

**CODE FOR SECURITIES TRANSACTIONS**

**BY CLP HOLDINGS DIRECTORS**

**AND**

**SPECIFIED INDIVIDUALS**

**GROUP CORPORATE SECRETARIAL DEPARTMENT**

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## **INTRODUCTION**

The Code for Securities Transactions (the Code) is issued by CLP Holdings Limited 中電控股有限公司 (CLP Holdings) pursuant to Clause 13.67 of Chapter 13 of the Rules Governing the Listing of Securities (Listing Rules) on the Stock Exchange of Hong Kong (the Exchange).

The Code is largely based on the Model Code for Securities Transactions by Directors of Listed Issuers (Model Code), as contained in Appendix 10 of the Listing Rules. The Model Code (see Appendix One) sets a required standard against which directors must measure their conduct regarding transactions in securities of their listed issuers.

Since its first introduction to the CLP Group in December 1989, the Code has been updated from time to time to reflect new regulatory requirements, as well as our strengthened regime of disclosure of interests in the securities of CLP Holdings. This is the eleventh edition of the Code. This Code is on terms no less exacting than the required standards set out in the Model Code.

The Code takes immediate effect and applies to all Directors, Alternate Directors and Specified Individuals of CLP Holdings (the Relevant Persons).

## **PURPOSE**

The principal purpose of the Code is to ensure that the Relevant Persons, subject to the Code, do not deal in the securities of CLP Holdings or its associated corporations (the Companies) when they are in possession of inside information or when CLP Holdings is itself in possession of inside information which, although not known to the Relevant Persons, could create the impression that the relevant person has improperly dealt in the securities. The Code is designed to create a mechanism to avoid this in order to protect the Relevant Persons and CLP Holdings from civil and criminal liability, breach of the Listing Rules or the Securities and Futures Ordinance, and criticism.

## **INTERPRETATION OF THE CODE**

Unless the context otherwise requires:-

- “associated corporation” means a corporation as defined under section 308(1) of Part XV, Securities and Futures Ordinance (SFO). In CLP’s case for the purpose of the Code, an associated corporation refers to a subsidiary company of CLP Holdings and any associated companies or jointly controlled entities in which CLP has 20% or more of the issued shares of any class of its share capital.
- “beneficiary” includes any discretionary object of a discretionary trust (where the Relevant Person is aware of the arrangement) and any beneficiary of a non-discretionary trust.
- “business day” any day on which the Exchange is open for the business of dealing in securities.
- “close associate”
- (a) in relation to an individual means:—
    - (i) his spouse;
    - (ii) any child or step-child, natural or adopted, under the age of 18 years of the individual or of his spouse (together with (a)(i) above, the “family interests”);
    - (iii) the trustees, acting in their capacity as trustees, of any trust of which he or any of his family interests is a beneficiary or, in the case of a discretionary trust, is (to his knowledge) a discretionary object; and
    - (iv) any company in the equity capital of which he, his family interests, and/or any of the trustees referred to in (a)(iii) above, acting in their capacity as such trustees, taken together are directly or indirectly interested so as to exercise or control the exercise of 30% (or any amount specified in the Takeovers Code as the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any subsidiary of this company; and

## **INTERPRETATION OF THE CODE** (cont'd)

- “close associate” (cont'd)
- (b) in relation to a company means:—
    - (i) its subsidiary or holding company or a fellow subsidiary of its holding company ;
    - (ii) the trustees, acting in their capacity as trustees, of any trust of which the company is a beneficiary or, in the case of a discretionary trust, is (to the company’s knowledge) a discretionary object; and
    - (iii) any other company in the equity capital of which the company, its subsidiary or holding company, a fellow subsidiary of its holding company, and/or any of the trustees referred to in (b)(ii) above, acting in their capacity as such trustees, taken together are directly or indirectly interested so as to exercise or control the exercise of 30% (or any amount specified in the Takeovers Code as the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any subsidiary of this other company;
  - (c) a depositary acting in its capacity as a depositary for depositary receipts, is not treated as a close associate of holders of the depositary receipts for the purposes of (a) and (b) merely because it is holding the shares of the issuer for the benefit of the holders of the depositary receipts.

