividend**"	the conditional special interim dividend of HK$7.50 per CKI Share proposed to be declared by the CKI Board, which is subject to the conditions set out in and as further described in "*Proposed Dividend Arrangement*" in the Explanatory Statement
"**CKI Special Dividend Resolution**"	the ordinary resolution to be considered and, if thought fit, passed by the Shareholders at the General Meeting to agree to the payment by CKI of the CKI Special Dividend
"**Companies Ordinance**"	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
"**Companies Registrar**"	the Registrar of Companies in Hong Kong

"**Company**"	Power Assets Holdings Limited 電能實業有限公司, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board (stock code: 0006)
"**Court**"	the Court of First Instance of the High Court of Hong Kong
"**Court Hearing**"	the hearing of the petition by the Court for the sanction of the Scheme and the confirmation of the capital reduction of the Company
"**Court Meeting**"	the meeting of the Scheme Shareholders to be convened at the direction of the Court for the purpose of considering and, if thought fit, approving the Scheme
"**Depositary**"	Citibank, N.A.
"**Directors**"	the directors of the Company
"**Disinterested Shareholders**"	Shareholders other than the Offeror and Offeror Concert Parties. For the avoidance of doubt, Disinterested Shareholders include any member of the HSBC group and any member of the Goldman Sachs group, in each case in respect of Shares of its non-discretionary investment clients where such client (a) has control over the voting rights attaching to those Shares, (b) if those Shares are voted, gives instructions as to how the Shares are to be voted and provided the shares are voted in accordance with the instructions given and (c) is not the Offeror or any of the Offeror Concert Parties
"**Effective Date**"	the date on which the Scheme, if approved and sanctioned by the Court, becomes effective in accordance with its terms, which is expected to be on Tuesday, 5 January 2016
"**Enlarged CKI Group**"	the CKI Group upon completion of the Proposal

"**Excluded Jurisdictions**"	those jurisdictions outside Hong Kong in which any Overseas Shareholders are resident in or are located and where the law of such jurisdictions precludes an offer of the CKI Shares, or precludes it except after compliance by CKI with conditions with which CKI is unable to comply or which CKI regards as unduly onerous. As at the Latest Practicable Date, there were no Excluded Jurisdictions
"**Executive**"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"**Explanatory Statement**"	the explanatory statement relating to the Proposal, the text of which is set out on pages 63 to 99 of this document
"**GBP**"	pounds sterling, the lawful currency of the United Kingdom
"**General Meeting**"	the general meeting of the Company convened to be held on the same date as the Court Meeting, for the purposes of considering and, if thought fit, passing (a) a special resolution to approve the Scheme and the implementation of the Scheme, including the reduction and restoration of the issued share capital of the Company under the Proposal, and (b) an ordinary resolution to agree to the payment by CKI of the CKI Special Dividend
"**Goldman Sachs**"	Goldman Sachs (Asia) L.L.C., a corporation licensed by the SFC to carry on type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, which has been appointed as the financial adviser to CKH Holdings in connection with the Proposal
"**Group**"	the Company and its subsidiaries from time to time

"**HK Electric Investments**"	HK Electric Investments 港燈電力投資, a trust constituted pursuant to a deed of trust on 1 January 2014 under the laws of Hong Kong, the trustee-manager of which is HK Electric Investments Manager Limited 港燈電力投資管理人有限公司. The share stapled units jointly issued by HK Electric Investments and HK Electric Investments Limited 港燈電力投資有限公司, a company incorporated in the Cayman Islands with limited liability, are listed on the Main Board (stock code: 2638)
"**HK$**" or "**Hong Kong dollars**"	Hong Kong dollars, the lawful currency of Hong Kong
"**HKFRS**"	Hong Kong Financial Reporting Standards
"**HKSCC**"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"**Hong Kong**"	the Hong Kong Special Administration Region of the PRC
"**HSBC**"	The Hongkong and Shanghai Banking Corporation Limited, a registered institution under the SFO, registered to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities under the SFO and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), which has been appointed as the financial adviser to CKI and the Offeror in connection with the Proposal
"**Independent Board Committee**"	the independent committee of the Board established for the purpose of, among other things, making recommendations to the Disinterested Shareholders in relation to the Proposal, comprising Mr. Ip Yuk-keung, Albert, Mr. Ralph Raymond Shea, Mr. Wong Chung Hin and Mr. Wu Ting Yuk, Anthony, all of whom are independent non-executive Directors
"**Independent CKI Shareholders**"	the CKI Shareholders who do not have a material interest (which is different from that of all other CKI Shareholders) in the Proposal

