

Report of the Directors

(Expressed in Hong Kong Dollars)

The Directors have pleasure in submitting their Annual Report together with the audited financial statements for the year ended 31st December 2007.

Principal Activities

The principal activity of the Company is investment holding and the principal activities of the subsidiaries are the generation and supply of electricity. Particulars of the Company's principal subsidiaries are set out in Appendix 2 on page 108 of the financial statements.

Financial Statements

The Consolidated Profit and Loss Account for the year ended 31st December 2007 is set out on page 50 and shows the Group profit after tax and Scheme of Control transfers, of \$7,448 million (2006 : \$6,842 million). The state of the Company's and the Group's affairs as at 31st December 2007 are set out in the financial statements on pages 50 to 109.

Dividends

An interim dividend of 58 cents (2006 : 58 cents) per ordinary share was paid to shareholders on 21st September 2007 and the Directors recommended a final dividend of \$1.43 (2006 : \$1.27) per ordinary share payable on 16th May 2008 to shareholders who are registered on the register of members on 15th May 2008.

Reserves

Movements in the reserves of the Company and the Group during the year are set out in note 28 to the financial statements.

Charitable Donations

Charitable donations made by the Group during the year amounted to \$3 million (2006 : \$2 million).

Fixed Assets

Additions of fixed assets for the year amounted to \$1,747 million (2006 : \$2,305 million). The movements in fixed assets during the year are set out in note 14 to the financial statements.

Subsidiaries

The names, principal activities, places of incorporation and operation and particulars of the issued share capital and debt securities of the principal subsidiaries are set out in Appendix 2 on page 108 of the financial statements.

Summary of Five Year Financial Results

The summary of five year financial results of the Group is set out on page 110.

Major Customers and Suppliers

The Group's five largest customers combined did not exceed 30% of the Group's total turnover for each of the years ended 31st December 2007 and 2006.

The largest supplier of revenue items for the year represents 28.7% (2006 : 20.5%) of the Group's total purchase of revenue items, and the combined total of the largest five suppliers accounts for 68.9% (2006 : 64.7%) for the year ended 31st December 2007.

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

Directors

The Directors in office during the year were Mr. Canning Fok Kin-ning, Mr. Tso Kai-sum, Mrs. Susan Chow Woo Mo-fong, Mr. Andrew John Hunter, Mr. Kam Hing-lam, Mr. Francis Lee Lan-yee, Mr. Victor Li Tzar-kuoi, Mr. Neil Douglas McGee, Mr. Frank John Sixt, Mr. Wan Chi-tin, Mr. Ronald Joseph Arculli, Mr. George Colin Magnus, Mr. Ewan Yee Lup-yuen, Mr. Holger Kluge, Mr. Ralph Raymond Shea and Mr. Wong Chung-hin.

Mrs. Susan Chow Woo Mo-fong, a Director, also served as Alternate Director to Mr. Canning Fok Kin-ning and Mr. Frank John Sixt during the year.

Mr. Ewan Yee Lup-yuen resigned as a Director on 2nd January 2008.

Mr. Chan Loi-shun was appointed as Alternate Director to Mr. Kam Hing-lam on 11th February 2008.

Mr. Yuen Sui-see was appointed as an Executive Director on 1st March 2008.

Messrs. Canning Fok Kin-ning, Tso Kai-sum, Ronald Joseph Arculli, Andrew John Hunter, Kam Hing-lam, Holger Kluge, Victor Li Tzar-kuoi, George Colin Magnus and Mrs. Susan Chow Woo Mo-fong will retire by rotation at the forthcoming Annual General Meeting to be held on 15th May 2008 in accordance with Article 116 of the Company's Articles of Association and Code Provision A.4.2 set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), while Mr. Yuen Sui-see will retire at the said Meeting in accordance with Article 99 of the Company's Articles of Association. The abovementioned Directors, being eligible, offer themselves for re-election.

Report of the Directors

Interests of Shareholders Discloseable under the Securities and Futures Ordinance (“SF Ordinance”)

According to the register kept under Section 336 of the SF Ordinance and information received by the Company, at 31st December 2007, 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 SF Ordinance were as follows:

Long Positions in Shares of the Company

Name	Capacity	Number of Shares Held	Approximate % of Shareholding
Silchester International Investors Limited	Investment Manager	128,423,957	6.02%
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 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.

Save as disclosed above, at 31st December 2007, 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 and 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 SF Ordinance, or which were recorded in the register required to be kept by the Company under Section 336 of the SF Ordinance.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's issued shares during the year (2006 : Nil).

Arrangement to Purchase Shares or Debentures

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate (2006 : Nil).

Sufficiency of Public Float

According to information that is available to the Company, the percentage of the Company's shares which are in the hands of the public exceeds 25% of the Company's total number of issued shares.

Report of the Directors

Disclosure under Rule 13.22 of Chapter 13 of the Listing Rules

In relation to the provision of financial assistance by the Group to certain affiliated companies, a combined balance sheet of the affiliated companies as at 31st December 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 31st December 2007

	\$ million
Non-current assets	71,221
Current assets	4,758
Current liabilities	(14,099)
Non-current liabilities	(51,483)
Net assets	10,397
Share capital	5,488
Reserves	4,909
Capital and reserves	10,397

As at 31st December 2007, the consolidated attributable interest of the Group in these affiliated companies amounted to \$7,320 million.

Auditors

A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting. There was no change in Auditors in any of the preceding three years.

By Order of the Board

Canning Fok Kin-ning

Chairman

Hong Kong, 6th March 2008