



# Report of the Directors

The Directors are pleased to present shareholders with the annual report together with the audited financial statements of the Company and of the Group for the year ended 31st December, 2004.

## Principal Activities

The Company's principal activities during the year are development, investment and operation of infrastructure businesses in Hong Kong, the Mainland, Australia and the United Kingdom.

## Results and Dividends

Results of the Group for the year ended 31st December, 2004 are set out in the consolidated income statement on page 65.

The Directors recommend the payment of a final dividend of HK\$0.57 per share which, together with the interim dividend of HK\$0.22 per share paid on 4th October, 2004, makes a total dividend of HK\$0.79 per share for the year.

## Fixed Assets

Movements in the Group's fixed assets during the year are set out in note 12 to the financial statements on page 85.

## Reserves

Details of changes in the reserves of the Company and the Group are set out in note 26 to the financial statements on pages 100 and 101.

## Group Financial Summary

Results, assets and liabilities of the Group for the last nine years are summarised on pages 2 and 3.

## Properties

Particulars of major properties held by the Group are set out in Appendix 5 on page 117.

## Directors

The Directors of the Company in office at the date of this report are listed on page 126 and their biographical information is set out on pages 38 to 42.

On 23rd September, 2004, Mrs. Lee Pui Ling, Angelina was re-designated as a Non-executive Director of the Company.

Mrs. Kwok Eva Lee and Mrs. Sng Sow-Mei (Phoon Sui Moy, alias Poon Sow Mei) were appointed as Independent Non-executive Directors of the Company on 23rd September, 2004. Mr. Colin Stevens Russel was appointed as Independent Non-executive Director of the Company on 1st January, 2005. Mr. Lan Hong Tsung, David was appointed as Independent Non-executive Director of the Company on 21st February, 2005.

The Company's Bye-laws provides that any Director appointed by the Board of Directors of the Company (the "Board") shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Accordingly, Mrs. Kwok Eva Lee, Mrs. Sng Sow-Mei (Phoon Sui Moy, alias Poon Sow Mei), Mr. Colin Stevens Russel and Mr. Lan Hong Tsung, David being the Directors so appointed, shall hold office until the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Further, in accordance with the Company's Bye-laws, the Directors of the Company (including Non-executive Directors) shall be subject to retirement by rotation at each annual general meeting. Accordingly, Mr. Li Tzar Kuoi, Victor, Mr. Kam Hing Lam, Mr. George Colin Magnus, Mr. Ip Tak Chuen, Edmond, Mr. Frank John Sixt and Mrs. Lee Pui Ling, Angelina will retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

## Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31st December, 2004, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (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 recorded in the register required to be kept by the Company under Section 352 of the SFO,



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or which were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company (the “Model Code”), to be notified to the Company and the Stock Exchange, were as follows:

## 1. Long Positions in Shares

Name of Company	Name of Director	Capacity	Number of Ordinary Shares				Total	Approximate % of Shareholding
			Personal Interests	Family Interests	Corporate Interests	Other Interests		
Company	Li Tzar Kuoi, Victor	Beneficiary of trusts	–	–	–	1,912,109,945 (Note 1)	1,912,109,945	84.82%
	Kam Hing Lam	Beneficial owner	100,000	–	–	–	100,000	0.004%
Hutchison Whampoa Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation & beneficiary of trusts	–	–	1,086,770 (Note 3)	2,141,698,773 (Note 2)	2,142,785,543	50.26%
	Kam Hing Lam	Beneficial owner	60,000	–	–	–	60,000	0.001%
	George Colin Magnus	Beneficial owner, interest of child or spouse & founder & beneficiary of a discretionary trust	40,000	9,900	–	950,100 (Note 6)	1,000,000	0.02%
	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	2,510,875 (Note 5)	–	2,510,875	0.06%
	Chow Woo Mo Fong, Susan	Beneficial owner	150,000	–	–	–	150,000	0.003%
	Frank John Sixt	Beneficial owner	50,000	–	–	–	50,000	0.001%
	Lee Pui Ling, Angelina	Beneficial owner	38,500	–	–	–	38,500	0.0009%
Hutchison Telecommunications (Australia) Limited	Fok Kin Ning, Canning	Beneficial owner & interest of controlled corporation	100,000	–	1,000,000 (Note 5)	–	1,100,000	0.16%