"**Independent Financial Adviser**" or "**Platinum**"	Platinum Securities Company Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser to the Independent Board Committee in relation to the Proposal
"**Investor Participants**"	persons admitted to participate in CCASS as investor participants
"**Last Trading Day**"	8 September 2015, being the last trading day immediately preceding the publication of the Announcement
"**Latest Practicable Date**"	the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained herein, being (i) 15 October 2015 (New York time) for information in relation to the ADSs and (ii) 16 October 2015 for other information
"**Listing Committee**"	the Listing Committee of the Stock Exchange
"**Listing Rules**"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
"**Main Board**"	the Main Board of the Stock Exchange
"**Non-Qualifying Overseas Shareholders**"	those Overseas Shareholders who are resident or located in any Excluded Jurisdictions and who will not receive CKI Shares pursuant to the Scheme, but will, upon the Scheme becoming effective and subject to and in accordance with the Scheme, receive cash in full satisfaction of their rights to the relevant CKI Shares. As at the Latest Practicable Date, there were no Non-Qualifying Overseas Shareholders
"**Offer Period**"	the period commencing from the publication of the Announcement on 8 September 2015 and ending on the earliest of (a) the Effective Date, (b) the date on which the Scheme lapses and (c) the date on which an announcement is made on the withdrawal of the Scheme

"**Offeror**"	Assets Global International Limited, a company incorporated in the British Virgin Islands with limited liability on 28 August 2015 and a wholly-owned subsidiary of CKI
"**Offeror Board**"	the board of Offeror Directors
"**Offeror Concert Parties**"	the parties acting in concert with the Offeror in relation to the Company, including the Specified Offeror Concert Parties
"**Offeror Directors**"	the directors of the Offeror
"**Offeror Share(s)**"	ordinary share(s) in the share capital of the Offeror
"**Other CCASS Participants**"	persons admitted to participate in CCASS other than an Investor Participant
"**Overseas Shareholders**"	Scheme Shareholders whose addresses, as shown in the register of members of the Company at the Record Time, are in any jurisdiction other than Hong Kong
"**PRC**" or "**China**" or "**Mainland China**"	the People's Republic of China, which for the purpose of this document and, except where the context requires otherwise, excludes Hong Kong, Macau and Taiwan
"**Proposal**"	the conditional share exchange offer made by the Offeror to the Scheme Shareholders for the cancellation of all the Scheme Shares by way of the Scheme
"**Record Time**"	the record time for determining the entitlements of the Scheme Shareholders to the Scheme, being 4:00 p.m. on the Business Day immediately preceding the Effective Date, which is expected to be Monday, 4 January 2015
"**Registered Owner**"	in respect of a Beneficial Owner, any nominee, trustee, depositary or any other authorised custodian or third party whose name is entered in the register of members of the Company as the holder of the Shares in which the Beneficial Owner is beneficially interested

"**Relevant CKI Subsidiaries**"	collectively, (a) Asian Equities Inc., (b) Hestonville Resources Limited, (c) Interman Development Inc., (d) Lipton Finance S.A., (e) Monitor Equities S.A., (f) Univest Equity S.A. and (g) Venniton Development Inc., each of which is a wholly-owned subsidiary of CKI and which in aggregate held or beneficially owned approximately 38.87% of the issued Shares as at the Latest Practicable Date
"**Relevant Period**"	the period commencing on 8 March 2015, being the date falling six months prior to the date of the Announcement, and ending on the Latest Practicable Date
"**Scheme**"	the proposed scheme of arrangement pursuant to Division 2 of Part 13 of the Companies Ordinance for the implementation of the Proposal as set out on pages S-1 to S-9 of this document
"**Scheme Offeror Concert Parties**"	all the Specified Offeror Concert Parties other than the Relevant CKI Subsidiaries
"**Scheme Shareholders**"	holders of the Scheme Shares
"**Scheme Shares**"	all the Shares in issue as at the Record Time, other than those held or beneficially owned by the Relevant CKI Subsidiaries
"**SEC**"	the US Securities and Exchange Commission
"**Securities Act**"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"**Selected Person**"	the nominee selected by CKI to be allotted and to sell on the market (a) fractional entitlements of the Scheme Shareholders to CKI Shares under the Scheme and (b) the CKI Shares which would otherwise have been allotted to the Non-Qualifying Overseas Shareholders pursuant to the Scheme, further details of which are set out in "*The Proposal – Fractional Entitlements to the CKI Shares under the Scheme*" and "*Non-Qualifying Overseas Shareholders*" in the Explanatory Statement
"**SFC**"	the Securities and Futures Commission of Hong Kong
"**SFO**"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)

"**Share(s)**"	ordinary share(s) in the share capital of the Company
"**Shareholder(s)**"	holder(s) of Shares
"**Specified Offeror Concert Parties**"	the persons referred to in the first column of the table (including those persons referred to in the notes to the table) under "*Specified Offeror Concert Parties*" in "*Effects of the Proposal on the Shareholding Structure of the Company and CKI – Shareholding Structure of the Company*" in the Explanatory Statement (except for members of the HSBC group or members of the Goldman Sachs group, in each case which are exempt fund managers or exempt principal traders, in each case recognised by the Executive as such for the purposes of the Takeovers Code), each of which is presumed under the Takeovers Code to be acting in concert with the Offeror in relation to the Company
"**Stock Exchange**"	The Stock Exchange of Hong Kong Limited
"**Takeovers Code**"	the Code on Takeovers and Mergers issued by the SFC (as amended, supplemented or otherwise modified from time to time)
"**UK**" or "**United Kingdom**"	the United Kingdom of Great Britain and Northern Ireland
"**US**", "**United States**" or "**United States of America**"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"**US$**"	United States dollars, the lawful currency of the US
"**US GAAP**"	generally accepted accounting principles in the United States
"**%**"	per cent.

