CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 1038)

STEADY PERFORMANCE SUSTAINING GROWTH

ANNUAL REPORT 2008

CKI is the largest publicly listed infrastructure company in Hong Kong with diversified investments in Energy Infrastructure, Transportation Infrastructure, Water Infrastructure and Infrastructure Related Business. Operating in Hong Kong, Mainland China, Australia, New Zealand, the United Kingdom, Canada and the Philippines, it is a leading player in the global infrastructure arena.

THE YEAR AT A GLANCE

Profit attributable to shareholders (HK$ million)	**4,423**
Earnings per share (HK$)	**1.96**
Dividends per share (HK$)	**1.135**

Teamwork • Dynamism • Vision

People are the driving force of CKI's achievements

CONTENTS

TEN-YEAR FINANCIAL SUMMARY

Consolidated Income Statement Summary

for the year ended 31st December

HK$ million	**2008**	2007	2006	2005	2004	2003	2002	2001	2000	1999
Group turnover	**2,445**	1,865	1,822	2,247	2,507	2,468	2,533	2,900	3,160	3,085
Share of turnover of jointly controlled entities	**5,041**	4,024	2,977	2,503	1,953	1,841	1,723	1,522	778	124
Profit attributable to shareholders	**4,423**	4,772	3,670	6,007	3,523	3,271	3,199	3,081	3,128	3,043
Dividends										
Interim dividend paid	**670**	609	564	541	496	485	485	473	451	293
Proposed final dividend	**1,889**	1,871	1,690	1,596	1,285	1,127	1,048	947	902	654
	2,559	2,480	2,254	2,137	1,781	1,612	1,533	1,420	1,353	947

Consolidated Balance Sheet Summary

as at 31st December

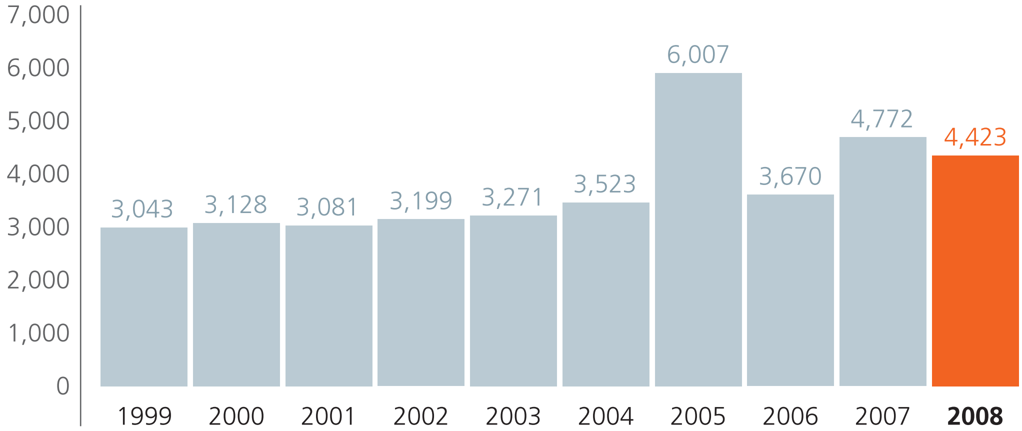
HK$ million	**2008**	2007	2006	2005	2004	2003	2002	2001	2000	1999
Property, plant and equipment	**904**	1,121	991	919	1,864	1,410	1,587	1,721	1,840	1,890
Investment properties	**164**	160	130	59	–	–	–	–	–	–
Leasehold land	**281**	292	301	326	383	394	405	416	427	438
Interests in associates	**29,067**	30,389	29,382	26,911	25,261	23,334	22,012	17,863	18,466	10,881
Interests in jointly controlled entities	**3,361**	3,176	4,238	4,337	4,801	4,836	4,538	4,606	4,791	2,591
Interests in infrastructure project investments	**477**	377	490	579	1,855	1,948	2,465	3,469	4,294	6,280
Investments in securities	**2,597**	4,187	3,064	2,092	1,188	2,091	803	759	754	676
Derivative financial instruments	**624**	55	38	447	–	–	–	–	–	–
Goodwill	**143**	209	205	175	257	–	–	–	–	–
Pledged bank deposit	**1,113**	–	–	–	–	–	–	–	–	–
Deferred tax assets	**11**	5	–	–	–	–	–	–	–	–
Other non-current assets	**–**	19	13	9	14	36	43	43	39	11
Current assets	**6,267**	9,452	8,770	8,701	10,070	8,077	8,121	5,193	4,034	3,171
Total assets	**45,009**	49,442	47,622	44,555	45,693	42,126	39,974	34,070	34,645	25,938
Current liabilities	**(2,887)**	(4,802)	(5,648)	(1,221)	(1,314)	(2,009)	(2,939)	(4,726)	(4,526)	(609)
Non-current liabilities	**(5,392)**	(5,183)	(6,109)	(9,798)	(13,399)	(11,230)	(10,487)	(4,591)	(7,087)	(4,055)
Total liabilities	**(8,279)**	(9,985)	(11,757)	(11,019)	(14,713)	(13,239)	(13,426)	(9,317)	(11,613)	(4,664)
Minority interests	**(55)**	(48)	(41)	(38)	(206)	(209)	(219)	(224)	(256)	(253)
Equity attributable to shareholders	**36,675**	39,409	35,824	33,498	30,774	28,678	26,329	24,529	22,776	21,021

Per Share Data

HK$	**2008**	2007	2006	2005	2004	2003	2002	2001	2000	1999
Earnings per share	**1.96**	2.12	1.63	2.66	1.56	1.45	1.42	1.37	1.39	1.35
Dividends per share	**1.135**	1.100	1.000	0.948	0.790	0.715	0.680	0.630	0.600	0.420
Shareholders' equity – net book value per share	**16.27**	17.48	15.89	14.86	13.65	12.72	11.68	10.88	10.10	9.33

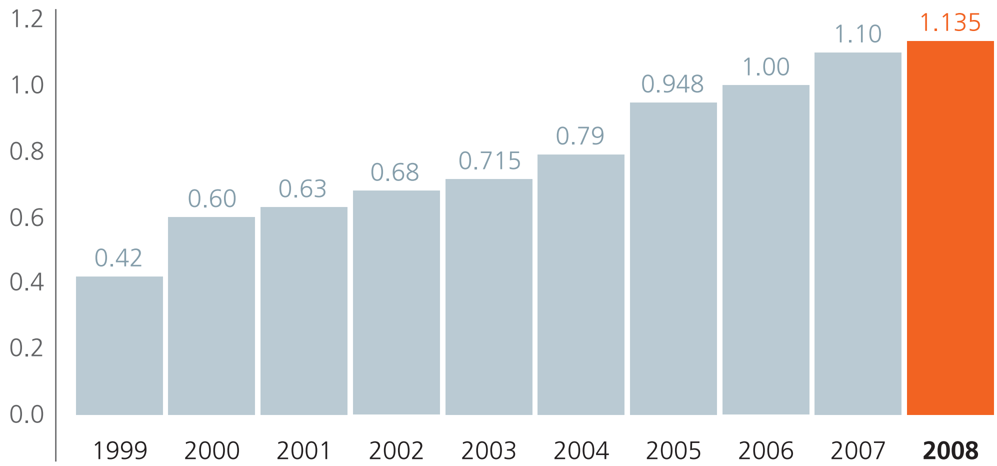
Profit Attributable to Shareholders

(HK$ million)

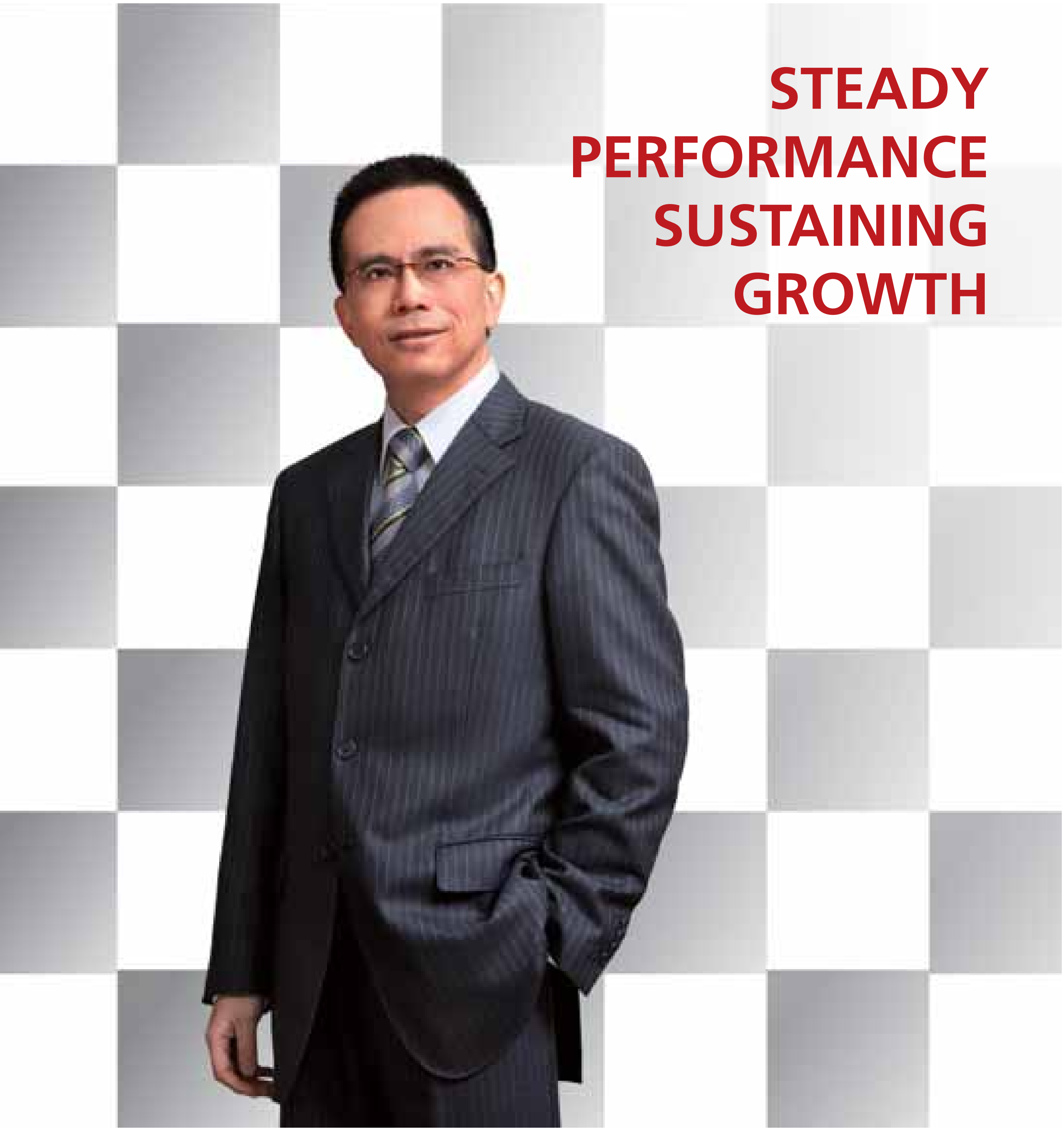


Dividends Per Share

(HK$)



STEADY PERFORMANCE SUSTAINING GROWTH



SUMMARY OF RESULTS

- Profit contribution from operations increased by 14% to HK$6,075 million
  - HK Electric – increased by 9% to HK$3,120 million
  - China portfolio – down 14% to HK$1,329 million
  - Australia portfolio – increased by 194% to HK$850 million
  - UK portfolio – increased by 20% to HK$550 million
  - Materials business – decreased by 11% to HK$127 million
  - Canadian investment recorded first full year of contribution; new investment in New Zealand started contributing to profit

- Profit attributable to shareholders was HK$4,423 million, a decrease of 7.3%
- Total dividend for 2008 of HK$1.135 per share, up 3.2% (12th consecutive year of dividend growth)
- Share price outperformed Hang Seng Index
- Strong balance sheet, cash and deposits totalling HK$5,481 million at 2008 year end
- Financial capabilities will be further strengthened upon completion of divestment of three power plants in Mainland China to HK Electric

2008 represented an extraordinary year in the world's financial history. The current economic crisis, which started as a result of the subprime mortgage issue in the United States, has reverberated all around the globe. In spite of the financial instability and uncertainty in the macro-backdrop, Cheung Kong Infrastructure Holdings Limited ("CKI" or the "Group") delivered a steady performance in 2008 and CKI's share price outperformed the Hang Seng Index.