## 1. Long Positions in Shares (Cont'd)

Name of Company	Name of Director	Capacity	Number of Ordinary Shares				Total	Approximate % of Shareholding
			Personal Interests	Family Interests	Corporate Interests	Other Interests		
Hongkong Electric Holdings Limited	Li Tzar Kuoi, Victor	Interest of child or spouse & beneficiary of trusts	–	151,000	–	829,599,612 (Note 4)	829,750,612	38.88%
	Lee Pui Ling, Angelina	Beneficial owner	8,800	–	–	–	8,800	0.0004%
Hutchison Harbour Ring Limited	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	5,000,000 (Note 5)	–	5,000,000	0.07%
Hutchison Global Communications Holdings Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation & beneficiary of trusts	–	–	26,300,000 (Note 3)	3,875,632,628 (Note 7)	3,901,932,628	56.52%
	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	10,000,000 (Note 5)	–	10,000,000	0.14%
Hutchison Telecommunications International Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation & beneficiary of trusts	–	–	14,489 (Note 3)	3,185,589,325 (Note 8)	3,185,603,814	70.79%
	George Colin Magnus	Beneficial owner & interest of child or spouse	13,201	132	–	–	13,333	0.0003%
	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	250,000 (Note 5)	–	250,000	0.006%
	Chow Woo Mo Fong, Susan	Beneficial owner	250,000	–	–	–	250,000	0.006%



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## 2. Long Positions in Underlying Shares

Name of Company	Name of Director	Capacity	Number of Underlying Shares				Total
			Personal Interests	Family Interests	Corporate Interests	Other Interests	
Company	Li Tzar Kuoi, Victor	Beneficiary of trusts	–	–	–	2 underlying shares by virtue of the HK\$300,000,000 Capital Guaranteed Notes due 2009 issued by Cheung Kong Bond Finance Limited (Note 1)	2 underlying shares by virtue of the HK\$300,000,000 Capital Guaranteed Notes due 2009 issued by Cheung Kong Bond Finance Limited (Note 1)
Hutchison Whampoa Limited	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	757,939 underlying shares by virtue of US\$5,000,000 Notes due 2005 issued by BNP Paribas (Note 5)	–	757,939 underlying shares by virtue of US\$5,000,000 Notes due 2005 issued by BNP Paribas
Hutchison Telecommunications (Australia) Limited	Fok Kin Ning, Canning	Beneficial owner & interest of controlled corporation	134,000 underlying shares by virtue of 134,000 5.5% Unsecured Convertible Notes due 2007	–	1,340,001 underlying shares by virtue of 1,340,001 5.5% Unsecured Convertible Notes due 2007 (Note 5)	–	1,474,001 underlying shares by virtue of 1,474,001 5.5% Unsecured Convertible Notes due 2007

## 2. Long Positions in Underlying Shares (Cont'd)

Name of Company	Name of Director	Capacity	Number of Underlying Shares				Total
			Personal Interests	Family Interests	Corporate Interests	Other Interests	
Hutchison Global Communications Holdings Limited	Li Tzar Kuoi, Victor	Beneficiary of trusts	–	–	–	3,333,333,333 underlying shares by virtue of HK\$3,200,000,000 1% Unsecured Convertible Notes due 2009 (Note 7)	3,333,333,333 underlying shares by virtue of HK\$3,200,000,000 1% Unsecured Convertible Notes due 2009 (Note 7)
			–	–	–	1,041,666,666 underlying shares by virtue of Facility Convertible Notes to be issued pursuant to the terms of an unsecured loan facility of HK\$1,000,000,000 (Note 7)	1,041,666,666 underlying shares by virtue of Facility Convertible Notes to be issued pursuant to the terms of an unsecured loan facility of HK\$1,000,000,000 (Note 7)
Hutchison Telecommunications International Limited	Frank John Sixt	Beneficial owner	255,000 underlying shares by virtue of 17,000 American Depository Shares	–	–	–	255,000 underlying shares by virtue of 17,000 American Depository Shares



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## 3. Long Positions in Debentures