All references in this document to times and dates are references to Hong Kong times and dates, except as otherwise specified.

All percentages stated in this document are approximations and certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

HCMP 2168/2015

IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 2168 OF 2015

IN THE MATTER OF

POWER ASSETS HOLDINGS LIMITED
電能實業有限公司

and

IN THE MATTER OF

The Companies Ordinance,
Chapter 622 of the Laws of Hong Kong

SCHEME OF ARRANGEMENT

(under Division 2 of Part 13 of the Companies Ordinance,
Chapter 622 of the Laws of Hong Kong)

between

POWER ASSETS HOLDINGS LIMITED
電能實業有限公司

and

HOLDERS OF SCHEME SHARES
(as hereinafter defined)

PRELIMINARY

(A) In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions shall bear the following meanings:

"**Business Day**"	a day on which The Stock Exchange of Hong Kong Limited is open for the business of dealing in securities;

"**CKI**"	Cheung Kong Infrastructure Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited;
"**CKI Shares**"	ordinary shares of HK$1.00 each in the share capital of CKI;
"**Company**"	Power Assets Holdings Limited 電能實業有限公司, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited;
"**Court**"	the Court of First Instance of the High Court of Hong Kong;
"**Court Meeting**"	the meeting convened at the direction of the Court for the purpose of approving this Scheme;
"**Effective Date**"	the date on which this Scheme becomes effective in accordance with paragraph 7 of this Scheme;
"**Executive**"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate of the Executive Director;
"**HK$**"	Hong Kong dollars, the lawful currency of Hong Kong;
"**holder**"	a registered holder and includes a person entitled by transmission to be registered as such and joint holders;
"**Hong Kong**"	the Hong Kong Special Administrative Region of the People's Republic of China;
"**Latest Practicable Date**"	16 October 2015, being the latest practicable date for the purpose of ascertaining certain information contained in the Scheme Document;
"**New CKI Shares**"	the new CKI Shares to be allotted and issued pursuant to paragraph 1 of this Scheme;

"**Non-Qualifying Overseas Shareholders**"	those Overseas Shareholders who are resident or located in any jurisdiction where the law of such jurisdiction precludes an offer of the CKI Shares, or precludes it except after compliance by CKI with conditions with which CKI is unable to comply or which CKI regards as unduly onerous, and who will not receive New CKI Shares pursuant to this Scheme but will, upon this Scheme becoming effective and subject to and in accordance with paragraph 3 of this Scheme, receive cash in full satisfaction of their rights to the relevant CKI Shares;
"**Offeror**"	Assets Global International Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of CKI;
"**Overseas Shareholder(s)**"	Shareholder(s) whose addresses, as shown on the register of members of the Company as at the Record Time, are in any jurisdiction other than Hong Kong;
"**Relevant CKI Subsidiaries**"	collectively, (a) Asian Equities Inc., (b) Hestonville Resources Limited, (c) Interman Development Inc., (d) Lipton Finance S.A., (e) Monitor Equities S.A., (f) Univest Equity S.A. and (g) Venniton Development Inc., which in aggregate hold or beneficially own approximately 38.87% of the issued Shares;
"**Record Time**"	4:00 p.m. (Hong Kong time) on the Business Day immediately preceding the Effective Date;
this "Scheme"	this scheme of arrangement in its present form or with or subject to any modification of or addition to it or any condition, which the Court may think fit to approve or impose;
"**Scheme Document**"	the document dated 20 October 2015 issued by CKI, the Offeror and the Company to the Shareholders, containing details of this Scheme;
"**Scheme Offeror Concert Parties**"	all the Specified Offeror Concert Parties other than the Relevant CKI Subsidiaries;
"**Scheme Shareholders**"	holders of the Scheme Shares;

"**Scheme Shares**"	all the Shares in issue as at the Record Time, other than those held or beneficially owned by the Relevant CKI Subsidiaries;
"**Shareholders**"	holders of the Shares;
"**Shares**"	ordinary shares in the capital of the Company;
"**Specified Offeror Concert Parties**"	the persons referred to in the first column of the table (including those persons referred to in the notes to the table) under "*Specified Offeror Concert Parties*" in "*Effects of the Proposal on the Shareholding Structure of the Company and CKI – Shareholding Structure of the Company*" set out on pages 73 to 75 of the Scheme Document (except for members of the HSBC group or members of the Goldman Sachs group (in each case as referred to in the Scheme Document) which are exempt fund managers or exempt principal traders, in each case recognised by the Executive as such for the purposes of the Takeovers Code), each of which is presumed under the Takeovers Code to be acting in concert (as defined in the Takeovers Code) with the Offeror in relation to the Company; and
"**Takeovers Code**"	the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong (as amended, supplemented or otherwise modified from time to time).

(B) As at the Latest Practicable Date, the issued and paid up share capital of the Company was HK$6,610,008,416.59 and a total of 2,134,261,654 Shares were in issue.

(C) CKI was incorporated in Bermuda on 28 May 1996 as an exempted company with limited liability under the Companies Act 1981 (as amended) of Bermuda. As at the Latest Practicable Date, CKI had an authorised share capital of HK$4,000,000,000 divided into 4,000,000,000 shares of HK$1.00 each, and 2,519,610,945 shares of HK$1.00 each were in issue which are fully paid or credited as fully paid.