- “concert party agreement” is an agreement as defined under section 317 of Part XV, SFO, which will include but not limited to:-
1. an agreement between two or more persons to acquire interests in the shares of CLP Holdings or any of its associated corporations (if listed); and the agreement also includes provisions imposing restrictions on either of the parties on the manner in which they can exercise rights attaching to the shares they acquire, or dispose of those shares; and interests in shares are actually acquired pursuant to the agreement.
  2. an agreement where a controlling person (defined in s.317(7)) or a director of CLP Holdings or any of its associated corporation (if listed) makes a loan to a person on the understanding that the money would be used to acquire interests in shares in CLP Holdings or that listed associated corporation, and shares are actually acquired in pursuance of the agreement.

## **INTERPRETATION OF THE CODE** (cont'd)

“dealing”

includes:

1. any acquisition, disposal or transfer of, or offer to acquire, dispose of or transfer, or creation of pledge, charge or any other security interest in, any securities of the Companies or any entity whose assets solely or substantially comprise securities of CLP Holdings; and
2. any grant, acceptance, acquisition, disposal, transfer, exercise or discharge of any option (whether call, put or both) or other right or obligation, present or future, conditional or unconditional, to acquire, dispose of or transfer securities, or any interest in securities, of the Companies or any such entity, in each case whether or not for consideration and any agreements to do any of the foregoing; but

excludes:

3. taking up of entitlements under a rights issue, bonus issue, capitalisation issue, scrip dividend or other offer made by CLP Holdings to its shareholders;
4. dealing where the beneficial interest(s) in the securities do not change;
5. dealing where a shareholder places out his existing shares in a “top-up” placing where the number of new shares subscribed by him pursuant to an irrevocable, binding obligation equals the number of existing shares placed out and the subscription price (after expenses) is the same as the price at which the existing shares were placed out; and
6. dealing where the beneficial ownership is transferred from another party by operation of law.

“debenture”

means debenture stock, bonds and other securities of a corporation, whether constituting a charge on the assets of the corporation or not.

“insider dealing”

means any dealings as defined under section 270 of Part XIII, SFO. The key elements to “insider dealing” include dealing (i.e., both buying and selling whether on or off the Exchange, etc.) in the securities of CLP Holdings or any of its associated corporations (if listed) when in possession of specific information about CLP Holdings or that listed associated corporations which is not generally known to those persons who are accustomed or would be likely to deal in those securities, but which would if it were generally known to them be likely materially to affect the price of and market activity in the securities.

## **INTERPRETATION OF THE CODE** (cont'd)

“inside information”	<p>specifically: means information about:</p> <ol style="list-style-type: none"><li>1. CLP Holdings or its associated corporations;</li><li>2. a shareholder or officer of CLP Holdings; or</li><li>3. the securities of CLP Holdings or their equity derivatives,</li></ol> <p>which is not generally known to the persons who are accustomed or would be likely to deal in the securities of CLP Holdings but which would if it were generally known to them be likely to materially affect the price of and market activity in the securities (<i>for example, relevant information can be information relating to the commencement of any negotiations in respect of a transaction and information received from trading or deal partners</i>).</p> <p>generally: means specific information in relation to a corporation as defined under section 245 of Part XIII, SFO, that is about-</p> <ol style="list-style-type: none"><li>1. the corporation;</li><li>2. a shareholder or officer of the corporation; or</li><li>3. the listed securities of the corporation or their derivatives; and</li></ol> <p>is not generally known to the persons who are accustomed or would be likely to deal in the listed securities of the corporation but would if generally known to them be likely to materially affect the price of the listed securities.</p>
“long position”	<p>means the position in which a person has an interest in shares themselves, or if he/she holds, writes or issues financial instruments under which, for example, he/she:</p> <ol style="list-style-type: none"><li>1. has a right to take the underlying shares;</li><li>2. is under an obligation to take the underlying shares;</li><li>3. has a right to receive money if the price of the underlying shares increases; or</li><li>4. has a right to avoid or reduce a loss if the price of the underlying shares increases.</li></ol>
“Securities and Futures Ordinance” or “SFO”	<p>the Securities and Futures Ordinance (Cap. 571) as amended from time to time</p>

