



香港電燈集團有限公司  
*Hongkong Electric Holdings Ltd.*

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**2004 Interim Report**

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## **CHAIRMAN'S STATEMENT**

### **Half Year Results**

The unaudited consolidated profit of the Group, after tax and Scheme of Control transfers, for the first six months of 2004 amounted to HK\$2,228 million, an increase of 1.6% compared to the same period last year, including profits from the Group's overseas activities of HK\$267 million (2003: HK\$227 million).

### **Interim Dividend**

The Directors have today declared an interim dividend of 58 cents (2003: 58 cents) per share payable to shareholders whose names appear in the Company's Register of Members on 23rd September 2004.

The Register of Members will be closed from 16th September 2004 to 23rd September 2004 both days inclusive. To qualify for the interim dividend, transfers should be lodged with the Registrars by 4:00 p.m. on 15th September 2004.

### **Operations**

In Hong Kong, economic conditions were more favourable than during the same period last year due largely to the serious adverse consequences in 2003 of the outbreak of Severe Acute Respiratory Syndrome. The signing of the Closer Economic Partnership Arrangement (CEPA), the introduction of the individual visit scheme for Mainland visitors, and other supportive measures from Mainland China also benefited the local economy in 2004. The stronger local economy, coupled with the hot weather which occurred towards the end of June, combined to result in a new system maximum demand being recorded of 2,588 MW, an increase of 6.0% over the maximum demand recorded last year, further confirmation that the new L9 unit at Lamma is required to be commissioned in 2006 to meet increasing demand. Unit sales for the six months to 30th June 2004 increased by 3.9% over the same period last year.

Satisfactory progress continues to be made on the extension of the Lamma Power Station to meet the target commissioning in 2006. The piling work for the first 300 MW power unit was completed during the period and the superstructure contract has been awarded. Work on the Main Station Building and 275kV Switching Station is on schedule and the manufacture of the power block equipment is in progress.

A long term contract for the supply of natural gas to Lamma was signed in Beijing in April 2004. The first delivery of gas from the LNG terminal, which is presently under construction in Shenzhen, is targeted for mid 2006. In addition, the contract for the supply and installation of a 93 km submarine gas pipeline from Shenzhen to Lamma was awarded in May 2004. Pipe laying work will commence in early 2005.

Coal prices and related freight charges have risen substantially during the first six months of 2004. While the Company was insulated from the full effect of these increases by virtue of several longer term supply contracts secured at favourable prices, a two-cent per unit reduction in the Fuel Clause rebate effective 1st April 2004 was required to recover the increase in cost which will be incurred in 2004. This is a pass through of actual cost increases incurred and has no effect on the Company's profits.

The Company's long tradition of environmental responsibility was recognised by the Pacific Basin Economic Council (PBEC) in June when the Company received a PBEC Environmental Award, the first time that an electricity utility in the region has been honoured. With regard to the Company's support of the development of renewable energy, a land application for a wind turbine site on Lamma Island has been submitted and is being processed. The tender for the supply of a 600kW wind turbine is expected to be issued later in the year to meet a commissioning schedule of early 2006.

Overseas, our operations in Australia continue to perform well. Strong financial performance was achieved through a combination of customer growth, increasing consumption, growth in non-electricity revenue and productivity improvements within and across the businesses. The performance of the distribution networks, as measured by minutes without supply, also recorded improvements against the same period last year. In Thailand, the shareholding arrangements in the consortium formed to develop a 1,400 MW gas-fired power plant were finalised in February. The Group is the largest foreign shareholder with a 25% interest in the project. Various pre-construction tasks are on-going and the project is on schedule for commissioning in 2008.

