



香港電燈集團有限公司
Hongkong Electric Holdings Ltd.
(Incorporated in Hong Kong with limited liability)
(Stock code: 0006)

2007 Interim Report

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Canning Fok Kin-ning (*Chairman*)
Tso Kai-sum (*Group Managing Director*)
Susan Chow Woo Mo-fong
Andrew John Hunter
Kam Hing-lam
Francis Lee Lan-yee
Victor Li Tzar-kuoi
Neil Douglas McGee
Frank John Sixt
Wan Chi-tin

Non-executive Directors

Ronald Joseph Arculli
George Colin Magnus
Ewan Yee Lup-yuen

Independent Non-executive Directors

Holger Kluge
Ralph Raymond Shea
Wong Chung-hin

AUDIT COMMITTEE

Wong Chung-hin (*Chairman*)
Ronald Joseph Arculli
Holger Kluge
Ralph Raymond Shea

REMUNERATION COMMITTEE

Canning Fok Kin-ning (*Chairman*)
Ralph Raymond Shea
Wong Chung-hin

COMPANY SECRETARY

Lillian Wong

REGISTERED OFFICE

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SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Hong Kong

ADR DEPOSITARY

Citibank, N.A.
Shareholder Services
P.O. Box 43077, Providence,
Rhode Island 02940-3077, U.S.A.

KEY DATES

Interim Results Announcement
Closure of Register of Members
Payment of Interim Dividend
(58 cents per share)

9th August 2007
13th to 20th September 2007 (both days inclusive)
21st September 2007

CHAIRMAN'S STATEMENT

Half Year Results

The Group's unaudited consolidated net profit, after tax and Scheme of Control transfers, for the first six months of 2007 was HK\$2,660 million, an increase of 7.3% over the same period last year. The Hongkong Electric Company, Ltd. (HEC) earnings for the period were HK\$2,141 million (2006: HK\$2,128 million). Earnings from the Group's international operations for the six months period were HK\$286 million compared with HK\$209 million for the same period in 2006. The higher first half 2007 international operations earnings reflected higher operating revenue and higher exchange translation gains on Australian dollar denominated income.

Interim Dividend

The Directors have today declared an interim dividend for 2007 of 58 cents (2006: 58 cents) per share. The dividend will be payable on 21st September 2007, to shareholders whose names appear in the Company's Register of Members on 20th September 2007.

Hong Kong Operations

Growth in unit sales of electricity for the first six months of 2007 was 1.5%. The low level of sales growth was primarily due to the cooler and dryer weather in the spring and to the effect of various energy saving initiatives which together substantially offset the impact of the stronger Hong Kong economy. Maximum demand in the first six months of the year was 2,455 MW compared with 2,434 MW for the same period in 2006.

Our emission reduction programme at the Lamma Power Station continued during the first half of 2007 with work on the flue gas desulphurisation and low nitrogen oxide burner retrofit works for Units 4 and 5. Completion of the retrofit works for Unit 5 is scheduled for 2009 and Unit 4 for 2010. The emission reduction initiatives being undertaken over the next few years will assist us in meeting the Government's 2010 emission targets.

Unit 9, HEC's first 335 MW gas fired combined cycle unit which was commissioned in October 2006 performed satisfactorily during the first half of 2007. It is anticipated that approximately 15% of the electricity generated at the Lamma Power Station in 2007 will be generated by gas. By the end of 2010, it is expected that more than 90% of electricity generated at Lamma will be generated by gas and by coal fired units fitted with flue gas desulphurisation units and low nitrogen oxide burners.

CHAIRMAN'S STATEMENT *(Continued)*

The 800-kW wind turbine on Lamma Island continued to attract public interest in renewable energy with the education exhibit at the site being popular. The potential of a 100 MW offshore wind farm for Hong Kong is being evaluated. A site selection study is underway to identify a preferred site from several potential sites, the study is scheduled for completion later in the year and the next step would then be for an environmental assessment study to be undertaken.

Investment in the transmission and distribution network continued during the first half of 2007 enhancing system reliability and stability. Construction works continued on the Marsh Road 275/132kV substation building which is scheduled for commissioning in August 2008. Customer service remained a priority during the first half of 2007 with all of HEC's 18 published service pledges having been met.