For the year ended 31st December, 2008, CKI's group turnover and its share of turnover of jointly controlled entities was HK$7,486 million. Profit contribution from operations for 2008 was HK$6,075 million, an increase of 14 per cent over the preceding year. The financial results were negatively impacted by mark-to-market adjustments arising from fluctuations in currency and financial markets. The audited profit attributable to shareholders was HK$4,423 million in 2008 compared to HK$4,772 million in 2007. Earnings per share were HK$1.96.

The Board of Directors of CKI (the "Board") has recommended a final dividend of HK$0.838 per share. Together with the interim dividend of HK$0.297 per share, this will bring the total dividend for the year to HK$1.135, a 3.2 per cent increase over last year. This represents the 12th consecutive year of dividend growth since listing. The proposed dividend will be paid on 19th May, 2009 following approval at the Annual General Meeting, to shareholders whose names appear on the Register of Members of the Company on 14th May, 2009.

2008 BUSINESS REVIEW

Across CKI's well-diversified portfolio of infrastructure investments, 2008 represented a year of operational growth.

HK ELECTRIC

Profit from Hongkong Electric Holdings Limited ("HK Electric") amounted to HK$3,120 million in 2008, a 9 per cent increase over that recorded in 2007. This increase was attributable to a solid performance from HK Electric's operations in Hong Kong and strong growth in its overseas investments. HK Electric's Hong Kong results benefited from a deferred tax adjustment of HK$310 million arising from the reduction in corporate tax rate.

INFRASTRUCTURE INVESTMENTS

Mainland China

Investments in Mainland China generated a profit contribution of HK$1,329 million in 2008; this included a HK$112 million gain from the disposal of Fushun Power Plant. This represents a decrease of 14 per cent as compared to 2007, the year in which a HK$815 million one-off gain was included. After adjusting for the one-off gains in both years, the performance of the China portfolio in 2008 grew 66 per cent in terms of profit contribution. The strong operational performance of the China portfolio can be attributed to well-managed power assets and toll road investments.

Zhuhai Power Plant recorded another year of good performance and Jinwan Phase 1 Power Plant project delivered a strong income stream with the first full year of contribution in 2008.

Steady increases in both traffic and toll revenue were recorded by CKI's toll road portfolio during the year.

Australia

Profit contribution from the Group's Australian businesses was HK$850 million in 2008, an increase of 194 per cent over last year. This significant increase was largely attributable to the impairment provision recorded in 2007 with respect to the Lane Cove Tunnel.

The regulated and non-regulated businesses of ETSA Utilities, CitiPower I Pty Ltd. and Powercor Australia Limited performed in line with expectations.

United Kingdom

Total profit contribution from CKI's gas and water businesses in the United Kingdom increased by 20 per cent to HK$550 million.

A good performance was generated by Northern Gas Networks Limited during the year under review. The 5-year price re-set which commenced in April 2008 is expected to bring in secure returns to the Group for the next 5 years.

Satisfactory results were also recorded from our water investments. Southern Water delivered its first full year of profit contribution to the Group, while Cambridge Water PLC provided stable cashflow.

Canada

In 2008, we also saw the first full year of contribution from Stanley Power Inc., which amounted to HK$64 million. These electricity generation operations in Canada have provided the Group with steady returns.

New Zealand

In 2008, CKI and HK Electric made their first investment in New Zealand through the acquisition of the Wellington Electricity Distribution Network on a 50/50 basis. The Wellington Electricity Distribution Network supplies electricity to the city of Wellington, the capital of New Zealand, and the Porirua and Hutt Valley regions of New Zealand. The project has generated profit returns to the Group since it was acquired in July 2008.

MATERIALS BUSINESS

The Group's materials business achieved a profit contribution of HK$127 million in 2008. This represents an 11 per cent decrease as compared to last year due to high fuel prices and rising freight charges.

With a number of new major infrastructure projects being announced by The Government of the Hong Kong Special Administrative Region, demand for cement, concrete and aggregates is expected to increase in the near term. As the impact of fuel prices and freight charges declines, a more promising outlook for the Group's materials business is anticipated.

FINANCIAL MANAGEMENT AND TREASURY ACTIVITIES

Underpinned by strong recurring cashflow from regulated businesses, CKI continues to maintain a strong balance sheet. Cash and deposits totalled HK$5,481 million, while debt was HK$6,743 million as at 31st December, 2008, resulting in a comfortable 3 per cent net debt to equity ratio. The Group's "A-" rating from Standard & Poor's was reaffirmed, a rating which has been consistently maintained since shortly after listing in 1996.

The global financial crisis has touched almost all markets and industries in the world and the Group has felt its effects as well. A loss arising on treasury activities was recorded by the Group in 2008. A significant proportion of this loss resulted from a sizeable currency fluctuation of HK$631 million, which was mostly comprised of unrealised mark-to-market adjustments arising from a 30-year Yen borrowing and other foreign currency deposits. These fair value changes have no immediate cashflow impact on CKI.

SUBSEQUENT EVENT – DIVESTMENT OF THREE POWER PLANTS IN MAINLAND CHINA

In February 2009, CKI announced the divestment of three power plants in Mainland China to HK Electric which, subject to completion, will generate a one-off gain of approximately HK$1,348 million to be booked in the first half of 2009.

Through the divestment of the three power plants, CKI will realise the value of some of the mature projects in its portfolio. It will also further enhance the Group's capacity to take advantage of acquisition opportunities in the near future, while still maintaining an indirect interest in the three power plants through our 38.87 per cent shareholding in HK Electric.

This transaction underscores the value of our asset portfolio and demonstrates our ability to unlock the value of some of our mature assets.

PROSPECTS

In spite of the global economic crisis, CKI is cautiously optimistic about our future prospects. With our solid financial foundation and strong income base, we are well-placed to face the current challenges in the market.

As a result of the worsening global recession and tightening credit situation, some of the major issues now facing the infrastructure industry are refinancing and over-gearing. However, these issues also give rise to a lot of investment opportunities.

Upon the completion of the divestment of our three power plants in Mainland China, we will have cash and deposits totalling over HK$11 billion. This cash-rich situation should place CKI in a very unique position to support any refinancing needs and to aggressively pursue acquisition opportunities. While we will be vigorously studying new acquisition targets, we will apply stringent investment criteria in order to maximise our advantage in today's market conditions.

I would like to take this opportunity to thank the Board, management and staff of CKI for their continued hard work and efforts, as well as our shareholders for their confidence in the Group.

Li Tzar Kuoi, Victor
Chairman

Hong Kong, 19th March, 2009

CKI STANDS OUT AS A PROFITABLE COMPANY, WITH SATISFACTORY OPERATING RESULTS ACROSS A DIVERSE PORTFOLIO OF INFRASTUCTURE ASSETS AND A FORMIDABLE BALANCE SHEET.

We are currently witnessing very turbulent times in the global financial markets. The subprime mortgage meltdown in the United States has rapidly grown into a full-size global economic crisis of an enormity not seen since the Great Depression in the 1930s.

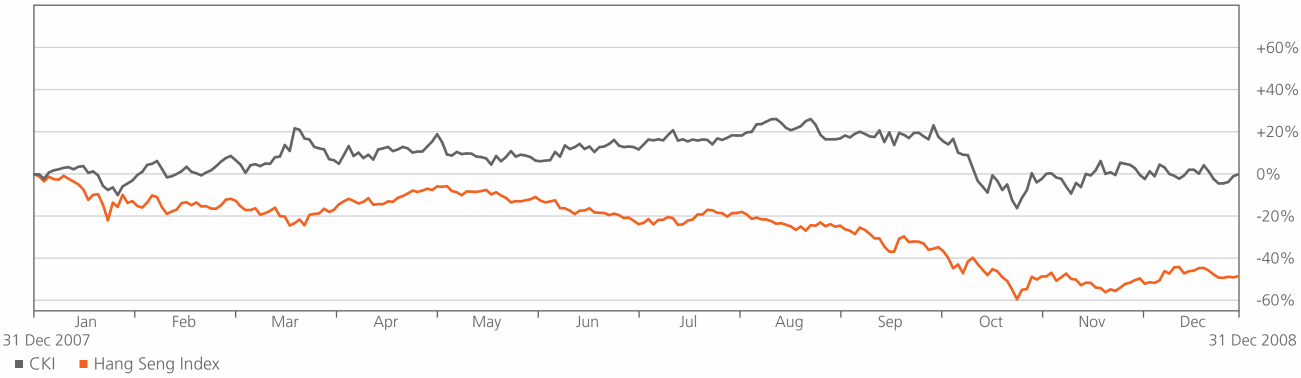
Against this volatile economic landscape, Cheung Kong Infrastructure Holdings Limited ("CKI" or the "Group") achieved a steady performance in 2008, both in terms of financial and operating results.

During this challenging time, CKI stands out as a profitable company, with satisfactory operating results across a diverse portfolio of infrastructure assets and a formidable balance sheet. Profit contribution from operations increased by 14% to HK$6,075 million in 2008.

Profit attributable to shareholders was HK$4,423 million in 2008, a decrease of 7.3% as compared to last year. The financial results were negatively impacted by mark-to-market adjustments arising from fluctuations in currency and financial markets.

With a strong balance sheet, we believe we are in a good position to face upcoming market difficulties in the near term and to grasp opportunities for continued growth.

2008 Share Price Performance



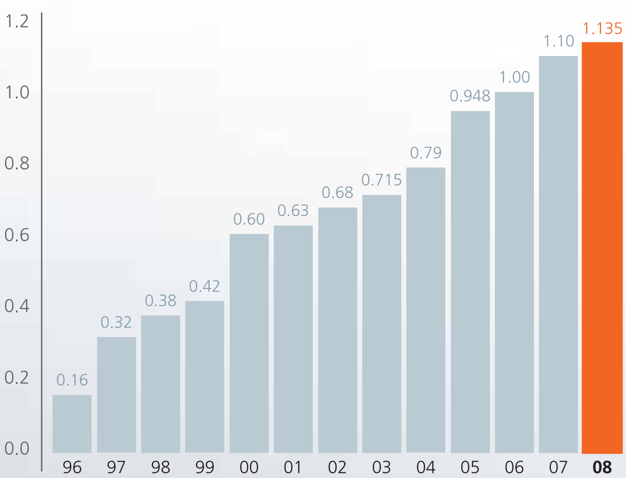
SHARE PRICE PERFORMANCE

During the year, our share price has outperformed the Hang Seng Index. CKI's share price closed at exactly the same price of HK$29.15 on 31st December, 2008 as it did on 31st December, 2007. In comparison, during the same period, the Hang Seng Index fell by 48%. This reflects investor confidence in CKI's business model and operating strategies, particularly amidst such testing financial times.

12 YEARS OF DIVIDEND GROWTH

A total dividend of HK$1.135 per share will be distributed for 2008, a 3.2% increase over last year. This is the 12th consecutive year that CKI has maintained a trend of dividend growth since listing.

Dividends Per Share
(HK$)



STRONG BALANCE SHEET

As at 31 December 2008, cash and deposits totalled HK$5,481 million, while debt was HK$6,743 million, resulting in a conservative net debt to equity ratio of 3%. Accordingly, CKI continues to maintain a strong balance sheet. The Group has maintained an "A-" rating by Standard & Poor's since 1997.

LOOKING BACK ON 2008

CKI's diverse portfolio comprises infrastructure assets in Hong Kong, Mainland China, Australia, New Zealand, the United Kingdom and Canada.