## **INTERPRETATION OF THE CODE** (cont'd)

“securities”

means securities, equity derivatives and structured products as defined under section 245(1) of Part XIII of the SFO, section 308(1) of Part XV of the SFO and Chapter 15A of the Listing Rules respectively. In CLP’s case, for the purpose of the Code, securities include:-

1. shares, stock, debentures, loan stocks, funds, bonds, rights or notes of, or issued by, or which it is reasonably foreseeably will be issued by the Companies;
2. contracts, rights, options, interests in or warrants to subscribe for or purchase or change the price or value of such shares, stocks, debentures, loan stocks, funds, bonds, notes, rights or options as appropriate, which are issued by the Companies or a third party; and
3. collateralised or uncollateralised products which are issued by the Companies or a third party to provide the holder of that product with an economic, legal or other interest in any underlying asset of the Companies and hence derive their value by reference to the price or value of the underlying asset.

“short position”

means the position in which a person:-

1. borrows shares under a securities borrowing and lending agreement; or
2. holds, writes or issues financial instruments under which, for example, he/she:
  - a. has a right to require another person to take the underlying shares;
  - b. under an obligation to deliver the underlying shares;
  - c. has a right to receive money if the price of the underlying shares declines; or
  - d. has a right to avoid a loss if the price of the underlying shares declines.



## **APPLICATION OF THE CODE**

The Code, which aligns with Part XV of the SFO and the required standard of the Model Code, applies to the transactions by the Relevant Persons of securities in respect of the Companies.

Relevant Persons should note that securities also include derivatives of CLP Holdings shares, whether or not the derivative is itself listed and whether or not the derivative is issued by CLP Holdings or a third party. Derivatives are widely defined and can include American Depositary Receipts (ADRs), Hong Kong Depositary Receipts (HDRs), subscription warrants and options (including covered or derivative warrants).

Therefore, in the case of CLP Holdings, the following instruments fall within the SFO and the Model Code:

- CLP Holdings' shares;
- ADRs (sponsored or unsponsored) and HDRs, if any, on CLP Holdings' shares; and
- Derivative warrants, options or structured products such as equity linked instruments issued by third parties over CLP Holdings' shares. (*CLP Holdings has not issued any subscription warrants in respect of its shares.*)

**Accordingly, no dealings should occur in respect of any:**

- **CLP Holdings shares;**
- **ADRs or HDRs on CLP Holdings' shares;**
- **derivative warrants, options or structured products over CLP Holdings' shares;**
- **Medium Term Notes issued by CLP Power Hong Kong Financing Limited;**
- **Perpetual Subordinated Guaranteed Capital Securities issued by CLP Power HK Finance Ltd.; and**
- **Any other securities or equity derivatives of the Companies,**

**unless the notification and acknowledgement procedures under the Code are first followed.**

## **BASIC PRINCIPLES AND RULES**

1. The Code sets a required standard against which the Relevant Persons should seek to secure that all dealings in the securities of the Companies in which they are or are deemed to be interested be conducted in accordance with the Code. Any breach of such required standard by Directors or Alternate Directors may be regarded as a breach of the Listing Rules, which may subject the Director concerned and possibly CLP Holdings to sanctions by the Exchange.
2. Directors and Alternate Directors of CLP Holdings wishing to deal in the securities must first have regard to the provisions of Parts XIII, XIV and XIVA of the SFO with respect to market misconduct, insider dealing and disclosure of inside information (*see Appendix Three*). Other Relevant Persons shown on the list of Specified Individuals (*see Appendix Nine which will be updated by the Company Secretary from time to time*), who are considered most likely to be in possession of inside information, should pay attention to the terms of the Code and their requirement to comply with it as if they were Directors. It should be noted that there are occasions where, even though the Relevant Persons would not be expressly culpable under the statutory provisions, they should not be free to deal in the securities. If a Relevant Person is in doubt as to whether information constitutes inside information, he/she should contact the Chief Executive Officer (or in his absence, the Chief Financial Officer or the Company Secretary). Inside information will remain price-sensitive until such time as it is made known to the general public.
3. The Relevant Persons who are aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which are notifiable or connected transactions under Chapters 14 or 14A of the Listing Rules (*see Appendix Five*) or any inside information must refrain from dealing in the securities of the Companies as soon as they become aware of them or privy to them until the information has been announced by the Company. Directors and Alternate Directors who are privy to relevant negotiations or agreements or any inside information should caution those Directors and Alternate Directors who are not so privy that there may be inside information and that they must not deal in the securities of the Companies for a similar period. (Such caution can be exercised by notification to the Company Secretary who, in turn, will circulate the information to all the other Directors and Alternate Directors.)
4. A Relevant Person must not deal in the securities of the Companies when by virtue of his/her position as a director or alternate director of another listed company, he/she possesses inside information in relation to those securities.
5. A Relevant Person should not deal in the securities or their derivatives of any other listed company when by virtue of his/her position as a director or alternate director of any of the Companies, he/she possesses inside information in relation to those securities. (*Please also refer to the section under "Dealings in securities or their derivatives of other electricity-related companies" on page 13.*)