HEC's customers continued to enjoy world class supply reliability during the first six months of 2007 with a supply reliability rating of 99.999% being maintained, a level that has been consistently maintained since 1997.

During the first half of 2007, we continued to promote renewable energy in Hong Kong through the Hongkong Electric Clean Energy Fund and the efficient use of energy through the Smart Power Campaign.

Discussions have continued with the HKSAR Government on the regulatory framework for the electricity market in Hong Kong following the expiry of the current scheme of control agreement at the end of 2008. We have reiterated to the Government that the existing scheme of control and the permitted return under that scheme have ensured that the necessary long term investment has been made in the generation, transmission and distribution facilities to achieve the high degree of stability and reliability that Hong Kong enjoys today and which is not always available in other parts of the world. The post 2008 regulatory framework must recognize our shareholders' continued substantial investment over many years in Hong Kong's electricity infrastructure and our customers' interests in the continued enjoyment of a secure and reliable electricity supply.

International Operations

During the first half of 2007, our Australian electricity businesses recorded satisfactory results with increased revenue. Northern Gas Networks in the U.K. performed in line with expectations. In Thailand construction of the Ratchaburi 1,400 MW gas fired power station in which we have a 25% interest is progressing well.

Outlook

In Hong Kong we expect that the low level of growth in electricity sales will continue into the second half of the year. Higher coal and natural gas prices are expected to continue to negatively impact fuel costs into 2008.

Our international investments have performed well in the first half of 2007. The Group has benefited from its strategy of investing outside Hong Kong. We will continue with this strategy so as to reduce our reliance on earnings from the electricity operations in Hong Kong.

I would like to take this opportunity to thank the board, management and staff for their hard work and contributions during the period.

Canning Fok Kin-ning

Chairman

Hong Kong, 9th August 2007

FINANCIAL REVIEW

Capital Expenditure, Liquidity and Financial Resources

Capital expenditure during the period amounted to HK\$671 million, which was primarily funded by cash from operations. Total external borrowings outstanding at 30th June 2007 were HK\$14,881 million (31st December 2006: HK\$14,689 million), comprising unsecured bank loans and debt securities in issue. In addition, the Group had undrawn committed bank facilities of HK\$5,700 million (31st December 2006: HK\$5,686 million) and available liquid funds of HK\$10,968 million (31st December 2006: HK\$10,462 million).

Treasury Policies, Financing Activities and Capital Structure

The Company manages its financial risks in accordance with guidelines laid down in its treasury policy, which is approved by the Board. The Company aims to ensure that adequate financial resources are available for refinancing and business growth. The Company's treasury policy is designed to manage the Group's currency, interest rate and counterparty risks.

In January 2007, The Hongkong Electric Company, Ltd. (HEC), through its subsidiary, Hongkong Electric Finance Limited, issued HK\$500 million 5-year notes carrying a coupon rate of 4.32% p.a..

As at 30th June 2007, the net debt of the Group was HK\$3,913 million (31st December 2006: HK\$4,227 million) with a net debt-to-equity ratio of 9% (31st December 2006: 10%).

The profile of the Group's external borrowings, after taking into account of currency and interest rate swaps, was as follows:

- (1) 73% were in Hong Kong dollars and 27% in Australian dollars;
- (2) 74% were bank loans and 26% were capital market instruments;
- (3) 9% were repayable within 1 year, 62% were repayable between 2 and 5 years and 29% were repayable beyond 5 years;
- (4) 44% were in fixed rate and 56% were in floating rate.

Currency and interest rate risks are actively managed in accordance with the Group's treasury policy. Derivative financial instruments are used primarily for managing interest rate and foreign currency risks and not for speculative purposes. Treasury transactions are only executed with counterparties with acceptable credit ratings to control credit risk exposure.

The Group's policy is to maintain a portion of its debt in fixed or capped interest rates. Interest rate risk is managed by either securing fixed or floating rate borrowings or by using interest rate swaps and caps. As at 30th June 2007, 44% of the Group's total borrowings were fixed rate.