(D) The Offeror was incorporated in the British Virgin Islands on 28 August 2015 with limited liability under the BVI Business Companies Act, 2004 (as amended) of the British Virgin Islands and is a wholly-owned subsidiary of CKI. The Offeror is authorised to issue a maximum of 50,000 shares (with or without par value) of a single class. As at the Latest Practicable Date, there was one share of the Offeror in issue.

(E) As at the Latest Practicable Date, the Relevant CKI Subsidiaries, all of which are indirect wholly-owned subsidiaries of CKI, beneficially owned an aggregate of 829,599,612 Shares, representing approximately 38.87% of the Shares in issue. The Relevant CKI Subsidiaries are not Scheme Shareholders and the Shares held or beneficially owned by the Relevant CKI Subsidiaries will not form part of the Scheme Shares.

(F) As at the Latest Practicable Date, the Scheme Offeror Concert Parties (being all the Specified Offeror Concert Parties other than the Relevant CKI Subsidiaries) beneficially owned an aggregate of 351,049 Shares, representing approximately 0.02% of the Shares in issue. In accordance with the Takeovers Code, since the Scheme Offeror Concert Parties are not holders of disinterested Shares (as defined in Note 6 to Rule 2 of the Takeovers Code), they are precluded from voting at the Court Meeting notwithstanding that the Shares, directly or indirectly, held by the Scheme Offeror Concert Parties will form part of the Scheme Shares. Each of the Scheme Offeror Concert Parties shall procure that the Scheme Shares in which he, she or it is beneficially interested will not be voted at the Court Meeting.

(G) The primary purpose of this Scheme is that the Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders) should receive CKI Shares in consideration for the cancellation and extinguishment of the Scheme Shares on the basis of 1.066 CKI Shares for every one Scheme Share held by them as at the Record Time, and that the Company should become a wholly-owned subsidiary of CKI.

(H) Each of the Offeror and CKI has agreed to appear by Counsel at the hearing of the petition to sanction this Scheme and to undertake to the Court to be bound thereby and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by it for the purpose of giving effect to this Scheme.

THE SCHEME

PART I

SCHEME PARTICULARS

1. On the Effective Date:

   (a) simultaneously with each other:

      (i) the share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares;

      (ii) subject to and immediately upon such reduction of capital taking effect, the share capital of the Company shall be increased to its former amount of HK$6,610,008,416.59 by the creation of such number of Shares as is equal to the number of Scheme Shares cancelled and extinguished; and

      (iii) the Company shall apply all the credit arising in its books of account as a result of the reduction of its share capital in paying up the Shares to be created as set out in paragraph 1(a)(ii) above, which Shares shall be allotted and issued, credited as fully paid, to the Offeror; and

   (b) in consideration for the cancellation and extinguishment of the Scheme Shares and in exchange for the allotment and issue by the Company to the Offeror of new Shares as set out in paragraph 1(a)(iii) above, CKI shall allot and issue the New CKI Shares, credited as fully paid, to the Scheme Shareholders whose names appear in the register of members of the Company as at the Record Time, subject to paragraph 3 of this Scheme, on the basis of 1.066 CKI Shares for every one Scheme Share cancelled as set out above.

PART II

GENERAL APPLICATION

2. The New CKI Shares shall be fully paid or credited as fully paid and rank *pari passu* in all respects with each other and with all other CKI Shares then in issue, including as to dividends, voting rights and return of capital or other distributions that may be declared, paid or made.

3. (a) Subject to the requirements of the Takeovers Code, if the law of any relevant jurisdiction precludes an offer of the CKI Shares to any Overseas Shareholders, or precludes it except after compliance by CKI with conditions with which CKI is unable to comply or which CKI regards as unduly onerous, no New CKI Shares will be issued to the Non-Qualifying Overseas Shareholders.

(b) In such case, CKI shall allot the New CKI Shares which would otherwise have been allotted to the Non-Qualifying Overseas Shareholders to a person selected by the board of directors of CKI, who shall sell such CKI Shares on the market as soon as reasonably practicable after this Scheme becomes effective, and CKI shall cause the aggregate proceeds of such sale (net of expenses and taxes) to be paid to the relevant Non-Qualifying Overseas Shareholders (*pro rata* to their shareholdings in the Company as at the Record Time) in Hong Kong dollars in full satisfaction of their rights to the New CKI Shares to which, but for paragraph 3(a) above, such Non-Qualifying Overseas Shareholders would have become entitled under this Scheme, provided that if the amount that a Non-Qualifying Overseas Shareholder would be entitled to receive is less than HK$50, such sum shall be retained for the benefit of CKI.

(c) No Scheme Shareholders shall be entitled to have allotted to them fractions of a New CKI Share. The fractional entitlements to New CKI Shares which, but for this paragraph 3(c), the Scheme Shareholders would have become entitled under this Scheme, shall be aggregated (and, if necessary, rounded down to the nearest whole number of a CKI Share) and allotted by CKI to a person selected by the board of directors of CKI, who shall sell the resulting CKI Shares on the market as soon as reasonably practicable after this Scheme becomes effective, and CKI shall cause the aggregate proceeds of such sale (net of expenses and taxes) to be paid to the relevant Scheme Shareholders according to their respective attributable entitlements thereto.