Name of Company	Name of Director	Capacity	Amount of Debentures				Total
			Personal Interests	Family Interests	Corporate Interests	Other Interests	
Hutchison Whampoa International (01/11) Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation	–	–	US\$2,000,000 7% Notes due 2011 (Note 3)	–	US\$2,000,000 7% Notes due 2011
Hutchison Whampoa International (03/13) Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation	–	–	US\$11,000,000 6.5% Notes due 2013 (Note 3)	–	US\$11,000,000 6.5% Notes due 2013
Hutchison Whampoa Finance (03/13) Limited	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	Euro 20,900,000 5.875% Notes due 2013 (Note 5)	–	Euro 20,900,000 5.875% Notes due 2013
Hutchison Whampoa International (03/33) Limited	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	US\$6,500,000 6.25% Notes due 2014 (Note 5)	–	US\$6,500,000 6.25% Notes due 2014

### Notes:

- 1 The 1,912,109,945 shares in the Company comprise 1,906,681,945 shares held by a subsidiary of Hutchison Whampoa Limited (“HWL”) and 5,428,000 shares held by Li Ka-Shing Unity Trustee Company Limited (“TUT1”) as trustee of The Li Ka-Shing Unity Trust (“UT1”). The 2 underlying shares of the Company are held by an indirect wholly-owned subsidiary of Cheung Kong (Holdings) Limited (“CKH”).

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 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 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 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 CKH. Certain subsidiaries of CKH in turn together hold more than one-third of the issued share capital of HWL.

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. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard 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. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard as a holder of the shares of Unity Holdco as aforesaid.

Notes (Cont'd):

By virtue of the above and as a discretionary beneficiary of each of DT1 and DT2 and as a director of CKH, Mr. Li Tzar Kuoi, Victor 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 and the shares of the Company held by each of the subsidiary of HWL and TUT1 as trustee of UT1 and the underlying shares of the Company held by the subsidiary of CKH under the SFO as a Director. Although Mr. Li Tzar Kai, Richard 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 SFO.

2 The 2,141,698,773 shares in HWL comprise:

- (a) 2,130,202,773 shares held by certain subsidiaries of CKH. By virtue of the interests in shares of CKH in relation to which Mr. Li Tzar Kuoi, Victor has a duty of disclosure under the SFO in the issued share capital of CKH as described in Note 1 above and as a Director, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said shares of HWL under the SFO.
- (b) 11,496,000 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 the trustees of DT3 and DT4 are owned by Li Ka-Shing Castle Holdings Limited ("Castle Holdco"). Each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Castle Holdco. TUT3 is only interested in the shares of HWL 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 HWL independently without any reference to Castle Holdco or any of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard as a holder of the shares of Castle Holdco as aforesaid.

By virtue of the above and as a discretionary beneficiary of each of DT3 and DT4 and as a director of HWL, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said shares of HWL held by TUT3 as trustee of UT3 under the SFO as a Director. Although Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Castle Holdco and is a discretionary beneficiary of each of DT3 and DT4, he is not a Director and has no duty of disclosure in relation to the shares of HWL held by TUT3 as trustee of UT3 under the SFO.

3 Such interests are held by certain companies of which Mr. Li Tzar Kuoi, Victor is interested in the entire issued share capital.

4 By virtue of being a Director and his deemed interest in those shares of the Company as described in Note 1 above, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to those shares of Hongkong Electric Holdings Limited held through the Company under the SFO.

5 These interests are held by a company which is equally owned by Mr. Fok Kin Ning, Canning and his wife.

6 Such interests are indirectly held by a trust of which Mr. George Colin Magnus is the settlor and a discretionary beneficiary.





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Notes (Cont'd):

- 7 3,875,632,628 shares of Hutchison Global Communications Holdings Limited ("HGCH") are held by a wholly-owned subsidiary of CKH and a subsidiary which is owned as to 70.16% by HWL while the interests in 3,333,333,333 underlying shares and 1,041,666,666 underlying shares are held by certain subsidiaries which are owned as to 70.16% by HWL. By virtue of the interests in the shares of CKH and HWL in relation to which Mr. Li Tzar Kuoi, Victor has a duty of disclosure under the SFO in the issued share capital of CKH and HWL as described in Notes 1 and 2 above and as a Director, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said shares and underlying shares of HGCH under the SFO.
- 8 The 3,185,589,325 shares in Hutchison Telecommunications International Limited ("HTIL") comprise 3,185,436,045 shares held by certain subsidiaries of CKH and HWL and 153,280 shares held by TUT3 as trustee of UT3. By virtue of the interests in the shares of CKH and HWL in relation to which Mr. Li Tzar Kuoi, Victor has a duty of disclosure under the SFO in the issued share capital of CKH and HWL and by virtue of his being a discretionary beneficiary of each of DT3 and DT4 which hold units in UT3 as described in Notes 1 and 2 above and as a Director, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said shares of HTIL under the SFO.