The Group's principal foreign currency exposures arise from its overseas investments and from the import of fuel and capital equipment for HEC. Foreign currency transaction exposure is managed, utilising forward contracts and currency swaps. As at 30th June 2007, over 99% of the Group's transaction exposure was either denominated in US dollars or hedged into Hong Kong or US dollars. Where considered appropriate, currency exposure arising from overseas investments is mitigated by financing those investments in local currency borrowings. Foreign currency fluctuations will affect the translated value of the net assets of overseas investments and the resultant translation difference is included in the Group's reserve account.

The contractual notional amounts of derivative financial instruments outstanding at 30th June 2007 amounted to HK\$6,397 million (31st December 2006: HK\$5,306 million).

Charges on Group Assets

The shares of an associate were pledged as part of the security arrangements for project financing facilities for that associate. The carrying value of the associate as at 30th June 2007 was HK\$115 million (31st December 2006: HK\$75 million).

FINANCIAL REVIEW *(Continued)*

Contingent Liabilities

As at 30th June 2007, the Company had given guarantees and indemnities in respect of bank and other borrowing facilities made available to and financial commitments of subsidiaries totalling HK\$5,856 million (31st December 2006: HK\$5,563 million). Out of this amount, HK\$5,591 million (31st December 2006: HK\$5,257 million), while being a contingent liability of the Company, is reflected in the Consolidated Balance Sheet of the Group.

As at 30th June 2007, a wholly-owned subsidiary of the Company, HEC, has given guarantees to third parties in respect of the value of leased equipment of HK\$210 million (31st December 2006: HK\$210 million) at expiry of the lease.

Employees

The Group continues its policy of pay by performance and market pay levels are monitored to ensure competitiveness is maintained. The Group's total remuneration costs for the six months ended 30th June 2007, excluding directors' emoluments, amounted to HK\$421 million (30th June 2006: HK\$437 million). As at 30th June 2007, the Group employed 1,890 (30th June 2006: 1,960) 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 employees in management and functional skills, language skills, computer knowledge and technology relevant to the Group's industry by both classroom training and e-learning platforms. Job-related courses to develop and enhance the general skills and knowledge of employees are also provided.

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th June 2007

	Note	Six months ended 30th June	
		2007 HK\$ million	2006 HK\$ million
Turnover	3	5,841	5,653
Direct costs		<u>(2,041)</u>	<u>(1,989)</u>
		3,800	3,664
Other revenue and net income		552	417
Other operating costs		(432)	(404)
Finance costs		<u>(318)</u>	<u>(181)</u>
Operating profit		3,602	3,496
Share of profits less losses of associates		<u>126</u>	<u>73</u>
Profit before taxation	4	3,728	3,569
Income tax	5	<u>(568)</u>	<u>(572)</u>
Profit after taxation		3,160	2,997
Scheme of Control transfers to:	6		
Development Fund		<u>(500)</u>	<u>(518)</u>
Rate Reduction Reserve		<u>—</u>	<u>—</u>
		<u>(500)</u>	<u>(518)</u>
Profit attributable to equity shareholders			
Local activities		<u>2,374</u>	<u>2,270</u>
Overseas activities		<u>286</u>	<u>209</u>
Profit for the period		<u>2,660</u>	<u>2,479</u>
Interim dividend	7	<u>1,238</u>	<u>1,238</u>
Earnings per share — basic and diluted	8	125 cents	116 cents
Interim dividend per share	7	58 cents	58 cents

The notes on pages 11 to 20 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 30th June 2007