The Group's long-term stability is underpinned by strong recurring cashflow from our regulated businesses. In fact, about 90% of profit is generated from regulated businesses or under offtake contracts with pass-through provisions. As a result, our income and cashflow are very stable and predictable.

The demand for the services provided by the Group's assets – such as electricity, gas, water and roads – remain stable, regardless of the macro-economic landscape. CKI's portfolio is characteristically resilient in nature.

ELECTRICITY GENERATION

CKI has an electricity generation portfolio in Hong Kong, Mainland China and Canada totalling approximately 8,000 MW.

Through Hongkong Electric Holdings Limited ("HK Electric"), power is generated, transmitted and distributed to Hong Kong Island and Lamma Island. A stable performance was recorded by HK Electric in 2008, the last year under the previous 15-year Scheme of Control Agreement ("SCA"). A new SCA was signed with the Hong Kong Government, effective for 10 years commencing 1st January 2009 and featuring a lower rate of permitted return on average net fixed assets of 9.99%. While this rate of permitted return has been lowered, the new SCA does provide a certain and stable long-term framework for future operation.

In 2008, both the Jinwan Phase 1 Power Plant project in Mainland China and Stanley Power, which holds CKI's electricity investments in Canada, delivered their first full year of profit contributions to CKI.

The Zhuhai Power Plant also recorded another good performance during the year under review.

ELECTRICITY DISTRIBUTION

Our electricity distribution businesses comprise operations in Australia and as of 2008, New Zealand.

In Australia, the electricity distribution assets include ETSA Utilities, CitiPower and Powercor, which all performed in line with expectations in 2008. CKI also has a strategic investment in Spark Infrastructure which delivered a steady cash yield in the year under review.

In July 2008, the Wellington Electricity Distribution Network, which supplies electricity to the capital of New Zealand, was acquired and immediately made a contribution to earnings. This business is owned jointly by CKI and HK Electric.

GAS

Our gas distribution businesses are in the United Kingdom and Australia. Northern Gas Networks in the United Kingdom performed well in 2008. During the year, a new regulatory settlement commenced which will result in secure returns over the next five years. Our strategic investment in Envestra in Australia also delivered a stable cash yield to CKI.

WATER

The Group's water assets are located in the United Kingdom and Australia. Cambridge Water provided stable cashflow to the Group and the first full year of profit contribution was received from CKI's strategic stake in Southern Water. Our investment in AquaTower in Australia also generated steady returns.

TOLL ROADS

CKI's portfolio of toll roads and bridges cover approximately 400 kilometres in various provinces throughout Mainland China. Overall, this portfolio performed well in 2008, with steady increases recorded in terms of both traffic and toll revenue.

MATERIALS

In 2008, the performance of our materials business was impacted by high fuel prices and rising freight charges.

INVESTMENTS AND DIVESTMENTS

We intend to continuously refine our portfolio of infrastructure assets to maximise shareholder value.

INVESTMENTS

To strengthen our portfolio, we have always pursued acquisition opportunities which meet stringent investment criteria.

In 2007, we acquired, through Stanley Power, a 49.99% interest in TransAlta Cogeneration L.P., which has stakes in six Canadian electricity generating plants. The business is now jointly owned by CKI and HK Electric and provides attractive returns.

The Wellington Electricity Distribution Network, which supplies electricity to the city of Wellington, was acquired in 2008. Also jointly owned with HK Electric, the project has generated profit returns since July last year.

Both of these recent transactions have satisfied the key characteristics of our acquisition strategy. They offer immediate and stable cashflow to CKI and are located in stable and mature markets, protected by a sound legal framework. Stanley Power and the Wellington Electricity Distribution Network are quality assets that strengthen and add value to our portfolio.

DIVESTMENTS

In addition to making timely and strategic acquisitions, we will also consider divestments that unlock the value of our portfolio should appropriate opportunities arise.

In 2007, a one-off gain of HK$815 million was generated from the sale of the Group's stake in the Guangzhou East-South-West Ring Road to our Chinese partner. In 2008, our stake in Fushun Cogen Power Plants were also divested for a consideration of HK$112 million.

CKI also announced the divestment of three power plants in Mainland China to HK Electric in February 2009. Subject to completion, this will generate a one-off gain of approximately HK$1,348 million, expected to be booked in the first half of 2009.

TREASURY

In 2008, the financial results were negatively impacted by mark-to-market adjustments arising from fluctuations in currency and financial markets. Going forward, we will continue to closely monitor the Group's investments on a regular basis.

LOOKING AHEAD

Our business strategy has proven to be successful in the past. In the future, we will continue with our existing strategy to enhance the organic growth of our infrastructure operations, as well as to refine our portfolio through timely acquisitions and divestments.

On the acquisition front, we will continue to focus on regulated assets that will deliver attractive returns and steady cashflow to the Group. We will also adhere strictly to our stringent investment criteria.

Upon the completion of the divestment of our three power plants in Mainland China, CKI will have cash and deposits totalling over HK$11 billion. This enhances our substantial cash resources from which we can finance future acquisitions. Given the current macro-economic environment in which over-gearing and refinancing risk are major challenges for the infrastructure industry, there may be more attractive acquisition opportunities on the horizon for companies like CKI which have a strong balance sheet and net cash position. CKI is well-placed to pursue good investment targets and to capitalise on development opportunities that could potentially arise in the near term.

H L Kam
Group Managing Director
Hong Kong, 19th March, 2009

BUSINESS REVIEW

INVESTMENT IN
HK ELECTRIC

INFRASTRUCTURE INVESTMENT IN
CHINA

INFRASTRUCTURE INVESTMENT IN
AUSTRALIA

INFRASTRUCTURE INVESTMENT IN
NEW ZEALAND

INFRASTRUCTURE
INVESTMENT IN

UNITED KINGDOM

INFRASTRUCTURE
INVESTMENT IN

CANADA

INVESTMENT IN

INFRASTRUCTURE RELATED BUSINESS

INVESTMENT IN
HK ELECTRIC

HK Electric recorded solid operating results.

CKI is the major shareholder of HK Electric, with a 38.87% interest in the company. HK Electric is listed in Hong Kong. With a total installed capacity of 3,736 MW, HK Electric generates, transmits and distributes power to more than 560,000 customers on Hong Kong Island and Lamma Island.

Solid operating results, in both Hong Kong and international operations, were recorded by HK Electric during the period under review. Consolidated net profit after tax was HK$8,029 million, an increase of 7.8% over the previous year. Earnings from Hong Kong operations were HK$7,008 million, up 4.2% as a result of higher sales revenue, lower depreciation charges and a deferred tax adjustment due to the change in the rate of Hong Kong profits tax. Earnings from HK Electric's international operations were HK$1,021 million, a 41.6% increase over 2007 due to the inclusion of first full year contributions from business in Canada, and new contributions from Thailand and New Zealand.

HONG KONG OPERATIONS

In 2008, HK Electric's unit sales of electricity declined by 0.2% as compared with last year due to a wetter and cooler summer and due to the effects of various energy saving initiatives. A slight increase was recorded in the number of domestic customers, while the number of commercial and industrial customers declined. The Maximum Demand in 2008 was 2,589 MW, as compared with 2,552 MW last year.

Supply reliability has been maintained at over 99.999% in 2008. 83% of the electricity sent out by HK Electric was generated by the Lamma Power Station coal-fired units, while the gas-fired units generated the balance.

The 800 kW Lamma Winds wind turbine and associated exhibition centre on renewable energy continued to attract public interest during the year.

Good progress was made with regards to the emission reduction programme at the Lamma Power Station. It is expected that by the end of 2010, over 95% of electricity generated at the Lamma Power Station will be generated by gas and coal-fired units fitted with flue gas desulphurisation and low nitrogen oxide burners, which will result in lower emissions.

The Scheme of Control Agreement signed by HK Electric in 1993 expired at the end of 2008. A new Agreement entered into with the Hong Kong Government for 10 years (with an option for the Government to extend the Agreement for another five years) commenced on 1st January 2009 with a lower rate of permitted return on average fixed assets of 9.99%. Shareholders will benefit over the next 10 years from the certainty and stability of a long-term regulatory framework for HK Electric that the new agreement provides; however the lower rate of permitted return will impact the level of HK Electric's earnings.

INTERNATIONAL OPERATIONS

International operations have performed well during the period under review and HK Electric has successfully increased its proportion of earnings derived from activities outside of Hong Kong.

In July 2008, a 50% interest in the Wellington Electricity Distribution Network in New Zealand was acquired by HK Electric, while in November 2008, HK Electric increased its stake in Northern Gas Networks to 35.1% from 19.9%.

With regards to existing investments, the Ratchaburi Power Station in Thailand was completed in 2008, with the first unit commissioned in March and the second in June. Stanley Power in Canada delivered its first full year of profit contribution to HK Electric, while Northern Gas Networks in the United Kingdom recorded improved results for the year. The Australian electricity distribution businesses in South Australia and Victoria also performed satisfactorily, exceeding customer service and reliability targets for 2008. The construction of the wind farm in Dali, China was completed in December and began full commercial operation in January 2009.

HK Electric's 48 MW wind farm in Dali, China has commenced operations in January 2009.

Supply reliability has been maintained at over 99.999%.

INFRASTRUCTURE INVESTMENT IN CHINA

The Zhuhai Power Plant is a very reliable operation with high thermal efficiency.

CKI's portfolio of investments in Mainland China comprise a number of electricity generation businesses and toll road projects in various provinces.

The CKI China management team ensures the smooth operation of the electricity generation and toll road businesses in Mainland China.

ZHUHAI POWER PLANT

Zhuhai Power Plant, in which CKI owns a 45% joint venture interest, delivered an outstanding performance again in 2008. During the year, it achieved a total of about 6,300 operating hours, representing excess generation of 23% over the Annual Minimum Quantity. The Zhuhai Power Plant is a very reliable operation with high thermal efficiency. The project achieved targeted contractual rate of returns for CKI. In addition, the flue gas desulphurisation plant has been operating smoothly, with reliability of over 90% and absorption efficiency of over 92%.

JINWAN PHASE 1 POWER PLANT

CKI has a 45% stake in Jinwan Phase 1 Power Plant. 2008 represented the first full year of profit contribution for this project. 7 billion kWh of power was generated during the year and around 6,150 operating hours achieved. Returns were enhanced by the project's high utilisation rates and cost control measures. Despite

An all-round satisfactory performance was achieved by the Siping Cogen Power Plants in Jilin.

rising coal costs during the year, Jinwan Phase 1 Power Plant benefited from increases in tariff income, flue gas desulphurisation income and growing electricity sales.

The Jinwan Phase 1 Power Plant received ISO9001, ISO14001 and OHSAS 18001 certificates during the period under review.

FUSHUN COGEN POWER PLANTS

In 2008, CKI disposed of its 60% stake in the Fushun Cogen Power Plants in Liaoning to its Mainland partner. A one-off gain of HK$112 million was recorded from the disposal.

SIPING COGEN POWER PLANTS

CKI holds a 45% stake in the Siping Cogen Power Plants in Jilin. This project has a total capacity of 200 MW. An all-round satisfactory performance was achieved during the year, despite the volatile economic environment. Plant utilisation was maintained at a historical high level. Achieving over 6,808 operating hours, the total heat sold by the Siping Cogen Power Plants reached a record high of 3.27 million GJ, an increase of 13% over 2007.

SHANTOU BAY BRIDGE

CKI has a 30% interest in the Shantou Bay Bridge. During the year, this project achieved stable growth in toll revenue and delivered steady income to CKI.

SHEN-SHAN HIGHWAY

Shen-Shan Highway, in which CKI has 33.5% interest, achieved a very good performance in 2008, with a new record in net profit. Despite the impact caused by high fuel costs and the national green vehicles toll free policy in 2008, toll revenue increased strongly during the year.