## **Outlook**

In Hong Kong, a strengthening economy augurs well for the medium term. The Company will take advantage of the flexibility it has within its capital expenditure programme to ensure consumers continue to be provided with reliable electricity to satisfy current and future demand at the lowest cost compatible with the terms of the Scheme of Control Agreement with Government. However, increasing costs which are beyond the control of the Company, particularly coal prices and freight charges, are a concern. For example, coal prices at this time last year were approximately US\$29 per tonne, while today's price is approximately US\$72 per tonne, an increase of 148%. Of course, we will do our utmost to negotiate and fix the lowest possible coal price, but if prices do not moderate from present levels, there will be an impact on tariffs as our lower priced term contracts unwind.

The relatively lower risk and predictable nature of our overseas businesses provide support for sustained profit growth. Given the Group's strong financial position and proven expertise in managing these businesses, further similar suitable investment opportunities are being studied actively.

**George C. Magnus**  
*Chairman*

Hong Kong, 5th August 2004

## **FINANCIAL REVIEW**

### **Capital Expenditure, Liquidity, Financial Resources and Gearing Ratio**

Capital expenditure during the period amounted to HK\$986 million, which was primarily funded by internal sources. As at 30th June 2004, total external borrowings were HK\$13,714 million (at 31st December 2003: HK\$13,599 million), comprising unsecured bank loans, unsecured deferred creditors and debt securities in issue. In addition, undrawn committed credit facilities available to the Group totalled HK\$881 million (at 31st December 2003: HK\$3,443 million). Gearing ratio (net debt/shareholders' funds) at 30th June 2004 was 37% (at 31st December 2003: 37%).

### **Treasury Policies and Capital Structure**

The Group continues to ensure that its businesses are financed from a variety of competitive sources and that committed facilities and operating cashflows are sufficient to meet refinancing and business expansion needs. In addition, currency and interest risks are actively managed on a conservative basis.

As at 30th June 2004, external borrowings of the Group amounted to HK\$13,714 million, with the following profile:

- (1) 53% was either denominated or effectively hedged into Hong Kong dollars and 47% was either denominated or effectively swapped into Australian dollars;
- (2) 76% was bank loans, 18% was capital market instruments and 6% was suppliers' credits;
- (3) 16% was repayable within 1 year, 77% was repayable between 2 to 5 years and 7% was repayable beyond 5 years;
- (4) 77% was fixed or capped rate based and 23% was floating rate.

It is the Group's treasury policy not to engage in speculative transactions. Foreign currency transaction exposure is managed in accordance with treasury guidelines, utilising forward contracts and interest and currency swaps. As at 30th June 2004, over 95% of the Group's transaction exposure was either hedged or denominated in Hong Kong or US dollars. Currency exposure arising from overseas investments is hedged by arranging comparable level of borrowings in or swapping foreign currency borrowings into the same currency as the underlying investments. Interest rate risk is managed through the use of interest rate swaps and caps. The contractual notional amounts of derivative instruments outstanding at 30th June 2004 amounted to HK\$19,671 million (at 31st December 2003: HK\$21,394 million) equivalent.

## **Contingent Liabilities**

As at 30th June 2004, the Company has issued guarantees for associate amounting to HK\$33 million (at 31st December 2003: HK\$44 million).

As at 30th June 2004, the Company has given guarantees and counter indemnities in respect of bank and other borrowing facilities available to subsidiaries and financial commitments of subsidiaries totalling HK\$9,262 million (at 31st December 2003: HK\$11,227 million) equivalent. Out of this amount, HK\$8,896 million, while being a contingent liability of the Company, is reflected in the Consolidated Balance Sheet of the Group.

As at 30th June 2004, a wholly owned subsidiary of the Company, The Hongkong Electric Company, Limited, has given guarantees to third parties in respect of a loan scheme for electricity charges of HK\$3 million (at 31st December 2003: HK\$5 million) and the value of leased equipment of HK\$210 million (at 31st December 2003: HK\$210 million) at expiry of the lease.