		(Unaudited) 30th June 2007 HK\$ million	(Audited) 31st December 2006 HK\$ million
Non-current assets			
Fixed assets			
— Property, plant and equipment		41,416	41,763
— Assets under construction		2,312	2,355
— Interests in leasehold land held for own use under operating leases		2,350	2,378
	9	<u>46,078</u>	46,496
Interest in associates		6,944	6,339
Other non-current financial assets		1,687	1,687
Derivative financial instruments		80	47
Deferred tax assets		1	1
Employee retirement benefit assets		584	578
		<u>55,374</u>	<u>55,148</u>
Current assets			
Inventories		477	484
Trade and other receivables	10	1,589	1,119
Fuel Clause Account		393	566
Cash and cash equivalents	11	10,968	10,462
		<u>13,427</u>	<u>12,631</u>
Current liabilities			
Trade and other payables	12	(841)	(1,095)
Bank overdrafts — unsecured		—	(4)
Current portion of bank loans and other borrowings		(1,416)	(1,089)
Current taxation		(871)	(551)
		<u>(3,128)</u>	<u>(2,739)</u>
Net current assets		<u>10,299</u>	<u>9,892</u>
Total assets less current liabilities		<u>65,673</u>	<u>65,040</u>
Non-current liabilities			
Interest-bearing borrowings		(13,465)	(13,596)
Derivative financial instruments		(15)	(1)
Customers' deposits		(1,559)	(1,537)
Deferred tax liabilities		(5,441)	(5,432)
Employee retirement benefit liabilities		(388)	(389)
		<u>(20,868)</u>	<u>(20,955)</u>
Rate Reduction Reserve		—	—
Development Fund		(500)	—
Net Assets		<u>44,305</u>	<u>44,085</u>
Capital and Reserves			
Share capital	13	2,134	2,134
Reserves		42,171	41,951
Total equity attributable to equity shareholders of the Company	14	<u>44,305</u>	<u>44,085</u>

The notes on pages 11 to 20 form part of these financial statements.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2007

	Six months ended 30th June	
	2007	2006
	HK\$ million	HK\$ million
Net cash generated from operating activities	3,992	3,975
Net cash used in investing activities	(681)	(1,040)
Net cash used in financing activities	<u>(2,801)</u>	<u>(2,536)</u>
Net increase in cash and cash equivalents	510	399
Cash and cash equivalents at 1st January	<u>10,458</u>	<u>4,553</u>
Cash and cash equivalents at 30th June	<u><u>10,968</u></u>	<u><u>4,952</u></u>
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents	10,968	4,957
Bank overdrafts — unsecured	<u>—</u>	<u>(5)</u>
	<u><u>10,968</u></u>	<u><u>4,952</u></u>

The notes on pages 11 to 20 form part of these financial statements.

UNAUDITED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the six months ended 30th June 2007

	Note	Six months ended 30th June	
		2007 HK\$ million	2006 HK\$ million
Exchange differences on translation of:			
Financial statements			
of overseas subsidiaries		57	(1)
Overseas associates		148	8
Cash flow hedge:			
Effective portion of changes			
in fair value, net of deferred tax		24	75
Transferred to initial carrying amount			
of non-financial hedged items		1	(1)
Actuarial gains and losses of defined			
benefit retirement schemes,			
net of deferred tax		40	—
Net income/(expense) recognised			
directly in equity	14	270	81
Profit for the period		2,660	2,479
Total recognised income and			
expense for the period	14	2,930	2,560
Attributable to equity shareholders			
of the Company		2,930	2,560

The notes on pages 11 to 20 form part of these financial statements.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars)

1. Review of Condensed Interim Financial Statements

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

2. Basis of Preparation

The condensed interim financial statements have been prepared in accordance with the applicable provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

These condensed interim financial statements should be read in conjunction with the 2006 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed interim financial statements are consistent with those used in the 2006 annual financial statements except for the adoption of the new standards, amendments to standards and interpretations issued by the HKICPA which are mandatory for the annual periods beginning 1st January 2007. The following new standards, amendments to standards and interpretations are mandatory for the financial year ending 31st December 2007.

- (a) Amendment to HKAS 1 Presentation of Financial Statements: Capital Disclosures (effective for annual periods beginning on or after 1st January 2007)
- (b) HKFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1st January 2007)
- (c) HK(IFRIC) Interpretation 7 Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 1st March 2006)
- (d) HK(IFRIC) Interpretation 8 Scope of HKFRS 2 (effective for annual periods beginning on or after 1st May 2006)
- (e) HK(IFRIC) Interpretation 9 Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1st June 2006)

The adoption of these new standards, amendments to standards and interpretations has no material financial effect on the Group’s results and financial position for the current or prior periods.

2. Basis of Preparation *(Continued)*

The Group has not early adopted the following new/revised standards and interpretations that have been issued but not yet effective for the accounting period ending 31st December 2007. The Group is in the process of making an assessment of the impact of these new/revised standards and interpretations to the Group's results of operations and financial position in the period of initial application.

