

# Report of the Directors

(Expressed in Hong Kong dollars)

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31st December 2011.

## Principal Activities

The principal activity of the Company is investment holding and the principal activities of the subsidiaries are investment in power and utility related businesses outside Hong Kong and generation and supply of electricity to Hong Kong Island and Lamma Island. Particulars of the Company's principal subsidiaries are set out in Appendix 2 on pages 126 to 127 of the financial statements.

## Financial Statements

The consolidated income statement for the year ended 31st December 2011 is set out on page 74 and shows the Group's profit after tax and Scheme of Control transfers of \$9,075 million (2010: \$7,194 million). The state of the Company's and the Group's affairs as at 31st December 2011 are set out in the financial statements on pages 74 to 129.

## Dividends

An interim dividend of 62 cents (2010: 62 cents) per ordinary share was paid to shareholders on 6th September 2011 and the Directors recommend a final dividend of \$1.7 (2010: \$1.49) per ordinary share payable on 7th June 2012 to shareholders who are registered on the register of members on 31st May 2012.

## Reserves

Movements in the reserves of the Company and the Group during the year are set out in note 27(a) to the financial statements and in the consolidated statement of changes in equity on page 77 respectively.

## Charitable Donations

Charitable donations made by the Group during the year amounted to \$33 million (2010: \$3 million).

## Fixed Assets

Additions of fixed assets for the year for the Company and its subsidiaries amounted to \$2,890 million (2010: \$2,431 million). The movements in fixed assets during the year are set out in note 13 to the financial statements.

## Subsidiaries

The names, principal activities, places of incorporation and operation and particulars of the issued share capital and debt securities of the principal subsidiaries are set out in Appendix 2 on pages 126 to 127 of the financial statements.

## Summary of Five-Year Financial Results

The summary of five-year financial results of the Group is set out on page 130.

## Major Customers and Suppliers

Sales to the Group's five largest customers combined is less than 30% of the Group's total turnover for each of the years ended 31st December 2011 and 2010.

Purchases from the largest supplier of revenue items for the year represents 34.9% (2010: 38.4%) of the Group's total purchases of revenue items, and purchases from the largest five suppliers combined accounts for 70.1% (2010: 74.6%) of the Group's total purchases of revenue items for the year ended 31st December 2011.

At no time during the year have the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in the above major customers and suppliers.

## Directors

The Directors in office during the year were Mr. Fok Kin Ning, Canning, Mr. Tso Kai Sum, Mr. Ronald Joseph Arculli, Mrs. Chow Woo Mo Fong, Susan, Mr. Andrew John Hunter, Mr. Kam Hing Lam, Mr. Holger Kluge, Mr. Lee Lan Yee, Francis, Mr. Li Tzar Kuoi, Victor, Mr. George Colin Magnus, Mr. Neil Douglas McGee, Mr. Ralph Raymond Shea, Mr. Frank John Sixt, Mr. Wan Chi Tin, Mr. Wong Chung Hin and Mr. Yuen Sui See.

During the year, Mrs. Chow Woo Mo Fong, Susan also served as Alternate Director to Mr. Fok Kin Ning, Canning and Mr. Frank John Sixt, and Mr. Chan Loi Shun served as Alternate Director to Mr. Kam Hing Lam.

## Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's issued shares during the year (2010: nil).

## Arrangement to Purchase Shares or Debentures

At no time during the year was the Company or any of its subsidiaries a party to any arrangement that enables the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate (2010: nil).

## Report of the Directors

### Disclosure under Rule 13.22 of Chapter 13 of the Listing Rules

In relation to the provision of financial assistance by the Group to certain affiliated companies, a combined balance sheet of the affiliated companies as at 31st December 2011 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

**Combined balance sheet of the affiliated companies  
as at 31st December 2011**

**\$ million**

Non-current assets	196,619
Current assets	11,439
Current liabilities	(14,496)
Non-current liabilities	(153,463)
Net assets	40,099
Share capital	26,667
Reserves	13,432
Capital and reserves	40,099

As at 31st December 2011, the consolidated attributable interest of the Group in these affiliated companies amounted to \$25,524 million.

On behalf of the Board

**Fok Kin Ning, Canning**  
Chairman

Hong Kong, 7th March 2012