OTHER TOLL ROADS AND BRIDGES

CKI's portfolio of other toll roads and bridges, comprising the Changsha Bridges, Jiangmen Chaolian Bridge, Jiangmen Jiangsha Highway, National Highway 107 (Zhumadian Sections), Panyu Beidou Bridge and Tangshan Tangle Road, generated a satisfactory performance in 2008 and delivered stable income to the Group.

SUBSEQUENT EVENT

CKI entered into an agreement in February 2009 to divest three power plants, namely Zhuhai Power Plant, Jinwan Phase 1 Power Plant and Siping Cogen Power Plants, to HK Electric. This transaction will, upon completion, generate a one-off gain of approximately HK$1,348 million for CKI.

The divestment enables CKI to realise the value of its infrastructure projects, while maintaining an interest in them as a majority shareholder of HK Electric. CKI will also continue to manage the three power plants under a management agreement with HK Electric.

Shantou Bay Bridge achieved stable growth in toll revenue and delivered steady income to CKI.

INFRASTRUCTURE INVESTMENT IN

AUSTRALIA

Powercor and CitiPower in Victoria together serve about one million customers.

CKI's portfolio in Australia primarily comprises a number of energy investments. Together with HK Electric, CKI holds a majority stake in the power distribution businesses of ETSA Utilities, Powercor and CitiPower. In addition, the Group has interests in Spark Infrastructure and Envestra.

ETSA UTILITIES

CKI, together with HK Electric, owns a 51% stake in ETSA Utilities, the primary electricity distributor in South Australia.

The senior management team of ETSA Utilities oversees the company's overall operations and facilitates the safe and reliable delivery of electricity in South Australia.

ETSA Utilities is engaged in the safe and reliable delivery of electricity from the high voltage transmission network to residential and business customers throughout the state of South Australia. Serving more than 800,000 customers, ETSA Utilities supports a network comprising 399 zone substations and about 86,000 kilometres of powerlines. Employing more than 1,700 people, ETSA Utilities also provides construction and maintenance services and asset management services in the competitive infrastructure market.

With more than 60 years' experience, ETSA Utilities is one of the largest organisations and employers in South Australia. It also contributes to the state through its community-focused sponsorship programme and Employee Foundation.

ETSA Utilities is the primary electricity distributor in South Australia, serving more than 800,000 customers.

In 2008, ETSA Utilities' financial performance exceeded targets for distribution revenue, cash and profit. Statewide reliability performance for the electricity distribution network in terms of the System Average Interruption Duration Index was 141 minutes in 2008, representing a 24 minute decrease over the 165 minutes recorded in 2007.

The senior management team of CHEDHA Holdings delivered a strong financial performance which exceeded forecast returns for the third successive year.

CHEDHA HOLDINGS PTY LTD.

CHEDHA Holdings is the holding company of Powercor and CitiPower, in which CKI and HK Electric jointly hold a 51% stake. The combined network base of these two electricity distribution companies in Victoria, Australia approaches one million connected customers.

In 2008, CHEDHA Holdings achieved a strong financial performance, exceeding forecast returns for the third successive year. Distribution revenue increased as a result of higher consumption and customer growth. Enhancing contributions from unregulated activities remained a strategic priority and these operations surpassed expectations in 2008.

At the Customer Service Institute of Australia National Awards in October 2008, Powercor and CitiPower were awarded the National Award for Best Customer Charter. The companies also won the Victorian Award for Best Customer Service – Large Business category.

ETSA Utilities employs more than 1,700 people and supports a network comprising 399 zone substations and about 86,000 kilometres of powerlines.

POWERCOR AUSTRALIA LIMITED

Powercor supplies electricity to over 680,000 customers in central and western Victoria, and Melbourne's outer suburbs. It is the largest of the five electricity distribution networks in Victoria, covering almost 150,000 square kilometres, and supplying key regional centres from Mildura and Shepparton through Bendigo and Ballarat to Warrnambool and Geelong.

CITIPOWER I PTY LTD.

CitiPower supplies electricity to more than 300,000 residential and business customers in Melbourne's CBD and inner suburbs, including first-class cultural and sporting facilities such as Federation Square, the Melbourne Cricket Ground, the Victorian Arts Centre and the home of the Australian Open, Melbourne Park. A large proportion of CitiPower's electricity infrastructure is located underground, with multiple back-up and rerouting options should a fault occur somewhere along the network. It is the most reliable electricity network in Australia.

AquaTower is the exclusive potable water supplier for four regional towns in Victoria.

SPARK INFRASTRUCTURE GROUP

CKI has an 8.7% stake in Spark Infrastructure and is also the joint asset manager of this leading Australian utility infrastructure group.

The current portfolio of Spark Infrastructure comprises a 49% interest in three electricity distribution businesses in Australia – ETSA Utilities in South Australia and CitiPower and Powercor in Victoria.

In 2008, Spark Infrastructure's cash distributions to investors were enhanced as a result of better than expected performances from its investment companies.

ENVESTRA LIMITED

The Group holds approximately an 18% stake in Envestra, one of Australia's largest natural gas distribution companies.

With about 21,000 kilometres of natural gas distribution networks and 1,000 kilometres of transmission pipes, Envestra serves over one million consumers in South Australia, Victoria, Queensland, New South Wales and the Northern Territory. It currently has total assets of about A$2.6 billion.

During 2008, Envestra continued to deliver a stable cash yield to CKI.

AQUATOWER PTY LIMITED

CKI holds a 49% interest in AquaTower, the exclusive potable water supplier for around 25,000 people across four regional towns in Victoria, Australia.

This project has continued to achieve a satisfactory performance, generating attractive returns for CKI.

INFRASTRUCTURE INVESTMENT IN

NEW ZEALAND

The Wellington Electricity Distribution Network supplies electricity to the city of Wellington, capital of New Zealand.

CKI has made its first foray into New Zealand through the acquisition of the Wellington Electricity Distribution Network which supplies electricity to the capital city of Wellington.

The senior management team of Wellington Electricity Distribution Network ensures that steady returns are delivered by this business.

WELLINGTON ELECTRICITY DISTRIBUTION NETWORK

On a 50/50 basis with HK Electric, CKI owns the Wellington Electricity Distribution Network. The company, which supplies electricity to the city of Wellington and surrounding area, was acquired in 2008 and marked CKI's first foothold in New Zealand.

The Wellington Electricity Distribution Network supplies electricity to the city of Wellington, the capital of New Zealand, as well as the Porirua and Hutt Valley regions of New Zealand. The network features a system length of over 4,592 kilometres. It currently distributes electricity to residential, commercial and industrial customers in the region.

Since the company was acquired in 2008, its performance has been in line with expectations and has generated a satisfactory and steady income stream to the Group. A total of five months of profit contribution was provided by Wellington Electricity Distribution Network in 2008.

INFRASTRUCTURE INVESTMENT IN UNITED KINGDOM

Northern Gas Networks distributes gas to approximately 2.5 million customers, comprising homes and businesses across the North of England.

In the United Kingdom, CKI has investments in both gas and water businesses. In addition to having a significant stake in Northern Gas Networks, the Group also owns Cambridge Water and holds a strategic investment in Southern Water.

The senior management team of Northern Gas Networks has achieved a number of accolades in operations performance throughout the years.

NORTHERN GAS NETWORKS LIMITED

CKI holds a 40% stake in Northern Gas Networks, which is responsible for distributing gas to homes and businesses across the North of England, an area covering West, East and North Yorkshire, as well as the North East and northern Cumbria.

The network area comprises a mixture of large cities such as Newcastle, Sunderland, Leeds, Hull and Bradford and a significant rural area, including North Yorkshire and Cumbria. Northern Gas Networks' area covers around 6.7 million inhabitants and has approximately 2.5 million customers. The network has an extensive distribution system comprising 36,000 kilometres of distribution gas mains.

Northern Gas Networks has been awarded a number of accolades in its operations performance throughout the years. This year it was benchmarked by its Regulator as the most efficient network in the United Kingdom's gas industry.

A settlement was reached with the Regulator covering a five-year period commencing in April 2008; this should help to generate stable and secure returns for the Group for the next five years.

The financial performance of Northern Gas Networks in 2008 has surpassed expectations, with total dividends to shareholders being higher than estimations and amounting to a double-digit cash yield to CKI.

The senior management team of Cambridge Water continued to deliver stable returns to CKI.

Cambridge Water serves an area that spans over 1,175 square kilometres in South Cambridgeshire in the United Kingdom.

CAMBRIDGE WATER PLC

CKI holds a 100% stake in Cambridge Water, which serves a population of approximately 300,000 in an area that spans over 1,175 square kilometres in South Cambridgeshire in the United Kingdom. It possesses an integrated distribution system that includes 7 service reservoirs, 10 water towers and 2,200 kilometres of water mains.

In 2008, Cambridge Water continued to deliver stable returns to CKI, with a double-digit cash yield. It achieved an impressive, near perfect 287.0 points out of a maximum of 287.5 in the annual "Service and Delivery Report" compiled by Ofwat. This represents a second place achievement nationally. Cambridge Water also attained 100% in the stringent testing of its water quality, making it amongst the cleanest and safest water in the United Kingdom.

SOUTHERN WATER

CKI has a 4.75% strategic stake in Southern Water, which supplies fresh, quality drinking water to more than one million households, and treats and recycles wastewater from more than two million households across Sussex, Kent, Hampshire and the Isle of Wight.

During 2008, Southern Water provided steady cashflow and stable returns to CKI.

Northern Gas Networks has an extensive distribution system comprising 36,000 kilometres of distribution gas mains.

INFRASTRUCTURE INVESTMENT IN CANADA

Stanley Power has interests in six Canadian electricity generating plants with a total capacity of 1,362 MW.

CKI has invested in power generation in Canada through the establishment of Stanley Power, the vehicle set up to hold stakes in six electricity generating plants with a total capacity of 1,362 MW.

The board members and shareholder representatives of TransAlta Cogeneration oversee the overall operations of the company, which comprises six electricity generating plants in Canada.

STANLEY POWER INC.

Stanley Power, engaged in power generation in Canada, is jointly owned by CKI and HK Electric on a 50/50 basis.

With a 49.99% interest in TransAlta Cogeneration L.P., Stanley Power has stakes in six Canadian electricity generating plants. They include five natural gas-powered cogeneration plants in Alberta, Saskatchewan and Ontario, and a coal-fired generation plant in Alberta. The plants have a total generating capacity of 1,362 MW of electric power. All six plants have long-term offtake contracts which generate a predictable income stream for the Group.

In 2008, Stanley Power delivered its first full year of contributions to CKI. Results were in accordance with the Group's expectations.

INVESTMENT IN
INFRASTRUCTURE RELATED BUSINESS

Alliance maintained its market leadership position in Hong Kong's concrete industry.

CKI is Hong Kong's leading infrastructure materials company in cement, concrete and aggregates businesses.

The CKI Materials management team oversees the Group's materials and infrastructure-related business portfolio, maintaining a market leadership position in Hong Kong.

CKI's materials business was adversely impacted by high energy costs and rising freight charges during 2008. Although still profitable, contribution from the Group's materials operations declined by 11% as compared to 2007. The outlook for the construction industry is more positive as a result of the Government's plan to accelerate the development of major infrastructure projects in the coming years.

CEMENT

Given the rising energy and freight costs during the year, Green Island Cement (Holdings) Limited achieved a satisfactory performance during the year.

In Mainland China, the Group's Yunfu cement plant achieved record sales in 2008, benefiting from growing demand in the Guangdong region.

CONCRETE AND AGGREGATES

Alliance Construction Materials Limited, a 50/50 joint venture between CKI and Hanson Limited, maintained its market leadership position in Hong Kong's concrete industry and reported a solid performance in 2008. Sound profit contribution was achieved through disciplined pricing and cost management, as well as sustainable price increases.

In support of its concrete business, Alliance is also engaged in the supply of aggregates. It holds an interest in all three quarries in Hong Kong and is one of the largest suppliers of aggregates in the territory. In 2008, Alliance continued to explore future reserve opportunities in the Pearl River Delta region to expand its sources of aggregates supply.