6. The Relevant Persons must not make any unauthorised disclosure of confidential or inside information, whether to the co-trustees or to any other person (even those to whom a Director/Alternate Director owes a fiduciary duty) or make any use of such information for the advantage of himself/herself or others.
7. Where a Relevant Person is a sole trustee, the provisions of this Code will apply to all dealings of the trust as if he/she was dealing on his/her own account (unless the Relevant Person is a bare trustee and neither he/she nor any of his/her close associates is a beneficiary of the trust, in which case the provisions of this Code will not apply).
8. The grant to a Relevant Person of an option to subscribe or purchase the securities of the Companies shall be regarded as a dealing by him/her, if the price at which such option may be exercised is fixed at the time of such grant. If, however, an option is granted to a Relevant Person on terms whereby the price at which such option may be exercised is to be fixed at the time of exercise, the dealing is to be regarded as taking place at the time of exercise.
9. When a Relevant Person places investment funds comprising securities of the Companies under professional management, even where discretion is given, the managers must nonetheless be made subject to the same restrictions and procedures as the Relevant Person himself/herself in respect of proposed dealings in the securities of the Companies.
10. A Relevant Person must not deal in any securities of CLP Holdings on any day on which CLP Holdings' financial results are published. During the periods as set out in paragraphs 10 (a) and 10 (b) below, a Relevant Person must not deal in any securities of CLP Holdings or its associated corporations (if listed) unless the circumstances are exceptional, for example, where a pressing financial commitment has to be met. (*The Company Secretary will notify all Relevant Persons in advance of the dates of board meetings and subsequent results announcement.*)
  - (a) 60 days immediately preceding the date of the board meeting for approval of CLP Holdings' annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results announcement; and
  - (b) 30 days immediately preceding the date of the board meeting for approval of CLP Holdings' half-yearly, or quarterly (when it becomes mandatory under the Listing Rules) results or, if shorter, the period from the end of the relevant half-yearly or quarterly period up to the publication date of the results announcement.

CLP Holdings shall notify the Exchange in advance of the commencement of each period during which Relevant Persons are not allowed to deal under paragraphs 10 (a) and 10 (b) above.

11. A Relevant Person who intends to deal in the securities of the Companies under exceptional circumstances during the period of prohibition to deal, he/she must, in addition to complying with the notification procedure in the Code, satisfy the Chief Executive Officer (or in his absence, the Chief Financial Officer or the Company Secretary) that the circumstances are exceptional and the proposed dealing is the only reasonable course of action available to the Relevant Person before he/she can deal in the securities of the Companies. In the case of dealings by Directors and Alternate Directors under the aforesaid exceptional circumstances, CLP Holdings shall notify the Exchange as soon as practicable and publish an announcement of such dealing pursuant to the requirements of the Model Code.
12. The restrictions on dealings by a Relevant Person should be regarded as equally applicable to any dealings by the spouse of the Relevant Person or by or on behalf of any minor child (natural or adopted) and any other dealings in which for the purposes of Part XV of the SFO (*see Appendix Four*) he/she is or is to be treated as interested. It is the duty of the Relevant Person, therefore, to seek to avoid any such dealing at a time when he/she himself/herself is not free to deal.