Mr. Li Tzar Kuoi, Victor, by virtue of being a Director and his interests in the share capital of the Company as a discretionary beneficiary of certain discretionary trusts as described in Note 1 above, is deemed to be interested in those securities of subsidiaries and associated companies of the Company held through the Company and in those securities of the subsidiaries of HWL held through HWL under the SFO.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 31st December, 2004, 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 recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

No other contracts of significance to which the Company or a subsidiary was a party and in which a Director had a material interest subsisted at the balance sheet date or at any time during the year.

At no time during the year was the Company or subsidiary a party to any arrangements which enabled any Director to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate.

None of the Directors has any service contract with the Company or any of its subsidiaries.

## Interests and Short Positions of Shareholders

So far as is known to any Director or chief executives of the Company, as at 31st December, 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 Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

### Long Positions of Substantial Shareholders in the Shares of the Company

Name	Capacity	Number of Ordinary Shares	Approximate % of Shareholding
Hutchison Infrastructure Holdings Limited	Beneficial owner	1,906,681,945 (Note i)	84.58%
Hutchison International Limited	Interest of controlled corporation	1,906,681,945 (Note ii)	84.58%
Hutchison Whampoa Limited	Interest of controlled corporations	1,906,681,945 (Note ii)	84.58%
Cheung Kong (Holdings) Limited	Interest of controlled corporations	1,906,681,945 (Note iii)	84.58%
Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust	Trustee	1,912,109,945 (Note iv)	84.82%
Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust	Trustee & beneficiary of trust	1,912,109,945 (Note v)	84.82%
Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust	Trustee & beneficiary of trust	1,912,109,945 (Note v)	84.82%
Li Ka-shing	Founder of discretionary trusts	1,912,109,945 (Note v)	84.82%

Notes:

- i 1,906,681,945 shares of the Company are held by Hutchison Infrastructure Holdings Limited, a subsidiary of HWL. Its interests are duplicated in the interests of HWL in the Company described in Note ii below.
- ii HWL is deemed to be interested in the 1,906,681,945 shares of the Company referred to in Note i 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.



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Notes (Cont'd):

- iii CKH is deemed to be interested in the 1,906,681,945 shares of the Company referred to in Note ii above as certain subsidiaries of CKH hold more than one-third of the issued share capital of HWL.
- iv TUT1 as trustee of UT1 is deemed to be interested in those shares of the Company described in Note iii above as TUT1 as trustee of UT1 and TUT1 related companies hold more than one-third of the issued share capital of CKH and in the 5,428,000 shares of the Company held by TUT1 as trustee of UT1.
- v Each of Mr. Li Ka-shing, TDT1 as trustee of DT1 and 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 Note iv 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 Unity Holdco. Mr. Li Ka-shing owns one-third of the issued share capital of Unity Holdco.

Save as disclosed above, as at 31st December, 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 Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## Connected Transaction

The following transaction of the Group constituted a continuing connected transaction ("Continuing Connected Transaction") which is normally subject to the disclosure and/or shareholders' approval requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the financial year ended 31st December, 2004:

A sponsors/shareholders' undertaking has been provided by each of CKH and HWL in relation to the loan facilities in relation to the Zhuhai Power Plant. Pursuant to the sponsors/shareholders' undertaking, each of CKH and HWL shall be severally liable for 50 per cent. of certain obligations of the foreign party (the "Zhuhai Foreign Party") to the PRC project company undertaking the Zhuhai Power Plant. The Zhuhai Foreign Party, which is an indirect wholly-owned subsidiary of the Company, has a 45 per cent. interest in the PRC project company. Pursuant to a deed of counter-indemnity given by the Company in favour of CKH and HWL, the Company has agreed with each of CKH and HWL to meet all future funding obligations of each of them which may be required under such sponsors/shareholders' undertaking and to counter-indemnify each of CKH and HWL in respect of any sum provided by each of them and generally in respect of each of their liabilities and obligations under such sponsors/shareholders' undertaking.