FINANCIAL RESOURCES, TREASURY ACTIVITIES AND GEARING RATIO

The Group's capital expenditure and investments were funded from cash on hand, internal cash generation, syndicated loans, notes issued and other project loans.

As at 31st December, 2008, total borrowings of the Group amounted to HK$6,743 million, which were all denominated in foreign currencies. Of the total borrowings, 24 per cent were repayable in 2009, 39 per cent were repayable between 2010 and 2013 and 37 per cent repayable beyond 2013. The Group's financing activities continue to be well received and fully supported by its bankers.

The Group adopts conservative treasury policies in cash and financial management. To achieve better risk control and minimise the cost of funds, the Group's treasury activities are centralised. Cash is generally placed in short-term deposits mostly denominated in U.S. dollars, Hong Kong dollars, Australian dollars or Pounds Sterling. The Group's liquidity and financing requirements are reviewed regularly. The Group will continue to maintain a strong capital structure when considering financing for new investments or maturity of bank loans.

As at 31st December, 2008, the Group has changed to a net debt position with a gearing ratio of 3 per cent, which was based on its net debt of HK$1,262 million and shareholders' equity of HK$36,675 million, from the net cash position at the year end of 2007. Such change was mainly due to cash outflows for investments in two energy projects in New Zealand and Canada during the current year.

To minimise currency risk exposure in respect of its investments in other countries, the Group generally hedges those investments with the appropriate level of borrowings denominated in the local currencies of those countries. The Group also entered into certain interest rate and currency swaps to mitigate interest rate and other currency exposure risks. As at 31st December, 2008, the notional amounts of these derivative instruments amounted to HK$8,753 million.

CHARGE ON GROUP ASSETS

As at 31st December, 2008:

- the Group's interests in an affiliated company with carrying value of HK$1,902 million were pledged as part of the security to secure bank borrowings totalling HK$1,721 million granted to the affiliated company;
- the Group's cash deposit of HK$1,113 million was pledged to secure bank borrowing of HK$1,113 million granted to the Group;
- the Group's obligations under finance leases totalling HK$31 million were secured by charge over the leased assets with carrying value of HK$193 million; and
- certain plant and machinery of the Group with carrying value of HK$50 million were pledged to secure bank borrowings totalling HK$32 million granted to the Group.

CONTINGENT LIABILITIES

As at 31st December, 2008, the Group was subject to the following contingent liability:

HK$ million	
Guarantee in respect of a bank loan drawn by an affiliated company	871

EMPLOYEES

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 1,037 employees. Employees' cost (excluding directors' emoluments) amounted to HK$278 million. The Group ensures that the pay levels of its employees are competitive and that its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

Preferential subscription of 2,978,000 new shares of the Company was given to those employees who had subscribed for shares of HK$1.00 each in the Company at HK$12.65 per share on the flotation of the Company in 1996. The Group does not have any share option scheme for employees.

BOARD AND SENIOR MANAGEMENT

Executive Committee
Front *(from left to right)* Andrew Hunter, H L Kam, Victor Li, Edmond Ip
Back *(from left to right)* Joanna Chen, Pak Lam Lun, Lambert Leung, Dominic Chan, Ivan Chan, Victor Luk, Wendy Tong Barnes

DIRECTORS' BIOGRAPHICAL INFORMATION

LI Tzar Kuoi, Victor, aged 44, has been the Chairman of the Company since its incorporation in May 1996. He is the Chairman of the Remuneration Committee of the Company since March 2005. He is also the Managing Director and Deputy Chairman of Cheung Kong (Holdings) Limited, Deputy Chairman of Hutchison Whampoa Limited, the Chairman of CK Life Sciences Int'l., (Holdings) Inc., an Executive Director of Hongkong Electric Holdings Limited, Co-Chairman of Husky Energy Inc. and a Director of The Hongkong and Shanghai Banking Corporation Limited ("HSBC"). Except for HSBC, all the companies mentioned above are listed companies. Mr. Victor Li serves as a member of the Standing Committee of the 11th National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He is also a member of the Commission on Strategic Development, the Greater Pearl River Delta Business Council and the Council for Sustainable Development of the Hong Kong Special Administrative Region, and Vice Chairman of the Hong Kong General Chamber of Commerce. He is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"). He holds a Bachelor of Science degree in Civil Engineering and a Master of Science degree in Structural Engineering. Mr. Victor Li is a son of Mr. Li Ka-shing, a substantial shareholder of the Company within the meaning of Part XV of the SFO, and a nephew of Mr. Kam Hing Lam, the Group Managing Director of the Company.

KAM Hing Lam, aged 62, has been the Group Managing Director of the Company since its incorporation in May 1996. He has also been the Deputy Managing Director of Cheung Kong (Holdings) Limited since February 1993. He is also the President and Chief Executive Officer of CK Life Sciences Int'l., (Holdings) Inc., an Executive Director of Hutchison Whampoa Limited and Hongkong Electric Holdings Limited, and a Non-executive Director of Spark Infrastructure Group. All the companies mentioned above are listed companies. He is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO. Mr. Kam is a member of the 11th Beijing Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He holds a Bachelor of Science degree in Engineering and a Master's degree in Business Administration. Mr. Kam is an uncle of Mr. Li Tzar Kuoi, Victor, the Chairman of the Company.

IP Tak Chuen, Edmond, aged 56, has been an Executive Director of the Company since its incorporation in May 1996 and Deputy Chairman of the Company since February 2003. He is also Deputy Managing Director of Cheung Kong (Holdings) Limited. In addition, he is the Senior Vice President and Chief Investment Officer of CK Life Sciences Int'l., (Holdings) Inc., and a Non-executive Director of TOM Group Limited, ARA Asset Management Limited, CATIC International Holdings Limited, Excel Technology International Holdings Limited, The Ming An (Holdings) Company Limited and Shougang Concord International Enterprises Company Limited. All the companies mentioned above are listed companies. Mr. Ip is also a Director of ARA Asset Management (Singapore) Limited, which manages Fortune Real Estate Investment Trust, a real estate investment trust listed on the Singapore Exchange Securities Trading Limited ("SESTL"), and of ARA Trust Management (Suntec) Limited, which manages Suntec Real Estate Investment Trust, a real estate investment trust listed on SESTL. He is also a director of a substantial shareholder of the Company within the meaning of Part XV of the SFO. He holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration.

FOK Kin Ning, Canning, aged 57, has been an Executive Director and Deputy Chairman of the Company since March 1997. He is currently the Group Managing Director of Hutchison Whampoa Limited and a Non-executive Director of Cheung Kong (Holdings) Limited. In addition, Mr. Fok is the Chairman of Hutchison Harbour Ring Limited, Hutchison Telecommunications International Limited, Hutchison Telecommunications (Australia) Limited, Hongkong Electric Holdings Limited and Partner Communications Company Ltd. and Co-Chairman of Husky Energy Inc. All the companies mentioned above are listed companies. He is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO. He holds a Bachelor of Arts degree and a Diploma in Financial Management, and is a member of the Australian Institute of Chartered Accountants.

Andrew John HUNTER, aged 50, has been an Executive Director and Chief Operating Officer of the Company since December 2006. Mr. Hunter is currently the Chief Financial Officer of Cheung Kong (Holdings) Limited, which is a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Hunter is also an Executive Director of Hongkong Electric Holdings Limited and a Non-executive Director of Spark Infrastructure Group. All the companies mentioned above are listed companies. Prior to the appointment to the board of Hongkong Electric Holdings Limited in 1999, Mr. Hunter was the Finance Director of the Hutchison Property Group. He holds a Master of Arts degree and a Master's degree in Business Administration. He is a member of the Institute of Chartered Accountants of Scotland and of the Hong Kong Institute of Certified Public Accountants. He has over 26 years of experience in accounting and financial management.

DIRECTORS' BIOGRAPHICAL INFORMATION (CONT'D)

CHOW WOO Mo Fong, Susan, aged 55, has been an Executive Director of the Company since March 1997. She is the Deputy Group Managing Director of Hutchison Whampoa Limited. She is also an Executive Director of Hutchison Harbour Ring Limited and Hongkong Electric Holdings Limited, a Non-executive Director of Hutchison Telecommunications International Limited and TOM Group Limited and a Director of Hutchison Telecommunications (Australia) Limited and Partner Communications Company Ltd. All the companies mentioned above are listed companies. She is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO. She is a solicitor and holds a Bachelor's degree in Business Administration.

Frank John SIXT, aged 57, has been an Executive Director of the Company since its incorporation in May 1996. He is a Non-executive Director of Cheung Kong (Holdings) Limited and the Group Finance Director of Hutchison Whampoa Limited. He is also the Non-executive Chairman of TOM Group Limited, an Executive Director of Hongkong Electric Holdings Limited, a Non-executive Director of Hutchison Telecommunications International Limited and a Director of Hutchison Telecommunications (Australia) Limited, Husky Energy Inc. and Partner Communications Company Ltd. All the companies mentioned above are listed companies. He is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO. He holds a Master's degree in Arts and a Bachelor's degree in Civil Law, and is a member of the Bar and of the Law Society of the Provinces of Quebec and Ontario, Canada.

TSO Kai Sum, aged 77, has been an Executive Director of the Company since March 1997. He is also the Group Managing Director of Hongkong Electric Holdings Limited, a listed company. Mr. Tso initially worked with the Hongkong Electric Group from 1966 to 1981, holding the positions of Chief Project Engineer of The Hongkong Electric Company, Limited and Executive Director of Associated Technical Services Limited. In 1981, he joined International City Holdings Limited as an Executive Director. In 1987, he joined the Hutchison Whampoa Group as the Group Managing Director of Hutchison Whampoa Properties. In 1997, he re-joined the Hongkong Electric Group as Group Managing Director. Mr. Tso holds a Bachelor of Science degree in Civil Engineering and is also a Chartered Engineer. He is a member of the Institute of Civil Engineers and the Institute of Structural Engineers in the United Kingdom.

CHEONG Ying Chew, Henry, aged 61, has been an Independent Non-executive Director of the Company since its incorporation in May 1996. He has been a member of the Audit Committee of the Company since December 1998 and acted as the Chairman of the Audit Committee from December 1998 to December 2006. Mr. Cheong is also a member of the Remuneration Committee of the Company. He is also an Independent Non-executive Director of Cheung Kong (Holdings) Limited. In addition, he is an Independent Non-executive Director of TOM Group Limited, CNNC International Limited, Excel Technology International Holdings Limited, New World Department Store China Limited and SPG Land (Holdings) Limited. Mr. Cheong was previously an Independent Non-executive Director of FPP Japan Fund Inc (formerly known as FPP Golden Asia Fund Inc). All the companies mentioned above are listed companies. He is also a director of a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Cheong is a member of the Securities and Futures Appeals Tribunal. He holds a Bachelor of Science degree in Mathematics and a Master of Science degree in Operational Research and Management.

KWOK Eva Lee, aged 66, has been an Independent Non-executive Director of the Company since September 2004. She is also an Independent Non-executive Director of CK Life Sciences Int'l., (Holdings) Inc. and a Director of Li Ka Shing (Canada) Foundation ("LKS Canada Foundation"). She currently serves as Chair and Chief Executive Officer of Amara International Investment Corporation ("Amara"). Mrs. Kwok also acts as an Independent Director for Husky Energy Inc. Mrs. Kwok currently sits on the Compensation Committee and Corporate Governance Committee of Husky Energy Inc., and the Audit Committee and the Remuneration Committee of CK Life Sciences Int'l., (Holdings) Inc. and the Audit Committee of the Company. Except for LKS Canada Foundation and Amara, all the companies mentioned above are listed companies. In addition, she was an Independent Director for Bank of Montreal, a listed company, and previously sat on the Audit Committee and Pension Fund Society of the Bank of Montreal, the Nominating and Governance Committee of Shoppers Drug Mart Corporation, the Independent Committee of Directors and Human Resources Committee of Telesystems International Wireless (TIW) Inc., the Independent Committee of Directors and the Corporate Governance Committee of Fletcher Challenge Canada Ltd., the Audit and Corporate Governance Committees of Clarica Life Insurance Company and the Corporate Governance Committee of Air Canada.