4. (a) On or before the Effective Date, CKI shall (i) allot and issue the New CKI Shares to take effect as at the Effective Date pursuant to paragraph 1 above and (ii) send or cause to be sent to the holders of New CKI Shares certificates representing the appropriate number of New CKI Shares, in registered form, allotted and issued to such holders pursuant to paragraph 1(b) above.

(b) All net proceeds of sale payable by CKI to a Non-Qualifying Overseas Shareholder or a Scheme Shareholder (as the case may be) in accordance with paragraph 3 above shall be paid by cheque drawn on a licensed bank in Hong Kong. Not later than 28 days after the Effective Date, CKI shall deliver or procure to be delivered (except to the extent to which it may be prohibited by law in any part of the world from so doing) such cheques to the persons entitled thereto in the manner mentioned in paragraph 4(c) below.

(c) Unless indicated otherwise in writing to the branch share registrar and transfer office of CKI, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, all share certificates referred to in paragraph 4(a) above and cheques referred to in paragraph 4(b) above shall be sent by prepaid post (or by prepaid air-mail if the persons entitled thereto are situated outside Hong Kong) addressed to the persons entitled thereto at their respective addresses as appearing in the register of members of the Company as at the Record Time or, in the case of joint holders, at the address appearing in there at such time of that one of the joint holders whose name stands first in there in respect of the relevant joint holding or to the other persons entitled to them.

(d) Share certificates and cheques shall be delivered at the risk of addressees and none of CKI, the Offeror, the Company or any persons nominated by them to carry out such delivery shall be responsible for any loss or delay in transmission.

(e) On or after the day being six calendar months after the posting of the share certificates pursuant to paragraph 4(a) above and the posting of the cheques pursuant to paragraph 4(b) above, CKI shall have the right to (i) sell those CKI Shares, the certificates of which have been returned or (ii) cancel or countermand payment of any such cheque which has not then been cashed or has been returned uncashed, and, in each case, shall place all monies represented thereby in a deposit account in CKI's name with a licensed bank in Hong Kong selected by CKI. CKI shall hold such monies until the expiration of six years from the Effective Date and shall prior to such date make payments to persons who satisfy CKI that they are respectively entitled to them. Any payments made by CKI hereunder shall include any interest accrued on the sums to which the respective persons are entitled pursuant to paragraph 1(b) above calculated at the annual rate prevailing from time to time at the licensed bank in which the monies are deposited, subject, if applicable, to the deduction of interest, tax or any withholding tax or any other deduction required by law. CKI shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled or not so entitled, as the case may be, which determination shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

(f) On the expiration of six years from the Effective Date, CKI shall be released from any further obligation to make any payments under this Scheme and CKI shall keep the balance (if any) of the sums then standing to the credit of the deposit account referred to in paragraph 4(e) above including accrued interest subject, if applicable, to the deduction of interest, tax or any withholding tax or any other deduction required by law and subject to the deduction of any expenses.

(g) Paragraph 4(f) above shall take effect subject to any prohibition or condition imposed by law.

5. Subject to the despatch of the share certificates by CKI for the New CKI Shares, each instrument of transfer and certificate validly subsisting as at the Record Time in respect of a transfer or holding, respectively, of any number of the Scheme Shares shall, on the Effective Date, cease to be valid for any purpose as an instrument of transfer or a certificate for the Scheme Shares and every holder of such certificates shall be bound, at the request of CKI, to deliver up to the Company the certificates for its, his or her existing shareholdings in the Company.

6. All mandates or other instructions to the Company in force as at the Record Time relating to the Scheme Shares shall on the Effective Date cease to be valid and effective mandates or instructions to the Company but shall, with effect from the Effective Date and unless and until revoked, be deemed to be valid and subsisting mandates or instructions to CKI relating to the relevant CKI Shares allotted and issued pursuant to paragraph 1(b) above.

7. This Scheme shall become effective as soon as an office copy of the order of the Court sanctioning this Scheme and confirming the reduction of capital provided for by this Scheme together with a minute and a return that comply with subsections (2) and (3) respectively of section 230 of the Companies Ordinance shall have been registered by the Registrar of Companies in Hong Kong.

8. Unless this Scheme shall have become effective as set out above on or before Thursday, 31 March 2016 or such later date, if any, as the Offeror may agree and as the Court may allow, this Scheme shall lapse.

9. The Company, CKI and the Offeror may jointly consent for and on behalf of all parties concerned to any modification of or addition to this Scheme or to any condition that the Court may see fit to approve or impose.

10. If this Scheme does not proceed or is withdrawn or lapses, all costs and expenses incurred in connection with this Scheme by the Company will be borne by CKI, and if the Scheme becomes effective, all costs and expenses incurred in connection with this Scheme will be borne by CKI and the Company in equal shares.