In the opinion of the Directors of the Company, the Continuing Connected Transaction is in the ordinary and usual course of business of the Company, on normal commercial terms or on terms no less favourable than terms available to (or from) independent third parties, and is fair and reasonable so far as the shareholders of the Company are concerned, having regard to the circumstances in which it was entered into.

### Connected Transaction (Cont'd)

On 12th August, 1996, the Stock Exchange granted conditional waivers (the "Waivers") to the Company from strict compliance with the disclosure and shareholders' approval requirements under the Listing Rules in respect of, inter alia, the Continuing Connected Transaction (the "Transactions") subject to the following conditions:

- (1) the Transactions have been entered into or the terms of the respective agreements governing such Transactions are (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms or on terms no less favourable than terms available to (or from) independent third parties; and (iii) fair and reasonable so far as the shareholders of the Company are concerned;
- (2) brief details of the Transactions shall be disclosed in the 1996 annual report and each successive annual report; and
- (3) the Independent Non-executive Directors of the Company shall review annually the Transactions and confirm in the 1996 annual report and each successive annual report that the Transactions are conducted in the manner as stated in condition (1) above or in accordance with the terms of the respective agreements governing such Transactions.

As a further condition of granting the Waivers, the Company is required to engage its auditors to provide the Board with a letter (the "Auditors' Letter") in respect of the Transactions occurring during the financial year ended 31st December, 1996. Where the Transactions will extend beyond one financial year, those requirements will apply for each successive financial year. The Auditors' Letter is to be provided by the Company to the Stock Exchange.

The Auditors' Letter must state that:

- the Transactions received the approval of the Board; and
- the Transactions have been entered into on normal commercial terms or in accordance with the terms of the agreements governing the Transactions, or where there is no such agreement, on terms no less favourable than terms available to (or from) independent third parties.

The Stock Exchange reserves the right to revoke or modify any waiver granted by the Waivers in the event of any change in the terms of the Transactions for which such waivers were granted (including any extension or renewal of the agreements evidencing such Transactions) or in the circumstances under which such waivers were granted. In any such case, the Company has to comply with provisions of the Listing Rules dealing with connected transactions unless it applies for and obtains a separate waiver from the Stock Exchange.

The Continuing Connected Transaction has been reviewed and approved by the Directors of the Company (including the Independent Non-executive Directors). The Independent Non-executive Directors of the Company have confirmed that for the year 2004 the Continuing Connected Transaction was conducted in the manner as stated in condition (1) above or in accordance with the terms of the agreement governing the Continuing Connected Transaction.



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## Connected Transaction (Cont'd)

The auditors of the Company have also confirmed that for the year 2004 the Continuing Connected Transaction received the approval of the Board; and the Continuing Connected Transaction has been entered into on normal commercial terms or in accordance with the terms of the agreement governing the Continuing Connected Transaction.

In view of the fact that the Waivers were only granted on the basis of the facts and circumstances described in the Prospectus and the original submission made by the Company prior to its listing, an application was made to the Stock Exchange to confirm that such Waivers shall continue to be effective despite the change of circumstances which were resulted from the implementation of the Cheung Kong Group Restructuring. The Stock Exchange indicated that such waiver shall continue to be effective on the same conditions as referred to above.

## Major Customers and Suppliers

During the year, the Group's recognised sales attributable to the Group's five largest customers were less than 30 per cent. of the Group's sales and the Group's purchases attributable to the Group's five largest suppliers were less than 30 per cent. of the Group's purchases.

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5 per cent. of the Company's issued share capital) has any interest in the Group's five largest suppliers.

## Competing Business Interests of Directors

During the year, 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 Business") as required to be disclosed pursuant to the Listing Rules were as follows:

### (a) Core business activities of the Group

- (1) Development, investment and operation of power plants and distribution facilities.
- (2) Development, investment and operation of toll roads, toll bridges, tunnel and ancillary businesses and services.
- (3) Development, investment and operation and commercialisation of infrastructure materials including cement, concrete and asphalt products.
- (4) Investment holding and project management.
- (5) Securities investment.
- (6) Information technology, e-commerce and new technology.