## **Employees**

The Group continues its policy of pay by performance and market pay rates are monitored constantly to ensure competitiveness is maintained. The Group's total remuneration costs for the six months ended 30th June 2004, excluding directors' emoluments, amounted to HK\$468 million (2003: HK\$510 million). As at 30th June 2004, the Group employed 2,083 (2003: 2,173) permanent staff. No share option scheme is in operation.

Apart from well-established training schemes for university graduates, trainee technicians and apprentices, the Group also provides training for staff in language, computer knowledge, and the latest technology relevant to our industry as well as numerous job-related courses to enhance other more general skills and knowledge of our employees.

## UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th June 2004

	Note	Six months ended 30th June	
		2004 HK\$ million	2003 HK\$ million
<b>Turnover</b>	2	<b>5,327</b>	5,207
Direct costs		<u>(1,989)</u>	<u>(1,865)</u>
		<b>3,338</b>	3,342
Other revenue and net income		<b>439</b>	453
Other operating costs		<b>(351)</b>	(265)
Finance costs		<b>(302)</b>	(333)
<b>Operating profit</b>	3	<b>3,124</b>	3,197
Share of results of associates		<u>211</u>	<u>127</u>
<b>Profit before taxation</b>		<b>3,335</b>	3,324
Income tax	4	<u>(626)</u>	<u>(977)</u>
<b>Profit after taxation</b>		<b>2,709</b>	2,347
Scheme of Control transfers to:	5		
Development Fund		<u>(481)</u>	<u>(151)</u>
Rate Reduction Reserve		<u>—</u>	<u>(3)</u>
		<u>(481)</u>	<u>(154)</u>
<b>Profit attributable to shareholders</b>			
Local activities		<u>1,961</u>	<u>1,966</u>
Overseas activities		<u>267</u>	<u>227</u>
<b>Total</b>		<u><b>2,228</b></u>	<u>2,193</u>
<b>Proposed interim dividend</b>	6	<u><b>1,238</b></u>	<u>1,238</u>
<b>Earnings per share</b>	7	<b>104 cents</b>	103 cents
<b>Proposed interim dividend per share</b>	6	<b>58 cents</b>	58 cents

The notes on pages 9 to 13 form part of these financial statements.

## CONSOLIDATED BALANCE SHEET

At 30th June 2004

	<i>Note</i>	(Unaudited) 30th June 2004 HK\$ million	(Audited) 31st December 2003 HK\$ million
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets			
— Property, plant and equipment		41,534	42,024
— Assets under construction		3,428	3,000
	8	<u>44,962</u>	<u>45,024</u>
Interest in associates		8,194	8,425
Other investments		23	7
Employee retirement benefit assets		267	236
		<u>53,446</u>	<u>53,692</u>
<b>Current assets</b>			
Inventories		496	368
Trade and other receivables	9	1,414	1,041
Fuel clause account		1,144	1,147
Bank balances and other liquid funds	10	615	464
		<u>3,669</u>	<u>3,020</u>
<b>Current liabilities</b>			
Trade and other payables	11	(907)	(1,124)
Bank overdrafts — unsecured		(4)	(4)
Current portion of bank loans and other borrowings		(1,883)	(2,436)
Taxation		(500)	(301)
		<u>(3,294)</u>	<u>(3,865)</u>
<b>Net current assets/(liabilities)</b>		<u>375</u>	<u>(845)</u>
<b>Total assets less current liabilities</b>		<u>53,821</u>	<u>52,847</u>
<b>Non-current liabilities</b>			
Interest-bearing borrowings		(10,961)	(10,187)
Deferred creditors and other payables		(675)	(760)
Customers' deposits		(1,424)	(1,387)
Deferred taxation		(5,164)	(5,105)
Employee retirement benefit liabilities		(96)	(92)
		<u>(18,320)</u>	<u>(17,531)</u>
<b>Rate Reduction Reserve</b>		—	(5)
<b>Development Fund</b>		(481)	—
<b>Net Assets</b>		<u>35,020</u>	<u>35,311</u>
<b>Capital and Reserves</b>			
Share capital	12	2,134	2,134
Reserves		32,886	33,177
		<u>35,020</u>	<u>35,311</u>

The notes on pages 9 to 13 form part of these financial statements.