Dated 20 October 2015

HCMP 2168/2015

IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 2168 OF 2015

IN THE MATTER OF

POWER ASSETS HOLDINGS LIMITED
電能實業有限公司

AND

IN THE MATTER OF

The Companies Ordinance
Chapter 622 of the Laws of Hong Kong

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an Order dated 15 October 2015 made in the above matter, the Court has directed that a meeting of the Scheme Shareholders (as defined in the Scheme of Arrangement referred to below) be convened for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement (the "**Scheme of Arrangement**") proposed to be made between Power Assets Holdings Limited 電能實業有限公司 (the "**Company**") and the Scheme Shareholders (the "**Meeting**") and that the Meeting will be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Tuesday, 24 November 2015 at *(see Note)* 2:00 p.m..

A copy of the Scheme of Arrangement and a copy of the Explanatory Statement required to be furnished pursuant to section 671 of the Companies Ordinance are incorporated in the document dated 20 October 2015 (the "**Scheme Document**") and sent to the shareholders of the Company, of which this Notice forms part.

Scheme Shareholders (other than those who are precluded from voting as detailed in the Scheme of Arrangement) may vote in person at the Meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their stead. A pink form of proxy for use at the Meeting is enclosed with the Scheme Document.

It is requested that forms appointing proxies be lodged at the Company's registered office at Rooms 1913-1914, 19th Floor, Hutchison House, 10 Harcourt Road, Hong Kong, not less than 48 hours before the time appointed for the Meeting, but forms not so lodged may also be handed to the Chairman of the Meeting at the Meeting.

Where there are joint holders of any share, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled to do so; but if more than one of such joint holders are present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such share shall alone be entitled to vote in respect of it.

By the same Order, the Court has appointed Mr. Fok Kin Ning, Canning or, failing him, Mr. Li Tzar Kuoi, Victor or, failing him, Mr. Andrew John Hunter, all being directors of the Company, to act as Chairman of the Meeting and has directed the Chairman to report the result of it to the Court.

The Scheme of Arrangement will be subject to the subsequent approval of the Court.

Dated this 20th day of October 2015.

WOO KWAN LEE & LO
Solicitors
26th Floor, Jardine House
1 Connaught Place, Central
Hong Kong

Solicitors to
POWER ASSETS HOLDINGS LIMITED

Note:

If tropical cyclone warning signal no. 8 or above is hoisted or a black rainstorm warning signal is in force at 9:00 a.m. on Tuesday, 24 November 2015, the Meeting will be postponed and by virtue of this notice, the Meeting will be held instead on Wednesday, 25 November 2015 at 2:00 p.m., or at a time on an alternative day to be announced that falls within seven Business Days of the original date scheduled for the Meeting in the event that a tropical cyclone warning signal no. 8 or above is hoisted or a black rainstorm warning signal is in force at 9:00 a.m. on Wednesday, 25 November 2015. Scheme Shareholders may call the hotline at +852 2122 9122 during business hours from 9:00 a.m. to 5:00 p.m. on Monday to Friday, excluding public holidays or visit the website of the Company at **www.powerassets.com** for details of alternative meeting arrangements. The Meeting will be held as scheduled even when a tropical cyclone warning signal no. 3 or below is hoisted or an amber or red rainstorm warning signal is in force.

Scheme Shareholders should make their own decision as to whether they would attend the Meeting under bad weather conditions bearing in mind their own situation and if they should choose to do so, they are advised to exercise care and caution.

Power Assets Holdings Ltd.
電能實業有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 0006)

NOTICE IS HEREBY GIVEN that a general meeting of the Shareholders of Power Assets Holdings Limited 電能實業有限公司 (the "**Company**") will be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Tuesday, 24 November 2015 *(see Note (5))* at 2:30 p.m. (or as soon thereafter as the meeting of the Scheme Shareholders convened by the direction of the High Court of the Hong Kong Special Administrative Region for the same place and day shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolution no. 1 as a special resolution and passing, with or without modification, the following resolution no. 2 as an ordinary resolution:

SPECIAL RESOLUTION

1. "**THAT**:

(A) the scheme of arrangement dated 20 October 2015 under Division 2 of Part 13 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Scheme**") between the Company and the holders of Scheme Shares (as defined in the Scheme) in the form of a print contained in the scheme document of the Company dated 20 October 2015 (the "**Scheme Document**") produced to this Meeting, a print of which has for the purposes of identification been signed by the Chairman of this Meeting and marked "A", with any modification of or addition to it, or any condition, as may be approved or imposed by the Court (as defined in the Scheme), be and the same is hereby approved; and

(B) for the purposes of giving effect to the Scheme, on the Effective Date:

(i) the share capital of the Company be reduced by cancelling and extinguishing the Scheme Shares;

(ii) subject to and immediately upon such reduction of capital taking effect, the share capital of the Company be increased to its former amount of HK$6,610,008,416.59 by the creation of such number of new shares in the capital of the Company as is equal to the number of Scheme Shares cancelled and extinguished; and

(iii) the entire amount of the credit arising in the books of account of the Company as a result of the reduction of its share capital be applied by the Company in paying up the new shares to be created as referred to in (B)(ii) above, which shares shall be allotted and issued, credited as fully paid, to Assets Global International Limited; and

(C) the directors of the Company be and they are hereby unconditionally authorised to allot and issue the shares referred to in (B)(iii) above, and to do such acts and/or sign such documents as they may deem necessary for the implementation of the Scheme."