		Effective for annual periods beginning on or after
HKAS 23 (Revised)	Borrowing Costs	1st January 2009
HKFRS 8	Operating Segments	1st January 2009
HK(IFRIC) Interpretation 11	HKFRS 2 — Group and Treasury Share Transactions	1st March 2007
HK(IFRIC) Interpretation 12	Service Concession Arrangements	1st January 2008

3. Turnover and 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 2007	2006	Six months ended 30th June 2007	2006
	\$ million	\$ million	\$ million	\$ million
Principal activities				
Sales of electricity and its related income	5,818	5,634	3,404	3,281
Technical service fees	23	19	4	4
Unallocated and other items	—	—	50	76
	<u>5,841</u>	<u>5,653</u>	<u>3,458</u>	<u>3,361</u>
Interest income			486	327
Finance costs			(318)	(181)
Unallocated group expenses			(24)	(11)
Operating profit			<u>3,602</u>	<u>3,496</u>

3. Turnover and Segmental Information *(Continued)*

Geographical locations of operations

	Turnover	
	Six months ended 30th June	
	2007	2006
	\$ million	\$ million
Hong Kong	5,832	5,647
Rest of Asia and other locations	<u>9</u>	<u>6</u>
	<u>5,841</u>	<u>5,653</u>

4. Profit Before Taxation

	Six months ended 30th June	
	2007	2006
	\$ million	\$ million
Profit before taxation is shown after charging/(crediting):		
Finance costs		
Interest on borrowings	376	305
Less: interest capitalised to fixed assets	(52)	(118)
interest transferred to fuel cost	(6)	(6)
	318	181
Depreciation		
Depreciation charges for the period	1,042	1,008
Less: depreciation capitalised	(63)	(67)
	979	941
Amortisation of leasehold land	28	27
Net profit on disposal of fixed assets	<u>—</u>	<u>(3)</u>

5. Income Tax

	Six months ended 30th June	
	2007	2006
	\$ million	\$ million
Current Tax		
The Company and its subsidiaries — Hong Kong	572	542
— Overseas	1	—
	573	542
Deferred Tax		
The Company and its subsidiaries — Hong Kong	(5)	29
— Overseas	—	1
	(5)	30
Total	568	572

Hong Kong Profits Tax has been provided for at the rate of 17.5% (2006: 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 profits for the period.

6. 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.

7. Interim Dividend

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

	Six months ended 30th June	
	2007	2006
	\$ million	\$ million
Interim dividend of 58 cents per share (2006: 58 cents per share)	1,238	1,238

8. Earnings Per Share

The calculation of earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of \$2,660 million (2006: \$2,479 million) and 2,134,261,654 ordinary shares (2006: 2,134,261,654 ordinary shares) in issue during the period.

9. Fixed Assets

During the period, additions to property, plant and equipment amounted to \$671 million (2006: \$1,137 million). Net book value of property, plant and equipment disposed amounted to \$19 million (2006: \$25 million).

10. Trade and Other Receivables

	30th June 2007 \$ million	31st December 2006 \$ million
Derivative financial instruments	10	19
Debtors (see note below)	1,579	1,100
	<u>1,589</u>	<u>1,119</u>
Debtors' ageing is analysed as follows:		
Current or less than 1 month overdue	848	596
1 to 3 months overdue	24	29
More than 3 months overdue but less than 12 months overdue	9	10
Total trade debtors (see note below)	881	635
Deposits, prepayments and other receivables	698	465
	<u>1,579</u>	<u>1,100</u>

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.

11. Cash and Cash Equivalents

	30th June 2007	31st December 2006
	\$ million	\$ million
Deposits with banks and other financial institutions	10,927	10,435
Cash at bank and in hand	<u>41</u>	<u>27</u>
	<u>10,968</u>	<u>10,462</u>

12. Trade and Other Payables

	30th June 2007	31st December 2006
	\$ million	\$ million
Creditors (see note below)	832	1,090
Derivative financial instruments	<u>9</u>	<u>5</u>
	<u>841</u>	<u>1,095</u>
Creditors' ageing is analysed as follows:		
Due within 1 month or on demand	185	349
Due after 1 month but within 3 months	176	267
Due after 3 months but within 12 months	<u>432</u>	<u>441</u>
	793	1,057
Other payables	<u>39</u>	<u>33</u>
	<u>832</u>	<u>1,090</u>