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2004

	Six months ended 30th June	
	2004	2003
	HK\$ million	HK\$ million
Net cash from operating activities	3,327	3,584
Net cash (used in)/from investing activities	(1,229)	926
Net cash used in financing activities	<u>(1,947)</u>	<u>(4,346)</u>
Net increase in cash and cash equivalents	151	164
Cash and cash equivalents at beginning of period	<u>460</u>	<u>104</u>
Cash and cash equivalents at end of period	<u><b>611</b></u>	<u><b>268</b></u>
<b>Analysis of the balances of cash and cash equivalents</b>		
Bank balances and other liquid funds	615	273
Bank overdrafts — unsecured	<u>(4)</u>	<u>(5)</u>
	<u><b>611</b></u>	<u><b>268</b></u>

The notes on pages 9 to 13 form part of these financial statements.



## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2004

HK\$ million	Share Capital	Share Premium	Exchange Reserves	Revenue Reserves	Proposed Dividends	Total
At 1st January 2004	2,134	4,476	513	25,776	2,412	35,311
Exchange difference arising on translation of :						
— overseas subsidiaries	—	—	(59)	—	—	(59)
— overseas associates	—	—	(48)	—	—	(48)
Net losses not recognised in Profit and Loss Account	—	—	(107)	—	—	(107)
Final dividend in respect of the previous year approved and paid	—	—	—	—	(2,412)	(2,412)
Profit for the period	—	—	—	2,228	—	2,228
Proposed interim dividend (see note 6)	—	—	—	(1,238)	1,238	—
At 30th June 2004	<u>2,134</u>	<u>4,476</u>	<u>406</u>	<u>26,766</u>	<u>1,238</u>	<u>35,020</u>
At 1st January 2003	2,134	4,476	89	23,369	2,412	32,480
Exchange difference arising on translation of :						
— overseas subsidiaries	—	—	148	—	—	148
— overseas associates	—	—	87	—	—	87
Net gains not recognised in Profit and Loss Account	—	—	235	—	—	235
Final dividend in respect of the previous year approved and paid	—	—	—	—	(2,412)	(2,412)
Profit for the period	—	—	—	2,193	—	2,193
Proposed interim dividend (see note 6)	—	—	—	(1,238)	1,238	—
At 30th June 2003	<u>2,134</u>	<u>4,476</u>	<u>324</u>	<u>24,324</u>	<u>1,238</u>	<u>32,496</u>

The notes on pages 9 to 13 form part of these financial statements.

## NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars)

### 1. Basis of Preparation

The interim financial statements are unaudited, but have been reviewed by the Audit Committee.

The interim financial statements have been prepared in accordance with the requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Statement of Standard Accounting Practice 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

The same accounting policies adopted in the 2003 annual financial statements have been applied to the interim financial statements.

### 2. Segmental Information

The analyses of the principal activities and geographical locations of the operations of the Group during the financial period are as follows:

	Turnover		Operating profit	
	Six months ended 30th June 2004	2003	Six months ended 30th June 2004	2003
	\$ million	\$ million	\$ million	\$ million
<b>Principal activities</b>				
Sales of electricity and its related income	5,303	5,179	3,029	3,095
Technical service fees	24	28	3	5
Unallocated and other items	—	—	2	52
	<u>5,327</u>	<u>5,207</u>	<u>3,034</u>	<u>3,152</u>
Interest income			435	388
Finance costs			(302)	(333)
Unallocated group expenses			(43)	(10)
Operating profit			<u>3,124</u>	<u>3,197</u>
<b>Geographical locations of operations</b>				
	Turnover			
	Six months ended 30th June			
	2004	2003		
	\$ million	\$ million		
Hong Kong	5,322	5,200		
Rest of Asia, Australia and other locations	5	7		
	<u>5,327</u>	<u>5,207</u>		