ORDINARY RESOLUTION

2. "**THAT** the payment by Cheung Kong Infrastructure Holdings Limited of the CKI Special Dividend (as defined in the Scheme Document) be and is hereby agreed."

By Order of the Board
Alex Ng
Company Secretary

Hong Kong, 20 October 2015

Notes:

1. Unless otherwise defined in this notice or the context otherwise requires, terms defined in the Scheme Document shall have the same meanings when used in this notice.

2. At the Meeting, the Chairman of the Meeting will exercise his power under article 81 of the Company's articles of association to put each of the above resolutions to the vote by way of a poll. The poll results will be published on the website of the Company at **www.powerassets.com** and the website of Hong Kong Exchanges and Clearing Limited at **www.hkexnews.hk** as soon as possible in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

3. A member of the Company is entitled to appoint another person (whether a member or not) as a proxy to exercise all or any of the member's rights to attend and to speak and vote at the Meeting in his stead, and may appoint separate proxies to represent respectively the number of shares held by the member that is specified in their instruments of appointment. To be valid, all forms of proxy must be completed in accordance with the instructions printed thereon and deposited at the registered office of the Company, Rooms 1913-1914, 19th Floor, Hutchison House, 10 Harcourt Road, Hong Kong, not later than 48 hours before the time for holding the Meeting. Completion and return of a form of proxy will not preclude a member from attending and voting in person at the Meeting or at any adjourned meeting thereof should the member so wish, and in such event the form of proxy shall be deemed to be revoked.

4. For the purpose of ascertaining members who are entitled to attend and vote at the Meeting (or any adjournment thereof), the register of members of the Company will be closed from Thursday, 19 November 2015 to Tuesday, 24 November 2015, both days inclusive. In order to qualify for the right to attend and vote at the Meeting (or any adjournment thereof), all transfers accompanied by the relevant share certificates should be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Wednesday, 18 November 2015. The address of Computershare Hong Kong Investor Services Limited is Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

5. If tropical cyclone warning signal no. 8 or above is hoisted or a black rainstorm warning signal is in force at 9:00 a.m. on Tuesday, 24 November 2015, the Meeting will be postponed and by virtue of this notice, the Meeting will be held instead on Wednesday, 25 November 2015 at 2:30 p.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned), or at a time on an alternative day to be announced that falls within seven Business Days of the original date scheduled for the Meeting in the event that a tropical cyclone warning signal no. 8 or above is hoisted or a black rainstorm warning signal is in force at 9:00 a.m. on Wednesday, 25 November 2015. Shareholders may call the hotline at +852 2122 9122 during business hours from 9:00 a.m. to 5:00 p.m. on Monday to Friday, excluding public holidays or visit the website of the Company at **www.powerassets.com** for details of alternative meeting arrangements. The Meeting will be held as scheduled even when tropical cyclone warning signal no. 3 or below is hoisted, or an amber or red rainstorm warning signal is in force.

Members of the Company should make their own decision as to whether they would attend the Meeting under bad weather conditions bearing in mind their own situation and if they should choose to do so, they are advised to exercise care and caution.

6. In the case of inconsistency between the Chinese translation and the English text of this notice, the English text shall prevail.

Cheung Kong Infrastructure Holdings Limited
長江基建集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1038)

NOTICE IS HEREBY GIVEN that a special general meeting of Cheung Kong Infrastructure Holdings Limited (the "**Company**") will be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on **Tuesday, 24 November 2015** at 11:30 a.m. (or in the event that a tropical cyclone warning signal no. 8 or above is hoisted or a black rainstorm warning signal is in force in Hong Kong at 9:00 a.m. on that day, at the same time and place on Wednesday, 25 November 2015) for the purpose of considering and, if thought fit, passing the following resolutions no. 1 to no. 3, with or without modification, as ordinary resolutions and resolutions no. 4 and no. 5 as special resolutions:

ORDINARY RESOLUTIONS

1. "**THAT:**

   (A) (i) the Proposal made by the Offeror which involves the cancellation of all the ordinary shares in the issued share capital of PAH (other than those held or beneficially owned by the Relevant Subsidiaries) in exchange for the issue of 1.066 Shares for every one Scheme Share to be effected by way of a scheme of arrangement of PAH under the Companies Ordinance, subject to and conditional upon the conditions set out, and as described, in the circular of the Company dated 20 October 2015 (the "**Circular**", a copy of which has been produced to the meeting marked "A" and initialled by the chairman of the meeting for identification purposes) be and is hereby approved, confirmed and ratified; and (ii) the issue of Shares to the Scheme Shareholders pursuant to the Scheme (and, where applicable, the Selected Person), subject to and conditional upon the conditions set out, and as described, in the Circular, be and is hereby approved and confirmed; and

   (B) the Directors, acting collectively and individually, be and are hereby authorised, for and on behalf of the Company, to do all such acts and things and to sign, execute, seal (where required) and deliver all such documents and to take all such steps as the Directors in their discretion may consider necessary, appropriate, desirable or expedient to give effect to, to implement or in connection with or incidental to the Proposal and any and all of the transactions contemplated thereunder."