SNG Sow-mei alias POON Sow Mei, aged 67, has been an Independent Non-executive Director and a member of the Audit Committee of the Company since September 2004. She has been an Independent Director of ARA Asset Management (Singapore) Limited, which manages Fortune Real Estate Investment Trust, a real estate investment trust listed on the SESTL, since 23rd June, 2003, an Independent Director of ARA Trust Management (Suntec) Limited, which manages Suntec Real Estate Investment Trust, a real estate investment trust listed on SESTL, since 28th October, 2004, an Independent Non-executive Director of ARA Asset Management (Prosperity) Limited, which manages Prosperity Real Estate Investment Trust, a real estate investment trust listed on The Stock Exchange of Hong Kong Limited, since 2nd October, 2005 and a director of INFA Systems Ltd. since 14th September, 2007. Since 2001, Mrs. Sng has been the Senior Consultant (International Business) of Singapore Technologies Electronics Ltd. Concurrently, she is an Advisor of InfoWave Pte Ltd. Prior to her appointment with Singapore Technologies Pte Ltd. where Mrs. Sng was the Director, Special Projects (North East Asia) in 2000 and a Consultant in 2001, Mrs. Sng was the Managing Director of CapitaLand Hong Kong Ltd. for investments in Hong Kong and the region including Japan and Taiwan. In Hong Kong from 1983 to 1997, Mrs. Sng was the Centre Director and then as Regional Director of the Singapore Economic Development Board and Trade Development Board respectively. Mrs. Sng was Singapore's Trade Commissioner in Hong Kong from 1990 to 1997. Mrs. Sng holds a Bachelor of Arts degree from the Nanyang University in Singapore and has wide experience in various fields of industrial investment, business development, strategic and financial management, especially in property investment and management. In 1996, Mrs. Sng was conferred the title of PPA(P) – Pingat Pentadbiran Awam (Perak), the Singapore Public Administration Medal (Silver) by the Republic of Singapore.

DIRECTORS' BIOGRAPHICAL INFORMATION (CONT'D)

Colin Stevens RUSSEL, aged 68, has been an Independent Non-executive Director and a member of the Remuneration Committee of the Company since January 2005. He has been a member of the Audit Committee of the Company since January 2005 and the Chairman of the Audit Committee of the Company since January 2007. He is also an Independent Non-executive Director of CK Life Sciences Int'l., (Holdings) Inc. and ARA Asset Management Limited, and a Non-executive Director of Husky Energy Inc. All the companies mentioned above are listed companies. Mr. Russel is the founder and Managing Director of Emerging Markets Advisory Services Ltd., a company which provides advisory services to organisations on business strategy and planning, market development, competitive positioning and risk management. He is also Managing Director of EMAS (HK) Ltd. He was the Canadian Ambassador to Venezuela, Consul General for Canada in Hong Kong, Director for China of the Department of Foreign Affairs, Ottawa, Director for East Asia Trade in Ottawa, Senior Trade Commissioner for Canada in Hong Kong, Director for Japan Trade in Ottawa, and was in the Trade Commissioner Service for Canada in Spain, Hong Kong, Morocco, the Philippines, London and India. He was Project Manager for RCA Ltd in Liberia, Nigeria, Mexico and India and electronic equipment development engineer in Canada with RCA Ltd and in Britain with Associated Electrical Industries. Mr. Russel is a Professional Engineer and Qualified Commercial Mediator. He received his Master's degree in Business Administration and a degree in electronics engineering from McGill University, Canada.

LAN Hong Tsung, David, aged 68, has been an Independent Non-executive Director and a member of the Audit Committee of the Company since February 2005. He is also an Independent Non-executive Director of Hutchison Harbour Ring Limited and SJM Holdings Limited, both are listed companies, and of ARA Asset Management (Prosperity) Limited, which manages Prosperity Real Estate Investment Trust, a real estate investment trust listed on The Stock Exchange of Hong Kong Limited. He is currently the Chairman of David H T Lan Consultants Ltd. and holds directorship at Nanyang Commercial Bank Ltd. He is also a Senior Advisor of Mitsui & Co. (H.K.) Ltd. Mr. Lan was the Secretary for Home Affairs of the Hong Kong Special Administrative Region Government until his retirement in July 2000. He had served as civil servant in various capacities for 39 years. He was awarded the Gold Bauhinia Star Medal (GBS) on 1st July, 2000. In January 2003, he was appointed National Committee Member of the Chinese People's Political Consultative Conference of the People's Republic of China. Mr. Lan is a Chartered Secretary and a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He received his Bachelor of Arts degree in Economics and Law from the University of London and completed the Advanced Management Program (AMP) of the Harvard Business School, Boston. He was also awarded Fellow, Queen Elizabeth House (Oxford).

LEE Pui Ling, Angelina, aged 60, acted as an Independent Non-executive Director of the Company from May 1996 to September 2004 and has been a Non-executive Director of the Company since September 2004. She is a practising solicitor, has a Bachelor of Laws degree and is a Fellow of the Institute of Chartered Accountants in England and Wales. She is active in public service and is a Non-executive Director of the Securities and Futures Commission, a Member of the Takeover and Mergers Panel and Takeovers Appeal Committee, and a Non-executive Director of the Mandatory Provident Fund Management Board. She is also a Non-executive Director of TOM Group Limited and Henderson Land Development Company Limited and an Independent Non-executive Director of Great Eagle Holdings Limited. All the companies mentioned above are listed companies.

Barrie COOK, aged 66, acted as an Executive Director of the Company from 2000 to September 2003 and has been a Non-executive Director of the Company since October 2003. He is the Honorary Chairman of the Hong Kong Construction Materials Association and a member of the Hong Kong Government's Council on Sustainable Development. Mr. Cook is a past Chairman of the East Asian Cement Forum, the Hong Kong Cement Association and the Hong Kong Government's Waste Reduction Committee. He was previously a member of the Hong Kong Government's Advisory Council on the Environment and was the Convenor of the Hong Kong Business Coalition on the Environment. Mr. Cook was very active in community affairs through his work with the Hong Kong General Chamber of Commerce. Mr. Cook holds a bachelor of Science Degree in Civil Engineering, and he is a Member of the Institution of Civil Engineers of the United Kingdom and a Fellow of the Chartered Management Institute of the United Kingdom.

George Colin MAGNUS, aged 73, acted as an Executive Director and Deputy Chairman of the Company from May 1996 to October 2005 and has been a Non-executive Director of the Company since November 2005. He is also a Non-executive Director of Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited. In addition, he is a Non-executive Director of Hongkong Electric Holdings Limited. All the companies mentioned above are listed companies. He is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO. He holds a Master's degree in Economics.

MAN Ka Keung, Simon, aged 51, has been an Alternate Director to Mr. Ip Tak Chuen, Edmond, Deputy Chairman of the Company, since February 2008. He joined the Cheung Kong Group in December 1987 and has been the Chief Manager of the Accounts Department of Cheung Kong (Holdings) Limited, which is a listed company and a substantial shareholder of the Company within the meaning of Part XV of the SFO, since January 1996. He is also Director, Corporate Strategy Unit of Cheung Kong (Holdings) Limited. He has over 28 years of experience in accounting, taxation, financing and auditing. He holds a Bachelor's degree in Economics and is an associate member of The Institute of Chartered Accountant in Australia.

Eirene YEUNG, aged 48, Alternate Director to Mr. Kam Hing Lam, the Group Managing Director of the Company, since February 2008 and is the Company Secretary of the Company. She is also Director, Corporate Strategy Unit and Company Secretary of Cheung Kong (Holdings) Limited, which is a listed company and a substantial shareholder of the Company within the meaning of Part XV of the SFO; the Company Secretary of CK Life Sciences Int'l., (Holdings) Inc., a listed company; and a Director of ARA Asset Management (Singapore) Limited, which manages Fortune Real Estate Investment Trust, a real estate investment trust listed on the SESTL. Ms. Yeung joined the Cheung Kong Group in August 1994. She has extensive experience in corporate and commercial legal work, listing, regulatory and origination compliance and company secretarial field. Ms. Yeung is a member of the Dual Filing Advisory Group of the Securities and Futures Commission, a member of the Board of Review (Inland Revenue Ordinance) and a member of the Companies Ordinance Rewrite Advisory Group; and was a Part-time Member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region ("HKSAR") from 2005 to 2007. She is a solicitor of the High Court of HKSAR and of the Supreme Court of Judicature in England and Wales, and a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. She holds a Master of Science degree in Finance, a Master's degree in Business Administration and a Bachelor's degree in Laws.

SENIOR MANAGEMENT'S BIOGRAPHICAL INFORMATION

CHAN Kee Ham, Ivan, aged 46, Chief Planning and Investment Officer, has been with the Cheung Kong Group since September 1999. He has over 22 years of experience in investment, banking and finance. He holds a Bachelor's degree in Science, a Bachelor's degree in Chinese Law and a Master's degree in Business Administration.

CHAN Loi Shun, Dominic, aged 46, Chief Financial Officer, joined Hutchison Whampoa Limited in January 1992 and has been with the Cheung Kong Group since May 1994. He is a fellow of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants.

CHEN Tsien Hua, Joanna, aged 46, Head of Business Development, joined Hutchison Whampoa Limited in August 1992, and has been with the Company since July 1996. She holds a Bachelor's degree in Social Sciences and a Master's Degree in Business Administration.

Donald William JOHNSTON, aged 66, Executive Director of Anderson Asia (Holdings) Limited, Green Island Cement (Holdings) Limited and Green Island International Limited, has been with the Cheung Kong Group since 1988. He holds a Master's degree in Business Administration and a Bachelor's degree in Civil Engineering and is a Chartered Professional Engineer. He is a member of the Institute of Engineers (Australia) and a fellow of the Institute of Quarrying.

LEUNG Ying Wah, Lambert, aged 62, Chief Executive Officer of Cheung Kong Infrastructure Materials. He is a fellow of the Association of Chartered Certified Accountants, a fellow of the Hong Kong Institute of Certified Public Accountants, a fellow of the Institute of Quarrying (UK) and the past chairman of the Institute of Quarrying, Hong Kong Branch.

LUK Sai Hong, Victor, aged 45, Group General Counsel, has been with the Cheung Kong Group since July 1998. He has over 18 years of experience in the legal field. He holds a Bachelor's degree in Social Science. He was admitted as solicitor of the Supreme Court in England in 1992 and was admitted as solicitor in Hong Kong in 1993. He is a solicitor of the High Court of the Hong Kong Special Administrative Region and is a member of The Law Society of Hong Kong.

LUN Pak Lam, aged 51, Head of China Infrastructure, joined Hutchison Whampoa Limited and Cheung Kong (Holdings) Limited in May 1993 and June 1994 respectively and has been with the Company since July 1996. He holds a Bachelor's and a Master's degree in Engineering and a Master of Finance degree in Investment Management.

TONG BARNES Wai Che, Wendy, aged 48, Chief Corporate Affairs Officer, joined the Cheung Kong Group in March 1999. She is also the Chief Corporate Affairs Officer of Cheung Kong (Holdings) Limited and CK Life Sciences Int'l., (Holdings) Inc. She has over 24 years of experience in public relations, marketing communications and corporate affairs. She holds a Bachelor's degree in Business Administration.

TSANG Pak Chung, Eddy, aged 51, Executive Director of Green Island Cement (Holdings) Limited, Green Island International Limited and Anderson Asia (Holdings) Limited, joined the Cheung Kong Group in January 2005. Prior to this appointment, he was Vice Chairman of two listed companies. He is a member of each of the Institute of Chartered Accountants in Australia, the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Secretaries and Administrators. He holds a Master's degree in Commerce and a Bachelor's degree in Economics.

YIP Cheung, Lawrence, aged 45, Group Audit Manager, has been with the Cheung Kong Group since November 1997. He has over 20 years of experience in auditing. He holds a Master's degree in Business Administration. He is a fellow of the Hong Kong Institute of Certified Public Accountants, a fellow of the Chartered Association of Certified Accountants and an associate of the Institute of Chartered Accountants in England and Wales.