13. Share Capital

	Number of Shares	30th June 2007	31st December 2006
		\$ million	\$ million
Authorised:			
Ordinary shares of \$1 each	<u>3,300,000,000</u>	<u>3,300</u>	<u>3,300</u>
Issued and fully paid:			
Ordinary shares of \$1 each	<u>2,134,261,654</u>	<u>2,134</u>	<u>2,134</u>

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

14. Total Equity

\$ million	Attributable to Equity Shareholders of the Company						Proposed/ Declared Dividend	Total Equity
	Share Capital	Share Premium	Exchange Reserve	Hedging Reserve	Revenue Reserve			
Total equity at 1st January 2006	2,134	4,476	132	2	31,227	3,714	41,685	
Exchange differences on translation of:								
— financial statements of overseas subsidiaries	—	—	(1)	—	—	—	(1)	
— overseas associates	—	—	8	—	—	—	8	
Cash flow hedge:								
— effective portion of changes in fair value, net of deferred tax	—	—	—	37	38	—	75	
— transferred to initial carrying amount of non-financial hedged items	—	—	—	(1)	—	—	(1)	
Net income/(expense) recognised directly in equity	—	—	7	36	38	—	81	
Profit for the period	—	—	—	—	2,479	—	2,479	
Total recognised income and expense for the period	—	—	7	36	2,517	—	2,560	
Final dividend in respect of the previous year approved and paid	—	—	—	—	—	(3,714)	(3,714)	
Interim dividend (see note 7)	—	—	—	—	(1,238)	1,238	—	
Total equity at 30th June 2006	<u>2,134</u>	<u>4,476</u>	<u>139</u>	<u>38</u>	<u>32,506</u>	<u>1,238</u>	<u>40,531</u>	

14. Total Equity (continued)

\$ million	Attributable to Equity Shareholders of the Company						
	Share Capital	Share Premium	Exchange Reserve	Hedging Reserve	Revenue Reserve	Proposed/ Declared Dividend	Total Equity
Total equity at 1st January 2007	<u>2,134</u>	<u>4,476</u>	<u>202</u>	<u>107</u>	<u>34,456</u>	<u>2,710</u>	<u>44,085</u>
Exchange differences on translation of:							
— financial statements of overseas subsidiaries	—	—	57	—	—	—	57
— overseas associates	—	—	148	—	—	—	148
Cash flow hedge:							
— effective portion of changes in fair value, net of deferred tax	—	—	—	24	—	—	24
— transferred to initial carrying amount of non-financial hedged items	—	—	—	1	—	—	1
Actuarial gains and losses of defined benefit retirement schemes, net of deferred tax	—	—	—	—	40	—	40
Net income/(expense) recognised directly in equity	—	—	205	25	40	—	270
Profit for the period	—	—	—	—	2,660	—	2,660
Total recognised income and expense for the period	—	—	205	25	2,700	—	2,930
Final dividend in respect of the previous year approved and paid	—	—	—	—	—	(2,710)	(2,710)
Interim dividend (see note 7)	—	—	—	—	(1,238)	1,238	—
Total equity at 30th June 2007	<u>2,134</u>	<u>4,476</u>	<u>407</u>	<u>132</u>	<u>35,918</u>	<u>1,238</u>	<u>44,305</u>

15. Material Related Party Transactions

The Group had the following material transactions with related parties during the period:

(a) Associates

Interest income received/receivable from associates in respect of the loans to associates amounted to \$249 million (2006: \$225 million) for the period. At 30th June 2007, the total outstanding interest bearing loan balances due from associates were \$4,652 million (30th June 2006: \$3,992 million).

(b) Key Management Personnel Compensation

Remuneration for key management personnel, including amounts paid to the Company's directors, is as follows:

	Six months ended 30th June 2007	2006
	\$ million	\$ million
Short-term employee benefits	28	31
Post-employment benefits	1	1
	<u>29</u>	<u>32</u>

At 30th June 2007, the total outstanding amount due from the key management personnel was \$0.9 million (30th June 2006: \$ nil).