### 3. Operating Profit

	<b>Six months ended 30th June</b>	
	<b>2004</b>	2003
	<b>\$ million</b>	\$ million
Operating profit is shown after charging/(crediting):		
Finance costs		
Interest on borrowings	349	389
Less: interest capitalised to fixed assets	(45)	(54)
interest transferred to fuel cost	(2)	(2)
	<b>302</b>	333
Depreciation		
Depreciation charges for the period	1,031	961
Less : depreciation capitalised	(72)	(75)
	<b>959</b>	886
Net loss on disposal of fixed assets	—	2
Net realised and unrealised gains on other investments carried at fair value	—	(23)
	<u>—</u>	<u>(23)</u>

### 4. Income Tax

	<b>Six months ended 30th June</b>	
	<b>2004</b>	2003
	<b>\$ million</b>	\$ million
<b>Current Tax</b>		
The Company and its subsidiaries — Hong Kong	463	460
<b>Deferred Tax</b>		
The Company and its subsidiaries — Hong Kong	59	462
Associates — Overseas	104	55
	<b>163</b>	517
Total	<b>626</b>	977

Hong Kong profits tax has been provided for at the rate of 17.5% (2003: 17.5%) based on the estimated assessable profits for the period. Overseas taxation has been provided for at the applicable rate on the estimated assessable profit.

### 5. Scheme of Control Transfers

The Scheme of Control transfers are a mid year notional transfer. The actual Scheme of Control transfers can only be determined in accordance with the Scheme of Control at the year end.

## 6. Proposed Interim Dividend

After the balance sheet date, the interim dividend proposed by the Board of Directors is as follows:

	<b>Six months ended 30th June</b>	
	<b>2004</b>	<b>2003</b>
	<b>\$ million</b>	<b>\$ million</b>
Proposed interim dividend of 58 cents per share (2003: 58 cents per share)	<b><u>1,238</u></b>	<b><u>1,238</u></b>

## 7. Earnings Per Share

The calculation of earnings per share is based on the profit attributable to shareholders of \$2,228 million (2003: \$2,193 million) and 2,134,261,654 shares (2003: 2,134,261,654 shares) in issue during the period.

## 8. Fixed Assets

During the period, additions to property, plant and equipment amounted to \$986 million (2003: \$972 million). Net book value of property, plant and equipment disposed amounted to \$17 million (2003: \$58 million).

## 9. Trade and Other Receivables

	<b>30th June</b>	<b>31st December</b>
	<b>2004</b>	<b>2003</b>
	<b>\$ million</b>	<b>\$ million</b>
Demand Side Management account	<b>45</b>	<b>45</b>
Debtors (see note below)	<b><u>1,369</u></b>	<b><u>996</u></b>
	<b><u>1,414</u></b>	<b><u>1,041</u></b>

Debtors' ageing is analysed as follows:

Within 1 month	<b>681</b>	<b>505</b>
1 to 3 months overdue	<b>25</b>	<b>28</b>
More than 3 months overdue but less than 12 months overdue	<b><u>9</u></b>	<b><u>9</u></b>
Total trade debtors (see note below)	<b>715</b>	<b>542</b>
Deposits, prepayments and other receivables	<b><u>654</u></b>	<b><u>454</u></b>
	<b><u>1,369</u></b>	<b><u>996</u></b>

Electricity bills issued to domestic, small industrial, commercial and miscellaneous customers of electricity supplies are due upon presentation whereas maximum demand customers are allowed a credit period of 16 working days. If settlements by maximum demand customers are received after the credit period, The Hongkong Electric Company, Limited is entitled to add a surcharge of 5% to the respective bills.