RISK FACTORS

The Group's businesses, financial conditions, results of operations or growth prospects may be affected by risks and uncertainties pertaining to the Group's businesses. The factors set out below are those that the Group believes could result in the Group's businesses, financial conditions, results of operations or growth prospects differing materially from expected or historical results. These factors are by no means exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future. In addition, this Annual Report does not constitute a recommendation or advice for you to invest in the shares of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the shares of the Company.

GLOBAL FINANCIAL AND CREDIT CRISIS

The global markets were severely hit by the financial and credit crisis triggered in 2008 by the U.S. subprime mortgage predicament, and the magnitude and undiscriminating nature of the adverse fallout across various countries and economic sectors was unprecedented. The negative repercussions of a tight global credit market have resulted in increased stock market volatility, worsening unemployment, and a contraction of economic activities in emerging markets as well as major developed economies. The Group is a diversified infrastructure investment company with businesses in Hong Kong, the Mainland, Australia, New Zealand, the United Kingdom, Canada and the Philippines. Any continuing adverse economic conditions in those countries and places in which the Group operates may therefore impact on the Group's financial position or potential income, asset value and liabilities.

ECONOMIC CONDITIONS AND INTEREST RATES

The industries in which the Group operates are affected by the economic conditions of the various places where the Group's investments or operations are located, the population growth of these places, mark to market value of securities investments, the currency environment and interest rates cycles. There can be no assurance that the combination of the above factors the Group experiences in the future will not adversely affect its financial conditions or results of operations.

In particular, income from finance and treasury operations is dependent upon the capital market, interest rate and currency environment, and the worldwide economic and market conditions, and therefore there can be no assurance that changes in these conditions will not adversely affect the Group's financial conditions or results of operations. The volatilities in the financial markets may also adversely affect the income to be derived by the Group from its finance and treasury activities.

INFRASTRUCTURE MARKET

Some of the investments owned by the Group (for example, gas and electricity) are subject to regulatory pricing and strict adherence must be made to the licence requirements, codes and guidelines established by the relevant regulatory authorities from time to time. Failure to comply with these licence requirements, codes or guidelines may lead to penalties, or, in extreme circumstances, amendment, suspension or cancellation of the relevant licences by the authorities.

The distribution networks of the Group's utilities investments are also exposed to supply interruptions. If a severe storm, fire, sabotage, terrorist attack or other unplanned event interrupts service, the loss of cash flow resulting from the interruption and the cost of recovery from network damage could be considerable and potentially cause poor customer perception and may also lead to claims and litigations. Moreover, some losses from events such as terrorist attacks may not be recoverable. Increases in the number or duration of supply interruptions could result in material increases in the costs associated with the operation of the distribution networks, which could have a material adverse effect on the businesses, financial conditions and results of operations of the Group.

CAPITAL EXPENDITURE

A significant amount of capital expenditure is required for the Group to acquire new investments and to maintain the assets of its existing businesses. While the relevant asset companies have their own asset management plans, there is a risk that due to unforeseen events, capital expenditure required for the replacement of assets could exceed budgeted amounts and hence affecting the businesses, financial conditions and results of operations of the Group.

CURRENCY FLUCTUATIONS

The results of the Group is recorded in Hong Kong dollars but its various subsidiaries, associates and joint ventures may receive revenue and incur expenses in other currencies. Any currency fluctuations on translation of the accounts of these subsidiaries, associates and joint ventures and also on the repatriation of earnings, equity investments and loans may therefore impact on the Group's performance. Although currency exposures have been managed by the Group, a depreciation or fluctuation of the currencies in which the Group conducts operations relative to the Hong Kong dollar could adversely affect the Group's financial conditions or results of operations.

STRATEGIC PARTNERS

Some of the businesses of the Group are conducted through non wholly-owned subsidiaries, associates and joint ventures in which the Group shares control (in whole or in part) and strategic alliances had been formed by the Group with other strategic or business partners. There can be no assurance that any of these strategic or business partners will continue their relationships with the Group in the future or that the Group will be able to pursue its stated strategies with respect to its non wholly-owned subsidiaries, associates and joint ventures and the markets in which they operate. Furthermore, the joint venture partners may (a) have economic or business interests or goals that are inconsistent with those of the Group; (b) take actions contrary to the Group's policies or objectives; (c) undergo a change of control; (d) experience financial and other difficulties; or (e) be unable or unwilling to fulfil their obligations under the joint ventures, which may affect the Group's financial conditions or results of operations.

MERGERS AND ACQUISITIONS

The Company has undertaken mergers and acquisitions activities in the past and may continue to do so if there are appropriate acquisition opportunities in the market. Although due diligence and detailed analysis are conducted before these activities are being undertaking, there can be no assurance that these can fully expose all hidden problems, potential liabilities and unresolved disputes that the target company may have. In addition, valuations and analyses on the target company conducted by the Company and by professionals alike are based on numerous assumptions, and there can be no assurance that those assumptions are correct or appropriate or that they will receive universal recognition. Relevant facts and circumstances used in the analyses could have changed over time, and new facts and circumstances may come to light as to render the previous assumptions and the valuations and analyses based thereon obsolete. Some of these mergers and acquisitions activities are subject to regulatory approvals in overseas countries and there can be no assurance that such approvals will be obtained, and even if granted, that there will be no burdensome conditions attached to such approvals. The Company may not necessarily be able to successfully integrate the target business into the Group and may not be able to derive any synergy from the acquisition, leading to increase in costs, time and resources. For merger and acquisitions activities undertaken in overseas countries, the Company may also be exposed to different and changing political, social, legal and regulatory requirements at the local, national and international level. The Company may also need to face different cultural issues when dealing with local employees, customers, governmental authorities and pressure groups.

IMPACT OF LOCAL, NATIONAL AND INTERNATIONAL REGULATIONS

The local business risks in different countries and cities in which the Group operates could have a material impact on the financial conditions, results of operations and growth prospects of the businesses in the relevant market. The Group has investments in different countries and cities around the world and the Group is, and may increasingly become, exposed to different and changing political, social, legal, tax, regulatory and environmental requirements at the local, national or international level. Also, new policies or measures by governments, whether fiscal, tax, regulatory, environmental or other competitive changes, may lead to an increase in additional or unplanned capital expenditure, pose a risk to the overall investment return of the Group's businesses and may delay or prevent the commercial operation of a business with resulting loss of revenue and profit.

IMPACT OF NEW ACCOUNTING STANDARDS

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has from time to time issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS"). HKICPA may in the future issue new and revised standards and interpretations. In addition, interpretations on the application of the HKFRS will continue to develop. These factors may require the Group to adopt new accounting policies. The adoption of new accounting policies or new HKFRS might or could have a significant impact on the Group's financial position or results of operations.

OUTBREAK OF HIGHLY CONTAGIOUS DISEASE

In 2003, there was an outbreak of Severe Acute Respiratory Syndrome ("SARS") in Hong Kong, the Mainland and other places. The SARS outbreak had a significant adverse impact on the economies of the affected areas. There can be no assurance that there will not be another significant global outbreak of a severe communicable disease such as avian influenza. If such an outbreak were to occur, it may have a material adverse impact on the operations of the Group and its results of operations may suffer.

THE GROUP'S FINANCIAL CONDITIONS OR RESULTS OF OPERATIONS ARE AFFECTED BY THOSE OF THE HK ELECTRIC GROUP

The Group owns approximately 38.87 per cent of the HK Electric Group which operates in Hong Kong and has investments in different countries and places. Hence the financial conditions and results of operations of the HK Electric Group may be affected by the local market conditions and the economy of Hong Kong as well as the places where its investments are located. The Group's financial conditions and results of operations are materially affected by the financial conditions and results of operations of the HK Electric Group. In addition, the core businesses of the HK Electric Group are different from those of the Group, and as a result, the Group is indirectly exposed to the risks the HK Electric Group is facing.

Besides, the operations of the HK Electric Group are subject to a scheme of control ("SCA") agreed with the Hong Kong Government which provides for a permitted level of earnings based principally on a return on their capital investment in electricity generation, transmission and distribution assets. The scheme of control was renewed for a term of ten years commencing 1st January, 2009 with an option for the Government to extend the new SCA for a further term of five years. There can be no assurance that changes to or abolition of the scheme of control in the future will not adversely affect the HK Electric Group's (and hence the Group's) financial conditions and results of operations.

PAST PERFORMANCE AND FORWARD LOOKING STATEMENTS

The performance and the results of operations of the Group during the past years as contained in this Annual Report are historical in nature and past performance can be no guarantee of future results of the Group. This Annual Report may contain forward-looking statements and opinions that involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. Neither the Group nor the Directors, employees or agents of the Group assume (a) any obligation to correct or update the forward-looking statements or opinions contained in this Annual Report; and (b) any liability in the event that any of the forward-looking statements or opinions does not materialise or turns out to be incorrect.

REPORT OF THE DIRECTORS

The Directors are pleased to present shareholders with the annual report together with the audited financial statements of the Group for the year ended 31st December, 2008.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

Results of the Group for the year ended 31st December, 2008 are set out in the consolidated income statement on page 109.

The Directors recommend the payment of a final dividend of HK$0.838 per share which, together with the interim dividend of HK$0.297 per share paid on 26th September, 2008, makes the total dividend of HK$1.135 per share for the year.

PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND

Movements in the Group's property, plant and equipment and leasehold land during the year are set out in notes 17 and 19 to the consolidated financial statements on pages 136 to 138.

RESERVES

Details of changes in the reserves of the Group are set out in note 34 to the consolidated financial statements on page 160.

GROUP FINANCIAL SUMMARY

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

PROPERTIES

Particulars of major properties held by the Group are set out in Appendix 4 on page 172.

DIRECTORS

The Directors of the Company in office at the date of this report are listed on page 182 and their biographical information is set out on pages 30 to 35.

On 11th February, 2008, Mr. Man Ka Keung, Simon was appointed as Alternate Director to Mr. Ip Tak Chuen, Edmond, Deputy Chairman and Executive Director of the Company, and Ms. Eirene Yeung was appointed as Alternate Director to Mr. Kam Hing Lam, Group Managing Director of the Company.