16. Commitments

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

	30th June 2007	31st December 2006
	\$ million	\$ million
Contracted for:		
Capital expenditure	1,173	1,218
Investment in associates	296	309
Available-for-sale equity securities	1	—
	<u>1,470</u>	<u>1,527</u>
Authorised but not contracted for:		
Capital expenditure	<u>8,078</u>	<u>8,674</u>

17. Contingent Liabilities

At 30th June 2007, there were contingent liabilities as follows:

- The Company has given guarantees and indemnities in respect of bank and other borrowing facilities made available to and financial commitments of subsidiaries totalling \$5,856 million (31st December 2006: \$5,563 million) equivalent.
- A wholly-owned subsidiary of the Company, The Hongkong Electric Company, Limited, has given guarantees to third parties in respect of the value of leased equipment of \$210 million (31st December 2006: \$210 million) at expiry of the lease.

OTHER INFORMATION

Closure of Register of Members

The register of members will be closed from Thursday, 13th September 2007 to Thursday, 20th September 2007 both days inclusive for the purpose of ascertaining entitlement to the interim dividend. To qualify for the interim dividend, all transfers accompanied by the relevant share certificates should be lodged with the Company's registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 12th September 2007.

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 six months ended 30th June 2007.

Code on Corporate Governance Practices

With the exception that Non-executive Directors are not appointed for a specific term but retire by rotation and subject to re-election once every three years, the Company has complied with the applicable code provisions in the Code on Corporate Governance Practices set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the six months ended 30th June 2007.

Model Code for Securities Transactions by Directors

The Board of Directors of the Company has adopted the Model Code for Securities Transactions by Directors ("Model Code") set out in Appendix 10 of the Listing Rules as the Group's code of conduct regarding Directors' securities transactions. All Directors have confirmed following specific enquiry that they have complied with the required standards set out in the Model Code throughout the six months ended 30th June 2007.

Directors' Interests

At 30th June 2007, 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 and Underlying Shares of the Company

Name of Director	Capacity	Nature of Interests	Number of Shares Held	Number of Underlying Shares Held	Total	Approximate % of Shareholding
Francis Lee Lan-ye	Beneficial owner	Personal	739	—	739	≈0%
Ronald Joseph Arculli	Interest of controlled corporation	Corporate	2,011	—	2,011	≈0%
Victor Li Tzar-kuoi	Interest of child or spouse	Family	151,000	—)	850,740,813	39.86%
	Beneficiary of trusts	Other	829,599,612 (Note 1)	20,990,201) (Note 2)		

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) *Such underlying shares of the Company are held by an indirect wholly-owned subsidiary of CKH by virtue of the HK Dollar equity-linked notes due 2007 issued under HK\$10,000,000,000 retail note issuance programme.*

By virtue of the interests in the shares of CKH taken to have by Mr. Victor Li Tzar-kuoi under the SF Ordinance as described in Note (1) above which represent more than one-third of the issued share capital of CKH and as a Director of the Company, Mr. Victor Li Tzar-kuoi is taken to have a duty of disclosure in relation to the said interest in the underlying shares of the Company under the SF Ordinance.

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.

Short Positions in Underlying Shares of the Company

As at 30th June 2007, Mr. Victor Li Tzar-kuoi, as a Director of the Company, was deemed to be interested in the 20,990,201 underlying shares of the Company by virtue of the HK Dollar equity-linked notes due 2007 issued under HK\$10,000,000,000 retail note issuance programme held by a wholly-owned subsidiary of CKH by virtue of his interests in the shares of CKH as described in Note (1) above.

Save as disclosed above, at 30th June 2007, none of the Directors or chief executive 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 Model Code for Securities Transactions by Directors in the Listing Rules.