## Competing Business Interests of Directors (Cont'd)

### (b) Interests in Competing Business

Name of Director	Name of Company	Nature of Interest	Competing Business (Note)
Li Tzar Kuoi, Victor	Cheung Kong (Holdings) Limited	Managing Director and Deputy Chairman	(4), (5) & (6)
	Hutchison Whampoa Limited	Deputy Chairman	(4), (5) & (6)
	Hongkong Electric Holdings Limited	Executive Director	(1), (4), (5) & (6)
	CK Life Sciences Int'l., (Holdings) Inc.	Chairman	(5) & (6)
Kam Hing Lam	Cheung Kong (Holdings) Limited	Deputy Managing Director	(4), (5) & (6)
	Hutchison Whampoa Limited	Executive Director	(4), (5) & (6)
	Hongkong Electric Holdings Limited	Executive Director	(1), (4), (5) & (6)
	CK Life Sciences Int'l., (Holdings) Inc.	President and Chief Executive Officer	(5) & (6)
George Colin Magnus	Cheung Kong (Holdings) Limited	Deputy Chairman	(4), (5) & (6)
	Hutchison Whampoa Limited	Executive Director	(4), (5) & (6)
	Hongkong Electric Holdings Limited	Chairman	(1), (4), (5) & (6)
Ip Tak Chuen, Edmond	Cheung Kong (Holdings) Limited	Executive Director	(4), (5) & (6)
	CK Life Sciences Int'l., (Holdings) Inc.	Senior Vice President and Chief Investment Officer	(5) & (6)
	TOM Group Limited	Non-executive Director	(4), (5) & (6)
	CATIC International Holdings Limited	Non-executive Director	(4) & (5)
	Excel Technology International Holdings Limited	Non-executive Director	(4), (5) & (6)
	Hanny Holdings Limited	Non-executive Director	(4), (5) & (6)
	Shougang Concord International Enterprises Company Limited	Non-executive Director	(1), (4) & (5)
Fok Kin Ning, Canning	Cheung Kong (Holdings) Limited	Non-executive Director	(4), (5) & (6)
	Hutchison Whampoa Limited	Group Managing Director	(4), (5) & (6)
	Hongkong Electric Holdings Limited	Deputy Chairman	(1), (4), (5) & (6)
	Hutchison Harbour Ring Limited	Chairman	(6)
	Hutchison Telecommunications International Limited	Chairman	(6)
	Hutchison Global Communications Holdings Limited	Chairman	(6)
	Hanny Holdings Limited	Non-executive Director	(4), (5) & (6)



# Report of the Directors

## (b) Interests in Competing Business (Cont'd)

Name of Director	Name of Company	Nature of Interest	Competing Business (Note)
Chow Woo Mo Fong, Susan	Hutchison Whampoa Limited	Deputy Group Managing Director	(4), (5) & (6)
	Hongkong Electric Holdings Limited	Non-executive Director	(1), (4), (5) & (6)
	TOM Group Limited	Non-executive Director	(4), (5) & (6)
	Hutchison Harbour Ring Limited	Executive Director	(6)
	Hutchison Telecommunications International Limited	Non-executive Director	(6)
	Hutchison Global Communications Holdings Limited	Executive Director	(6)
Frank John Sixt	Cheung Kong (Holdings) Limited	Non-executive Director	(4), (5) & (6)
	Hutchison Whampoa Limited	Group Finance Director	(4), (5) & (6)
	Hongkong Electric Holdings Limited	Executive Director	(1), (4), (5) & (6)
	Hutchison Telecommunications International Limited	Non-executive Director	(6)
	Hutchison Global Communications Holdings Limited	Executive Director	(6)
	TOM Group Limited	Chairman	(4), (5) & (6)
	TOM Online Inc.	Chairman	(6)
Tso Kai Sum	Hongkong Electric Holdings Limited	Group Managing Director	(1), (4), (5) & (6)

Note: Such businesses may be made through subsidiaries, associated companies or by way of other forms of investments.

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

### Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws of Bermuda.

### Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

### Rule 8.08 of the Listing Rules

As announced by the Company on 8th January, 1997 and 17th February, 1997, the Stock Exchange granted a waiver from strict compliance with Rule 8.08 of the Listing Rules to the Company on 9th January, 1997 subject to approximately not less than 15.2 per cent. of the issued share capital of the Company being held in public hands. Based on information available and within the knowledge of the Directors, the obligation has been complied with.

## Donations

Donations made by the Group during the year amounted to HK\$1,169,000.