## DISCLOSURE/NOTIFICATION REQUIREMENTS

1. The Code requires the Relevant Persons to notify the Exchange and CLP Holdings of their interests, and short positions in the securities of the Companies, subject to and in accordance with the notification procedures set in paragraph 3 to 5 below. The objectives are to enable our investors to make informed investment decisions through disclosure of more complete and timely information and to help detect any insider dealing by the Relevant Persons when in possession of inside information under the SFO. There are certain exemptions specified in the SFO, but the burden of proof will be on the person accused of insider dealing to establish that the relevant exemption applies. One such exemption is where it can be established that the transaction was entered into by a person otherwise than with a view to the making of a profit or the avoiding of a loss (whether for himself/herself or for another) by the use of inside information.
2. The Relevant Persons must disclose/make notification of their interests in the securities, and long/short positions in any shares, in the Companies. These include, but not limited to, the following circumstances whereby:
  - (a) a Relevant Person becomes interested in the securities;
  - (b) a Relevant Person ceases to be interested in such securities;
  - (c) a Relevant Person enters into a contract to sell any such securities;
  - (d) a Relevant Person assigns any rights granted to him/her by the Companies to subscribe for such securities;
  - (e) the nature of a Relevant Person's interests in such securities changes (e.g. on exercise of an option);
  - (f) a Relevant Person has or ceases to have a long/short position in the shares of CLP Holdings;
  - (g) a Relevant Person has an interest in the securities, or a long/short position in the shares, of an associated corporation at the time when it becomes a listed company in Hong Kong;
  - (h) on commencement of the SFO if a Relevant Person has an interest in the securities, or a short position in the shares, of the Companies which has not previously been disclosed;
  - (i) a Relevant Person has an interest in the securities, or short position in the shares, of the Companies when he/she becomes a director or chief executive of CLP Holdings;
  - (j) a Relevant Person has an interest in the securities, or a short position in the shares, of a corporation when it becomes an associated corporation; and
  - (k) a Relevant Person has a concert party agreement to deal in the shares of the Companies.

3. Directors and Alternate Directors of CLP Holdings must not deal in any of the securities of the Companies without first notifying in writing the Chief Executive Officer (or in his absence, the Chief Financial Officer or Company Secretary) and receiving a dated written acknowledgement. In the case of Chief Executive Officer, Chief Financial Officer or Company Secretary, they should first notify at least one of the others and receive a dated written acknowledgement before any dealing. The acknowledgement by the Chief Executive Officer, Chief Financial Officer or Company Secretary to a notification from a director should be within one business day; and such acknowledgement of notification is only good for a period of five business days from the date of acknowledgement. *(For the avoidance of doubt, the restriction to deal applies in the event that inside information develops following receipt of the acknowledgement.)*
4. Pursuant to Part XV of SFO (*see Appendix Four*), each of the Directors and Alternate Directors of CLP Holdings must notify the Exchange and CLP Holdings (addressed to the Company Secretary) in writing of any interests that either they, their spouses, their children under the age of 18 or their personal holding companies hold in securities in the Companies. Such interests must be notified by the Director or Alternate Director concerned to the Exchange and CLP Holdings within three business days from the day the Director or Alternate Director concerned knows about the securities transaction by completing the appropriate Notice Form (*see Appendix Eight*) produced by the Securities and Futures Commission and filing the Form with the Exchange and CLP Holdings. It should be noted that the SFO requires Directors and Alternate Directors to take every reasonably practicable step to ensure that the Notice Form should be filed with the Exchange and CLP Holdings at the same time or one immediately after the other. The details are to be entered into the Register of Directors' and Chief Executives' Interests and Short Positions in the Securities of CLP Holdings and its Associated Corporation (*see Appendix Seven*), which is available for inspection at any time during business hours by Directors and Alternate Directors upon request to the Company Secretary. In addition, a Register of Notifications and Acknowledgements of such interests (*see Appendix Six*) is kept by the Company Secretary and is available for inspection at CLP Holdings' registered office.
5. Specified Individuals (*see Appendix Nine*) of CLP Holdings who intend to deal in the securities of the Companies should follow the notification procedure in the Code and obtain a written acknowledgement from the Chief Executive Officer (or in his absence, the Chief Financial Officer or the Company Secretary) before any dealing in the securities of the Companies. Once the deal has taken place, the Specified Individual concerned should notify the Company Secretary in writing of the details of the dealing within three business days from the day the Specified Individual concerned knows about the securities transaction. The details are to be entered into the Register of Specified Individuals' Interests and Short Positions in the Securities of CLP Holdings and its Associated Corporation (*see Appendix Seven*). The Exchange has not required filing of notifications by Specified Individuals of their interests in the securities of the Companies.