Interests of Shareholders Discloseable under the SF Ordinance

According to the register kept under Section 336 of the SF Ordinance and information received by the Company, at 30th June 2007, shareholders (other than Directors and the chief executive 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 and Underlying Shares of the Company

Name	Capacity	Number of Shares Held	Number of Underlying Shares Held	Total	Approximate % of Shareholding
Silchester International Investors Limited	Investment Manager	128,423,957	—	128,423,957	6.02%
Interman Development Inc.	Beneficial owner	186,736,842 (Note 1)	—	186,736,842	8.75%
Venniton Development Inc.	Beneficial owner	197,597,511 (Note 1)	—	197,597,511	9.26%
Univest Equity S.A.	Beneficial owner	279,011,102 (Note 1)	—	279,011,102	13.07%
Monitor Equities S.A.	Beneficial owner & Interest of controlled corporation	287,211,674 (Note 1)	—	287,211,674	13.46%
Hyford Limited	Interest of controlled corporations	829,599,612 (Note 2)	—	829,599,612	38.87%
Cheung Kong Infrastructure Holdings Limited	Interest of controlled corporations	829,599,612 (Note 2)	—	829,599,612	38.87%
Hutchison Infrastructure Holdings Limited	Interest of controlled corporations	829,599,612 (Note 3)	—	829,599,612	38.87%
Hutchison International Limited	Interest of controlled corporations	829,599,612 (Note 3)	—	829,599,612	38.87%
Hutchison Whampoa Limited	Interest of controlled corporations	829,599,612 (Note 3)	—	829,599,612	38.87%
Cheung Kong (Holdings) Limited	Interest of controlled corporations	829,599,612 (Note 4)	20,990,201 (Note 7)	850,589,813	39.85%
Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust	Trustee	829,599,612 (Note 5)	20,990,201 (Note 7)	850,589,813	39.85%
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)	20,990,201 (Note 7)	850,589,813	39.85%
Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust	Trustee & beneficiary of a trust	829,599,612 (Note 6)	20,990,201 (Note 7)	850,589,813	39.85%
Li Ka-shing	Founder of discretionary trusts & interest of controlled corporations	829,599,612 (Note 6)	20,990,201 (Note 7)	850,589,813	39.85%

Short Positions in Underlying Shares of the Company

Name	Capacity	Number of Underlying Shares Held	Approximate % of Shareholding
Cheung Kong (Holdings) Limited	Interest of a controlled corporation	20,990,201 (Note 7)	0.98%
Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust	Trustee	20,990,201 (Note 7)	0.98%
Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust	Trustee & beneficiary of a trust	20,990,201 (Note 7)	0.98%
Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust	Trustee & beneficiary of a trust	20,990,201 (Note 7)	0.98%
Li Ka-shing	Founder of discretionary trusts & interest of controlled corporations	20,990,201 (Note 7)	0.98%

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 Note (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 Note (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 Note (3) below.*
- (3) *HWL is deemed to be interested in the 829,599,612 shares of the Company as referred to in Note (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 Note (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 Note (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) *By virtue of the SF Ordinance, each of Mr. Li Ka-shing, being the settlor and may being regarded as a founder of each of The Li Ka-Shing Unity Discretionary Trust (“DT1”) and another discretionary trust (“DT2”) for the purpose of the SF Ordinance, Li Ka-Shing Unity Trustee Corporation Limited (“TDT1”) as trustee of DT1 and Li Ka-Shing Unity Trustcorp Limited (“TDT2”) as trustee of DT2 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 (5) above as all issued and outstanding units in UT1 are held by TDT1 as trustee of DT1 and by TDT2 as trustee of DT2. 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.*

- (7) *The references to 20,990,201 underlying shares of the Company relate to the same block of interest and short position in the underlying shares of the Company which were derived from the HK Dollar equity-linked notes due 2007 issued under HK\$10,000,000,000 retail note issuance programme held by a wholly-owned subsidiary of CKH. By virtue of the SF Ordinance, each of TUT1, TDT1, TDT2 and Mr. Li Ka-shing is deemed to be interested in the same block of interest and short position in the 20,990,201 underlying shares of the Company held by CKH as described in Note (6) above.*

Save as disclosed above, at 30th June 2007, the Company has not been notified by any persons (other than Directors and the chief executive 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 combined balance sheet of the affiliated companies as at 30th June 2007 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 30th June 2007

	HK\$ million
Non-current assets	63,464
Current assets	3,381
Current liabilities	(8,573)
Non-current liabilities	(49,328)
Net assets	<u>8,944</u>
Share capital	4,888
Reserves	<u>4,056</u>
Capital and reserves	<u>8,944</u>

As at 30th June 2007, the consolidated attributable interest of the Group in these affiliated companies amounted to HK\$6,934 million.