2. "**THAT** conditional upon the Scheme having become effective, the authorised share capital of the Company be increased from HK$4,000,000,000 divided into 4,000,000,000 Shares of HK$1.00 each to HK$8,000,000,000 divided into 8,000,000,000 Shares of HK$1.00 each (the "**Increase in Authorised Share Capital**") by the creation of an additional 4,000,000,000 Shares; and the Directors, acting collectively and individually, be and are hereby authorised, for

and on behalf of the Company, to do all such acts and things and to sign, execute, seal (where required) and deliver all such documents and to take all such steps as the Directors in their discretion may consider necessary, appropriate, desirable or expedient to give effect to or to implement the Increase in Authorised Share Capital."

3. "**THAT**:

(A) the maximum number of Directors for the time being be fixed at 30; and

(B) the Directors be authorised to fill any vacancies on the board of Directors and to appoint additional Directors up to such maximum or such other maximum as may be determined from time to time by members of the Company in accordance with Bye-law 86(2) of the Bye-laws of the Company."

SPECIAL RESOLUTIONS

4. "**THAT** conditional upon (a) the approval of the proposed new name of the Company by the Registrar of Companies in Bermuda and (b) the Scheme having become effective, the English name of the Company be changed from "Cheung Kong Infrastructure Holdings Limited" to "CK Infrastructure Assets (Holdings) Limited" and "長江基建實業(集團)有限公司" be adopted as the Company's secondary name (collectively, the "**Change of Company Name**"); and the Directors, acting collectively and individually, be and are hereby authorised, for and on behalf of the Company, to do all such acts and things and to sign, execute, seal (where required) and deliver all such documents and to take all such steps as the Directors in their discretion may consider necessary, appropriate, desirable or expedient to give effect to or to implement the Change of Company Name."

5. "**THAT** the second sentence in Bye-law 86(1) of the Bye-laws set out below:

'There shall be no maximum number of Directors.'

be deleted in its entirety and replaced with the following:

'Unless otherwise determined by an ordinary resolution of the Members in general meeting, there shall be no maximum number of Directors.'"

By Order of the Board

Eirene YEUNG
Company Secretary

Hong Kong, 20 October 2015

Notes:

1. Unless otherwise defined in this notice or the context requires otherwise, terms defined in the Circular shall have the same meanings when used in this notice.

2. Voting on the above resolutions will be taken by poll.

3. Any member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.

4. To be valid, the proxy form together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be lodged with the Company's principal place of business at 12th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be).

5. Completion and return of the proxy form will not preclude a member from attending and voting at the meeting or any adjournment thereof (as the case may be) should the member so desire.

6. For determining the entitlement to attend and vote at the meeting, the register of members of the Company will be closed from Thursday, 19 November 2015 to Tuesday, 24 November 2015 (both days inclusive), during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the meeting, all share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 18 November 2015.

7. If a tropical cyclone warning signal no. 8 or above is hoisted or a black rainstorm warning signal is in force at 9:00 a.m. on Tuesday, 24 November 2015, the meeting will not be held on that day but will automatically be postponed and by virtue of this notice, the meeting will be held at the same time and place on Wednesday, 25 November 2015 instead. Shareholders may call the hotline at +852 2128 8888 during business hours from 9:00 a.m. to 5:00 p.m. on Mondays to Fridays, excluding public holidays. The meeting will be held as scheduled even when a tropical cyclone warning signal no. 3 or below is hoisted, or an amber or red rainstorm warning signal is in force.

   Members of the Company should make their own decision as to whether they would attend the meeting under bad weather conditions bearing in mind their own situation and if they should choose to do so, they are advised to exercise care and caution.

8. In the case of joint holders of a share, any one of such joint holders may vote at the meeting, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto. If more than one of such joint holders are present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

9. In the case of inconsistency between the Chinese translation and the English text of this notice, the English text shall prevail.

As at the date hereof, the executive Directors of the Company are Mr. LI Tzar Kuoi, Victor (Chairman), Mr. KAM Hing Lam (Group Managing Director), Mr. IP Tak Chuen, Edmond (Deputy Chairman), Mr. FOK Kin Ning, Canning (Deputy Chairman), Mr. Andrew John HUNTER (Deputy Managing Director), Mr. CHAN Loi Shun (Chief Financial Officer), Mrs. CHOW WOO Mo Fong, Susan (also Alternate Director to Mr. FOK Kin Ning, Canning and Mr. Frank John SIXT) and Mr. Frank John SIXT; the non-executive Directors are Mr. CHEONG Ying Chew, Henry (Independent Non-executive Director), Mrs. KWOK Eva Lee (Independent Non-executive Director), Mrs. SNG Sow-mei alias POON Sow Mei (Independent

Non-executive Director), Mr. Colin Stevens RUSSEL (Independent Non-executive Director), Mr. LAN Hong Tsung, David (Independent Non-executive Director), Mr. Barrie COOK (Independent Non-executive Director), Mrs. LEE Pui Ling, Angelina and Mr. George Colin MAGNUS; and the Alternate Directors are Mr. MAN Ka Keung, Simon (Alternate Director to Mr. IP Tak Chuen, Edmond) and Ms. Eirene YEUNG (Alternate Director to Mr. KAM Hing Lam).