## Disclosure under Chapter 13 of the Listing Rules

The following information is disclosed in accordance with Rules 13.20 and 13.21 of Chapter 13 of the Listing Rules:

- (a) The Group has entered into a syndicated loan facility agreement of HK\$3.8 billion, of which the whole amount was drawn as at 31st December, 2004. The facility will mature in 2007. Under the provision of the loan agreement, it is an event of default if HWL (the Company's controlling shareholder) ceases to own (directly or indirectly) at least 35 per cent. of the issued share capital of the Company. The obligation has been complied with.
- (b) A sponsors/shareholders' undertaking referred to under the section headed "Connected Transaction" has been provided by HWL, the Zhuhai Foreign Party and the other parties in relation to two loan facilities of US\$125.5 million and US\$670 million granted to the PRC project company undertaking the Zhuhai Power Plant. The two loans with the outstanding amounts of US\$38 million and US\$444 million as at 31st December, 2004, are repayable by installments with the final repayment due in 2008 and 2012 respectively. It is an event of default for both facilities if CKH and HWL collectively own directly or indirectly less than 51 per cent. of the shareholding in the Zhuhai Foreign Party. The obligation has been complied with.
- (c) The Group has entered into a long term syndicated facility agreement of A\$405 million, of which the whole amount was drawn as at 31st December, 2004. The facility will mature in 2006. Under the provision of the loan agreement, it is an event of default if HWL ceases to own (directly or indirectly) at least 35 per cent. of the issued share capital of the Company. The obligation has been complied with.
- (d) The Group has entered into a long term syndicated facility agreement of A\$400 million, of which the whole amount was drawn as at 31st December, 2004. The facility will mature in 2008. Under the provision of the loan agreement, it is an event of default if HWL ceases to own (directly or indirectly) at least 30 per cent. of the issued share capital of the Company. The obligation has been complied with.
- (e) The Group has entered into a long term syndicated facility agreement of A\$300 million, of which the whole amount was drawn as at 31st December, 2004. The facility will mature in 2009. Under the provision of the loan agreement, it is an event of default if HWL ceases to own (directly or indirectly) at least 30 per cent. of the issued share capital of the Company. The obligation has been complied with.
- (f) The Group has provided a guarantee to a bank for facilities of up to an aggregate amount of approximately A\$215 million granted to its indirect wholly-owned subsidiary expiring in 2006. As a term of the facilities, it is an event of default if HWL ceases to own (directly or indirectly) at least 30 per cent. of the issued share capital of the Company. The obligation has been complied with.





# Report of the Directors

## Disclosure under Chapter 13 of the Listing Rules (Cont'd)

- (g) As at 31st December, 2004, the Group has granted relevant advances to certain affiliated companies totalling HK\$11,671 million, equivalent to approximately 26 per cent. of the Group's total assets. Proforma combined balance sheet of the affiliated companies as at 31st December, 2004 is set out below:

HK\$ million

Non-current assets	62,424
Current assets	6,039
Current liabilities	(6,167)
Non-current liabilities	(59,681)
Net assets	2,615
Share capital	2,042
Reserves	573
Capital and reserves	2,615

As at 31st December, 2004, the consolidated attributable interest of the Group in these affiliated companies amounted to HK\$11,185 million.

## Corporate Governance

### Code of Best Practice and Code on Corporate Governance Practices

With the exception that the Non-executive Directors have no set term of office but retire from office on a rotational basis in accordance with the Company's Bye-laws, the Company has, throughout the year ended 31st December, 2004, complied with the Code of Best Practice set out in Appendix 14 of the Listing Rules which was in force prior to 1st January, 2005. The Company's Bye-laws have been amended on 13th May, 2004 to provide that all Directors shall retire on such manner of rotation as required by the Listing Rules, i.e. once every three years.

The Code of Best Practice set out in Appendix 14 of the Listing Rules was replaced by the Code on Corporate Governance Practices ("Code on CG Practices") which has become effective for accounting periods commencing on or after 1st January, 2005. Appropriate actions are being taken by the Company for complying with the Code on CG Practices.

## Board Composition and Board Practices

The Board is collectively responsible for the management and operations of the Company. The Directors acknowledge their responsibilities for preparing the accounts of the Company for the year covered by this annual report.