## 10. Bank Balances and Other Liquid Funds

	<b>30th June 2004</b>	31st December 2003
	<b>\$ million</b>	\$ million
Time deposits	<b>600</b>	459
Cash at bank and in hand	<b>15</b>	5
	<b><u>615</u></b>	<b><u>464</u></b>

## 11. Trade and Other Payables

	<b>30th June 2004</b>	31st December 2003
	<b>\$ million</b>	\$ million
Creditors (see note below)	<b>695</b>	912
Current portion of deferred creditors	<b>212</b>	212
	<b><u>907</u></b>	<b><u>1,124</u></b>

Creditors' ageing is analysed as follows:

Due within 1 month	<b>251</b>	341
Due between 1 month and 3 months	<b>89</b>	241
Due between 3 months and 12 months	<b>279</b>	301
	<b>619</b>	883
Other payables	<b>76</b>	29
	<b><u>695</u></b>	<b><u>912</u></b>

## 12. Share Capital

	<b>30th June 2004</b>	31st December 2003
	<b>Number of Shares</b>	<b>\$ million</b>
Authorised		
Ordinary shares of \$1 each	<b><u>3,300,000,000</u></b>	<b><u>3,300</u></b>
Issued and fully paid		
Ordinary shares of \$1 each	<b><u>2,134,261,654</u></b>	<b><u>2,134</u></b>

There were no movements in the share capital of the Company during the period.

### 13. Related Party Transactions

The Group had the following significant related party transactions during the period:

	Six months ended 30th June	
	2004	2003
	\$ million	\$ million
Purchase of electric appliances for residential premises	1	1
Purchase of limestone powder	4	2
Purchase of assets	—	1
Interest income	(422)	(383)

During the period, the related party transactions were conducted in accordance with the terms as disclosed in the latest published annual financial statements.

### 14. Commitments

The Group's outstanding commitments not provided for in the financial statements were as follows:

	30th June 2004	31st December 2003
	\$ million	\$ million
Contracted for :		
Capital expenditure	3,310	1,808
Investment in associate	322	823
Other investments	39	54
	<u>3,671</u>	<u>2,685</u>
Authorised but not contracted for:		
Capital expenditure	<u>7,331</u>	<u>9,729</u>

### 15. Contingent Liabilities

At 30th June 2004, there were contingent liabilities as follows:

- The Company has issued guarantees for associate amounting to \$33 million (at 31st December 2003: \$44 million).
- The Company has given guarantees and counter indemnities in respect of bank and other borrowing facilities available to subsidiaries and financial commitments of subsidiaries totalling \$9,262 million (at 31st December 2003: \$11,227 million) equivalent.
- A wholly owned subsidiary of the Company, The Hongkong Electric Company, Limited, has given guarantees to third parties in respect of a loan scheme for electricity charges of HK\$3 million (at 31st December 2003: \$5 million) and the value of leased equipment of HK\$210 million (at 31st December 2003: HK\$210 million) at expiry of the lease.

## OTHER INFORMATION

### 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 period under review.

### Code of Best Practice

None of the Directors is aware of information that would reasonably indicate the Company is not, or was not for any part of the accounting period covered by this Interim Report, in compliance with Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### Model Code for Securities Transactions by Directors

The Board of Directors of the Company has adopted the Model Code for Securities Transactions by Directors set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as its own code. Having made specific enquiry of all Directors, the Company has ascertained that all of its Directors have complied with the required standard set out in the Model Code during the accounting period covered by this Interim Report.

### Directors' Interests

At 30th June 2004, the interests of the Directors in the issued share capital of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SF Ordinance")) as recorded in the register required to be kept under Section 352 of the SF Ordinance were as follows:

#### Long Positions in Shares

Name of Director	Capacity	Personal	Number of Ordinary Shares			Total	Approximate Percentage of Shareholding
			Family	Corporate	Other		
Victor Li Tzar-kuoi	Interest of child or spouse & beneficiary of trusts	—	151,000	—	829,599,612 <i>(Notes 1 &amp; 2)</i>	829,750,612	38.88%
Ronald Joseph Arculli	Interest of controlled corporation	—	—	2,011	—	2,011	≈0%
Francis Lee Lan-yee	Beneficial owner	739	—	—	—	739	≈0%