6. A Relevant Person who acts as trustee of a trust must ensure that his/her co-trustees are aware of the identity of any company of which he/she is a Relevant Person and must also ensure that the co-trustees are made subject to the same restrictions and procedures as the Relevant Person himself/herself in respect of proposed dealings in the securities of the Companies. A Relevant Person having funds under management must likewise advise the investment manager.
7. A Relevant Person who is a beneficiary, but not a trustee, of a trust which deals in the securities of the Companies must endeavour to ensure that the trustees notify him/her after they have dealt in such securities on behalf of the trust, in order that he/she, in turn, may notify CLP Holdings. For this purpose, he/she must ensure that the trustees are aware of his/her position as a Relevant Person in CLP Holdings.
8. The Directors must as a board and individually endeavour to ensure that any employee of CLP Holdings or director or employee of its subsidiary companies who, because of his/her office or employment in CLP Holdings or its subsidiary, is likely to possess inside information in relation to the securities of CLP Holdings or its associated corporations (if listed) does not deal in those securities at a time when he/she would be prohibited from dealing by the Code if he/she were a director.
9. The Market Misconduct Tribunal can make one or more of the following orders in respect of the Relevant Person as being in breach of a disclosure requirement:
  - (a) Disqualification order of up to 5 years;
  - (b) Cold shoulder order of up to 5 years;
  - (c) Order that the person must not again perpetrate any conduct in breach of disclosure requirement;
  - (d) Fine of up to HK\$8,000,000 (Company, Directors and/or Chief Executive Officer);
  - (e) Government costs order;
  - (f) Securities and Futures Commission costs order;
  - (g) Disciplinary referral order;
  - (h) Appointment of an independent professional adviser to advise on compliance or any other orders necessary to ensure no breach of disclosure requirement again;
  - (i) Officer in breach to undergo training or any other orders necessary to ensure no breach of disclosure requirement again.
10. There are strict penalties which can be imposed under the SFO for non-compliance with the first three orders set out in paragraph 9(a), (b) and (c) above, including:
  - on conviction on indictment to a fine of HK\$1,000,000 and to imprisonment for two years; or
  - on summary conviction to a fine of HK\$100,000 and to imprisonment for six months.

## **DEALINGS IN SECURITIES OR THEIR DERIVATIVES OF OTHER ELECTRICITY-RELATED COMPANIES**

The SFO essentially applies to securities listed in Hong Kong, but the Company may come into contact with companies listed elsewhere which are subject to equivalent legislation in their home jurisdiction. These companies could be trading partners, actual or potential joint venture partners, or potential acquisition targets and it is possible that Directors or employees of the Companies may receive inside information about these companies. Dealings in the shares or other securities of such companies could expose CLP Holdings' Directors and employees to investigation and, if insider dealing is found to have taken place, to a wide range of civil sanctions and criminal prosecution such as disqualifying directors from directorship or management, ordering disgorgement of profits, imprisonment of up to 10 years and a fine of up to HK\$10 million. CLP Holdings' international reputation could also suffer.

Accordingly, considerable care should be exercised to avoid dealing in the securities of any other company which, by virtue of having electricity-related activities, could potentially be a trading or joint venture partner or an acquisition target and where CLP Holdings may have inside information.

If anyone is in doubt as to whether a particular company falls into this category they should seek guidance from the Chief Executive Officer (or in his absence, the Chief Financial Officer or the Company Secretary) before dealing in the securities or their derivatives in that company.

In the event that a particular company actually does become a proposed or contemplated acquisition target, then no dealings of any kind in the securities or their derivatives of that company may take place. Also, Directors and employees should not encourage others to deal.