The Listing Rules require every listed issuer to have at least three independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Board comprises a total of sixteen Directors, with nine Executive Directors, two Non-executive Directors and five Independent Non-executive Directors and more than one of the Independent Non-executive Directors have appropriate professional qualifications, or accounting or related financial management expertise.

All Directors are subject to retirement by rotation once every three years in accordance with the Company's Bye-laws and the Code on CG Practices. Review will be made regularly of the Board composition to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

The positions of the Chairman of the Board ("Chairman") and the Group Managing Director are held by separate individuals with a view to maintaining an effective segregation of duties respecting management of the Board and the day-to-day management of the Company's business. One of the important roles of the Chairman is to provide leadership for the Board. The Chairman shall ensure that the Board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. All Directors have been consulted about any matters proposed for inclusion in the agenda. The Chairman has delegated the responsibility for drawing up the agenda for each Board meeting to the Company Secretary.

The Company is supportive to the establishment of good corporate governance practices and procedures and has delegated such responsibility to the Company Secretary. All Directors have made full and active contribution to the affairs of the Board and the Board always acts in the best interests of the Company. Meeting between the Chairman and the Non-executive Directors (including Independent Non-executive Directors) without the presence of Executive Directors has been scheduled to take place at least once every year.

Each newly appointed Director is provided with a package of orientation materials setting out the duties and responsibilities of Directors under the Listing Rules, related ordinances and relevant regulatory requirements of Hong Kong. Orientation meeting with newly appointed Director will be held for briefing on business and operations of the Company.

The Board meets regularly and held two meetings in 2004 at half yearly intervals. Regular Board meetings of the year are scheduled in advance to give all Directors an opportunity to attend. Board papers are circulated not less than three days before the Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings. The Company Secretary and the Qualified Accountant normally attend all regular Board meetings to advise on corporate governance, statutory compliance, accounting and financial matters when necessary. The Company Secretary shall prepare minutes and keep records of matters discussed and decisions resolved at all Board meetings.



# Report of the Directors

## Board Composition and Board Practices (Cont'd)

Appropriate insurance cover on Directors' and officers' liabilities has been in force to protect the Directors and officers of the Company from their risk exposure arising from the businesses of the Company.

## Confirmation of Independence of Independent Non-executive Directors

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

## Model Code for Securities Transactions by Directors

The Company has adopted the model code for securities transactions by directors set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions effective 31st March, 2004. Specific enquiry has been made with all Directors and the Directors have complied with the required standard set out in the Model Code for the period ended 31st December, 2004.

## Audit Committee

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company established an audit committee ("Audit Committee") in December 1998 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants). In accordance with the requirements of the Code on CG Practices, the terms of reference of the Audit Committee were revised on 1st January, 2005 in terms substantially the same as the provisions set out in the Code on CG Practices.

The Audit Committee of the Company comprises five members all of whom are Independent Non-executive Directors, namely Mr. Cheong Ying Chew, Henry (Chairman of the Audit Committee), Mrs. Kwok Eva Lee, Mrs. Sng Sow-Mei, Mr. Colin Stevens Russel and Mr. Lan Hong Tsung, David. The principal duties of the Audit Committee include the review and supervision of the Company's financial reporting process and internal controls. Regular meetings have been held by the Audit Committee since its establishment and the Audit Committee met twice in 2004.

The Group's annual report for the year ended 31st December, 2004 has been reviewed by the Audit Committee.

## Remuneration Committee

According to the Code on CG Practices, the Company shall set up a remuneration committee with a majority of the members being independent non-executive directors. The Company established its remuneration committee ("Remuneration Committee") on 1st January, 2005 comprising two Independent Non-executive Directors, namely Mr. Colin Stevens Russel (Chairman of the Remuneration Committee) and Mr. Cheong Ying Chew, Henry.

The Remuneration Committee shall consult the Chairman and/or the Group Managing Director of the Company about their proposals relating to remuneration package and other human resources issues of the Directors and senior management of the Company. The emoluments of Directors are based on the skill, knowledge and involvement in the Company's affairs of each Director and are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

## Auditors

The financial statements for the year have been audited by Messrs. Deloitte Touche Tohmatsu who retire and offer themselves for re-appointment.

On behalf of the Board

**LI TZAR KUOI, VICTOR**

Chairman

Hong Kong, 17th March, 2005