Notes:

- (1) *These shares are held by subsidiaries of Cheung Kong Infrastructure Holdings Limited (“CKI”).*

*The discretionary beneficiaries of each of The Li Ka-Shing Unity Discretionary Trust (“DT1”) and another discretionary trust (“DT2”) are, inter alia, Mr. Victor Li Tzar-kuoi, his wife and children, and Mr. Richard Li Tzar-kai. Each of Li Ka-Shing Unity Trustee Corporation Limited (“TDT1”, which is the trustee of DT1) and Li Ka-Shing Unity Trustcorp Limited (“TDT2”, which is the trustee of 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 and its related companies in 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”) hold more than one-third of the issued share capital of Cheung Kong (Holdings) Limited (“CKH”). Certain subsidiaries of CKH in turn together hold more than one-third of the issued share capital of Hutchison Whampoa Limited (“HWL”). A subsidiary of HWL in turn holds more than one-third of the issued share capital of CKI.*

*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”). Each of Mr. Li Ka-shing, Mr. Victor Li Tzar-kuoi and Mr. Richard Li Tzar-kai is interested in one-third of the entire issued share capital of Unity Holdco. TUT1 is only interested in the shares of CKH 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 independently without any reference to Unity Holdco or any of Mr. Li Ka-shing, Mr. Victor Li Tzar-kuoi and Mr. Richard Li Tzar-kai as a holder of the shares of Unity Holdco as aforesaid.*

*By virtue of the above and as a discretionary beneficiary of each of DT1 and DT2 and as a Director of CKH, Mr. Victor Li Tzar-kuoi is taken to have a duty of disclosure in relation to the shares of CKH held by TUT1 as trustee of UT1 and TUT1 related companies, the shares of HWL held by the subsidiaries of CKH, the shares of CKI held by the subsidiary of HWL and the shares of the Company held by the subsidiaries of CKI under the SF Ordinance as a Director of the Company. Although Mr. Richard Li Tzar-kai is interested in one-third of the entire issued share capital of Unity Holdco and is a discretionary beneficiary of each of DT1 and DT2, he is not a director of CKH and has no duty of disclosure in relation to the shares of CKH held by TUT1 as trustee of UT1 and TUT1 related companies under the SF Ordinance.*

- (2) *Mr. Victor Li Tzar-kuoi, by virtue of his interests as described in Note (1) above and as a Director of the Company, is also deemed to be interested in the shares of subsidiaries and associated companies of the Company held through the Company under the SF Ordinance.*

Save as disclosed above, at 30th June 2004, none of the Directors or chief executives had 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 SF Ordinance) which were required to be notified to The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Part XV of the SF Ordinance or which were recorded in the register required to be kept by the Company under Section 352 of the SF Ordinance, or which were required to be notified to the Company and the Stock Exchange pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.



## Substantial Shareholders' Interests

According to the register kept under Section 336 of the Securities and Futures Ordinance (the "SF Ordinance") and information received by the Company, at 30th June 2004, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Part XV of the SF Ordinance were as follows:

### Long Positions in Shares

Name	Capacity	Number of Ordinary Shares	Approximate % of Shareholding
Interman Development Inc.	Beneficial owner	186,736,842 (Note 1)	8.75%
Venniton Development Inc.	Beneficial owner	197,597,511 (Note 1)	9.26%
Univest Equity S.A.	Beneficial owner	279,011,102 (Note 1)	13.07%
Monitor Equities S.A.	Beneficial owner & Interest of controlled corporation	287,211,674 (Note 1)	13.46%
Hyford Limited	Interest of controlled corporations	829,599,612 (Note 2)	38.87%
Cheung Kong Infrastructure Holdings Limited	Interest of controlled corporations	829,599,612 (Note 2)	38.87%
Hutchison Infrastructure Holdings Limited	Interest of controlled corporations	829,599,612 (Note 3)	38.87%
Hutchison International Limited	Interest of controlled corporations	829,599,612 (Note 3)	38.87%
Hutchison Whampoa Limited	Interest of controlled corporations	829,599,612 (Note 3)	38.87%
Cheung Kong (Holdings) Limited	Interest of controlled corporations	829,599,612 (Note 4)	38.87%
Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust	Trustee	829,599,612 (Note 5)	38.87%
Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust	Trustee & beneficiary of a trust	829,599,612 (Note 6)	38.87%
Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust	Trustee & beneficiary of a trust	829,599,612 (Note 6)	38.87%
Li Ka-shing	Founder of discretionary trusts & interest of controlled corporations	829,599,612 (Note 6)	38.87%

### Notes:

- (1) *These are direct or indirect wholly-owned subsidiaries of Hyford Limited ("Hyford") and their interests are duplicated in the same 829,599,612 shares of the Company held by Hyford described in (2) below.*
- (2) *Cheung Kong Infrastructure Holdings Limited ("CKI") is deemed to be interested in the 829,599,612 shares of the Company as referred to in (1) above as it holds more than one-third of the issued share capital of Hyford indirectly. Its interests are duplicated in the interest of Hutchison Whampoa Limited ("HWL") in the Company described in (3) below.*
- (3) *HWL is deemed to be interested in the 829,599,612 shares of the Company as referred to in (2) above as it holds more than one-third of the issued share capital of Hutchison International Limited, which holds more than one-third of the issued share capital of Hutchison Infrastructure Holdings Limited ("HIH"). HIH holds more than one-third of the issued share capital of CKI.*

- (4) *Cheung Kong (Holdings) Limited (“CKH”) is deemed to be interested in the 829,599,612 shares of the Company as referred to in (3) above as certain subsidiaries of CKH hold more than one-third of the issued share capital of HWL.*
- (5) *Li Ka-Shing Unity Trustee Company Limited (“TUT1”) as trustee of The Li Ka-Shing Unity Trust (“UT1”) is deemed to be interested in those shares of the Company described in (4) above as TUT1 as trustee of UT1 and its related companies in 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 hold more than one-third of the issued share capital of CKH.*
- (6) *Each of Mr. Li Ka-shing, Li Ka-Shing Unity Trustee Corporation Limited (“TDT1”) as trustee of The Li Ka-Shing Unity Discretionary Trust (“DT1”) and Li Ka-Shing Unity Trustcorp Limited (“TDT2”) as trustee of another discretionary trust is deemed to be interested in the same block of shares TUT1 as trustee of UT1 is deemed to be interested in as referred to in (5) above as all issued and outstanding units in UT1 are held by TDT1 as trustee of DT1 and by TDT2 as trustee of another discretionary trust. More than one-third of the issued share capital of TUT1 and of the trustees of the said discretionary trusts are owned by Li Ka-Shing Unity Holdings Limited (“Unity Holdco”). Mr. Li Ka-shing owns one-third of the issued share capital of Unity Holdco.*

Save as disclosed above, at 30th June 2004, the Company has not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Part XV of the SF Ordinance, or which were recorded in the register required to be kept by the Company under Section 336 of the SF Ordinance.

### **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 proforma combined balance sheet of the affiliated companies as at 30th June 2004 required to be disclosed under Rule 13.22 of Chapter 13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited is set out below:

Proforma Combined Balance Sheet of the Affiliated Companies  
as at 30th June 2004

	HK\$ million
Non-current assets	45,535
Current assets	2,192
Current liabilities	(2,034)
Non-current liabilities	(44,257)
Net assets	<u>1,436</u>
Share capital	323
Reserves	<u>1,113</u>
Capital and reserves	<u>1,436</u>

As at 30th June 2004, the consolidated attributable interest of the Group in these affiliated companies amounted to HK\$8,182 million.