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. Fok Kin Ning, Canning, Mr. Tso Kai Sum, Mr. Cheong Ying Chew, Henry and Mr. Barrie Cook will retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st December, 2008, 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, 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

			Number of Ordinary Shares					
Name of Company	Name of Director	Capacity	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	Approximate % of Shareholding
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 corporations & 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 & interest of child or spouse	60,000	40,000	–	–	100,000	0.002%
	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	4,310,875 (Note 5)	–	4,310,875	0.10%
	Chow Woo Mo Fong, Susan	Beneficial owner	150,000	–	–	–	150,000	0.003%
	Frank John Sixt	Beneficial owner	50,000	–	–	–	50,000	0.001%
	Lan Hong Tsung, David	Beneficial owner	20,000	–	–	–	20,000	0.0004%
	Lee Pui Ling, Angelina	Beneficial owner	38,500	–	–	–	38,500	0.0009%
	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%
	Man Ka Keung, Simon	Beneficial owner & interest of child or spouse	2,770 (Note 7)	2,770 (Note 7)	–	–	2,770	0.00006%

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONT'D)

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

Name of Company	Name of Director	Capacity	Number of Ordinary Shares: Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	Approximate % of Shareholding
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	38.87%
	Lee Pui Ling, Angelina	Beneficial owner	8,800	–	–	–	8,800	0.0004%
Hutchison Harbour Ring Limited	Li Tzar Kuoi, Victor	Beneficiary of trusts	–	–	–	6,399,728,952 (Note 8)	6,399,728,952	71.50%
	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	5,000,000 (Note 5)	–	5,000,000	0.05%
Hutchison Telecommunications (Australia) Limited	Fok Kin Ning, Canning	Beneficial owner & interest of controlled corporation	4,100,000	–	1,000,000 (Note 5)	–	5,100,000	0.68%
	Frank John Sixt	Beneficial owner	1,000,000	–	–	–	1,000,000	0.13%
Hutchison Telecommunications International Limited	Li Tzar Kuoi, Victor	Interest of controlled corporations & beneficiary of trusts	–	–	2,519,250 (Note 3)	2,958,068,120 (Note 9)	2,960,587,370	61.49%
	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	1,202,380 (Note 5)	–	1,202,380	0.025%
	Chow Woo Mo Fong, Susan	Beneficial owner	250,000	–	–	–	250,000	0.005%
	George Colin Magnus	Beneficial owner & interest of child or spouse	13,201	132	–	–	13,333	0.0003%

(2) Long Positions in Underlying Shares

Name of Company	Name of Director	Capacity	Number of Underlying Shares: Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
Company	Li Tzar Kuoi, Victor	Beneficiary of trusts	–	–	–	2 (Note 10)	2
Hutchison Telecommunications International Limited	Frank John Sixt	Beneficial owner	255,000 (Note 11)	–	–	–	255,000
Partner Communications Company Ltd.	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	225,000 (Note 12)	–	225,000
	George Colin Magnus	Beneficial owner	25,000 (Note 13)	–	–	–	25,000

(3) Long Positions in Debentures

Name of Company	Name of Director	Capacity	Amount of Debentures: Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
Hutchison Whampoa International (01/11) Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation	–	–	US$12,000,000 7% Notes due 2011 (Note 3)	–	US$12,000,000 7% Notes due 2011
Hutchison Whampoa International (03/13) Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation	–	–	US$21,000,000 6.5% Notes due 2013 (Note 3)	–	US$21,000,000 6.5% Notes due 2013
	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	US$2,500,000 6.5% Notes due 2013 (Note 5)	–	US$2,500,000 6.5% Notes due 2013
	Man Ka Keung, Simon	Beneficial owner & interest of child or spouse	US$100,000 6.5% Notes due 2013 (Note 7)	US$100,000 6.5% Notes due 2013 (Note 7)	–	–	US$100,000 6.5% Notes due 2013

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONT'D)

(3) Long Positions in Debentures (Cont'd)

			Amount of Debentures				
Name of Company	Name of Director	Capacity	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
Hutchison Whampoa International (03/33) Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation	–	–	US$8,000,000 6.25% Notes due 2014 (Note 3)	–	US$8,000,000 6.25% Notes due 2014
		Interest of controlled corporation	–	–	US$15,000,000 7.45% Notes due 2033 (Note 3)	–	US$15,000,000 7.45% Notes due 2033
	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	US$2,500,000 5.45% Notes due 2010 (Note 5)	–	US$2,500,000 5.45% Notes due 2010
		Interest of controlled corporation	–	–	US$2,500,000 6.25% Notes due 2014 (Note 5)	–	US$2,500,000 6.25% Notes due 2014
		Interest of controlled corporation	–	–	US$2,000,000 7.45% Notes due 2033 (Note 5)	–	US$2,000,000 7.45% Notes due 2033
	Man Ka Keung, Simon	Beneficial owner & interest of child or spouse	US$200,000 6.25% Notes due 2014 (Note 7)	US$200,000 6.25% Notes due 2014 (Note 7)	–	–	US$200,000 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 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 Cheung Kong (Holdings) Limited ("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.

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 under the SFO as a Director of the Company. 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 of the Company, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said shares of HWL under the SFO; and

   (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 of the Company. 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 of the Company 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 of the Company 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.

7. Such interests are jointly held by Mr. Man Ka Keung, Simon and his wife.

8. Such shares of Hutchison Harbour Ring Limited ("HHR") are held by certain wholly-owned subsidiaries of HWL.

   By virtue of the interests in the shares of HWL in relation to which Mr. Li Tzar Kuoi, Victor has a duty of disclosure under the SFO in the issued share capital of HWL as described in Note 2 above and as a Director of the Company, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said shares of HHR under the SFO.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONT'D)

Notes (Cont'd):

9. Such shares of Hutchison Telecommunications International Limited ("HTIL") comprise:

   (a) 2,957,914,840 ordinary shares of which 52,092,587 ordinary shares and 2,905,822,253 ordinary shares are held by certain wholly-owned subsidiaries of CKH and HWL respectively. 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 of the Company, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said shares of HTIL under the SFO; and

   (b) 153,280 ordinary shares held by TUT3 as trustee of UT3. Mr. Li Tzar Kuoi, Victor, as a Director of the Company, by virtue of being a discretionary beneficiary of each of DT3 and DT4 and his deemed interests in TUT3 as trustee of UT3 as described in Note 2(b) above, is taken to have a duty of disclosure in relation to the said shares of HTIL under the SFO.

10. Such underlying shares of the Company are held by an indirect wholly-owned subsidiary of CKH by virtue of the HK$300,000,000 capital guaranteed notes due 2009.

    By virtue of the interests in the shares of CKH taken to have by Mr. Li Tzar Kuoi, Victor under the SFO as described in Note 1 above and as a Director of the Company, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said interest in the underlying shares of the Company under the SFO.

11. Such underlying shares are derived from the 17,000 American Depositary Shares (each representing 15 ordinary shares) in HTIL beneficially owned by Mr. Frank John Sixt.

12. Such underlying shares are derived from the 225,000 American Depositary Shares (each representing one ordinary share) in Partner Communications Company Ltd. ("Partner Communications") held by a company which is equally owned by Mr. Fok Kin Ning, Canning and his wife.

13. Such underlying shares are derived from the 25,000 American Depositary Shares (each representing one ordinary share) in Partner Communications beneficially owned by Mr. George Colin Magnus.

Mr. Li Tzar Kuoi, Victor, by virtue of being a Director of the Company 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, 2008, 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 contracts of significance to which the Company or its subsidiary was a party and in which a Director of the Company had a material interest, whether directly or indirectly, during the year ended 31st December, 2008.

At no time during the year was the Company or subsidiary a party to any arrangements which enabled any Director of the Company 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 of the Company 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 executive of the Company, as at 31st December, 2008, 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 and Underlying Shares of the Company

Name	Capacity	Number of Ordinary Shares	Number of Underlying Shares	Total	Approximate % of Shareholding
Hutchison Infrastructure Holdings Limited	Beneficial owner	1,906,681,945 (Note i)	–	1,906,681,945	84.58%
Hutchison International Limited	Interest of controlled corporation	1,906,681,945 (Note ii)	–	1,906,681,945	84.58%
Hutchison Whampoa Limited	Interest of controlled corporations	1,906,681,945 (Note ii)	–	1,906,681,945	84.58%
Cheung Kong (Holdings) Limited	Interest of controlled corporations	1,906,681,945 (Note iii)	2 (Note vi)	1,906,681,947	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)	2 (Note vi)	1,912,109,947	84.82%
Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust	Trustee & beneficiary of a trust	1,912,109,945 (Note v)	2 (Note vi)	1,912,109,947	84.82%
Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust	Trustee & beneficiary of a trust	1,912,109,945 (Note v)	2 (Note vi)	1,912,109,947	84.82%
Li Ka-shing	Founder of discretionary trusts	1,912,109,945 (Note v)	2 (Note vi)	1,912,109,947	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.

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 TUT1 as trustee of UT1 holds 5,428,000 shares of the Company.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS (CONT'D)

Notes (Cont'd):

v. By virtue of the SFO, each of Mr. Li Ka-shing, being the settlor and may being regarded as a founder of each DT1 and DT2 for the purpose of the SFO, TDT1 as trustee of DT1 and 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 iv 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 Unity Holdco. Mr. Li Ka-shing owns one-third of the issued share capital of Unity Holdco.

vi. Such underlying shares of the Company are held by an indirect wholly-owned subsidiary of CKH by virtue of the HK$300,000,000 capital guarantee notes due 2009.

By virtue of the SFO, each of Mr. Li Ka-shing, TDT1, TDT2 and TUT1 is deemed to be interested in the same block of interest in the said underlying shares of the Company held by CKH as described in Note v above.

Save as disclosed above, as at 31st December, 2008, 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.

CONTINUING CONNECTED TRANSACTIONS

The following transactions of the Group constituted continuing connected transactions ("Continuing Connected Transactions") under the Listing Rules during the financial year ended 31st December, 2008:

(a) 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 to the PRC project company undertaking the Zhuhai Power Plant (the "Zhuhai Foreign Party"). 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 ("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.

(b) On 16th December, 2005, the Company had entered into a tenancy agreement (the "Previous Tenancy Agreement") with Turbo Top Limited ("Turbo Top"), which is a connected person of the Company within the meaning of the Listing Rules by virtue of its being a wholly-owned subsidiary of HWL, which in turn is a substantial shareholder of the Company, in respect of the lease of Office Unit 1202, 12th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong with a lettable floor area of approximately 10,079 square feet (the "Premises") as the principal business office of the Group in Hong Kong for a term of three years commencing from 1st September, 2005 to 31st August, 2008 at a monthly rental of HK$360,829, exclusive of Government rates and other charges. The aggregate rent and service charges payable under the Previous Tenancy Agreement are subject to an annual cap of HK$5,355,000 taking into account of the possible adjustment on the service charges. During the year, HK$3,572,004 has been paid / payable by the Company to Turbo Top pursuant to the Previous Tenancy Agreement.

(c) On 18th November, 2008, the Company had entered into a tenancy agreement (the "Tenancy Agreement") to renew the Previous Tenancy Agreement with Turbo Top in respect of the lease of the Premises (as defined in item (b) above) as the principal business office of the Group in Hong Kong for a term of three years commencing from 1st September, 2008 to 31st August, 2011 at a monthly rental of HK$806,320, exclusive of Government rates and other charges. The aggregate rent and service charges payable under the Tenancy Agreement are subject to the proposed annual caps of HK$4,000,000 for the period from 1st September, 2008 to 31st December, 2008, HK$11,000,000 for the year ending 31st December, 2009, HK$12,000,000 for the year ending 31st December, 2010, and HK$8,000,000 for the period from 1st January, 2011 to 31st August, 2011 taking into account of the possible adjustment on the monthly service charges of HK$85,671.50. During the year, HK$3,567,966 has been paid / payable by the Company to Turbo Top pursuant to the Tenancy Agreement.

On 12th August, 1996, the Stock Exchange granted conditional waivers to the Company from strict compliance with the disclosure and shareholders' approval requirements under the Listing Rules in respect of the above transaction in paragraph (a) on, inter alia, a condition that brief details of the transaction shall be disclosed in the Company's subsequent annual report for financial years in which the transaction is subsisting. An announcement ("Announcement I") in respect of the above transaction in paragraph (b) was published in the newspapers on 19th December, 2005 in accordance with the Listing Rules. An announcement ("Announcement II") in respect of the above transaction in paragraph (c) was published on 18th November, 2008 in accordance with the Listing Rules.

The Continuing Connected Transactions have been reviewed by the Independent Non-executive Directors. The Independent Non-executive Directors have confirmed that for the year 2008 the Continuing Connected Transactions have been entered into (i) in the ordinary and usual course of business of the Company; (ii) either on normal commercial terms or on terms no less favourable to the Company than terms available to (or from) independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

CONTINUING CONNECTED TRANSACTIONS (CONT'D)

Pursuant to Rule 14A.38 of the Listing Rules, the Company has engaged the auditor of the Company to perform certain factual finding procedures in respect of the Continuing Connected Transactions of the Group in accordance with the Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported their factual findings on these procedures to the Board of Directors and confirmed that for the year 2008 the Continuing Connected Transactions (i) have received the approval of the Board of Directors of the Company; and (ii) have been entered into in accordance with the relevant agreements governing the transactions; and the Continuing Connected Transactions in paragraphs (b) and (c) above have not exceeded the relevant caps as disclosed in the Announcement I and Announcement II respectively.

CONNECTED TRANSACTION

On 30th April, 2008, Changshun Energy Investment 1 Company Limited, Changshun Energy Investment 2 Company Limited and Changshun Energy Investment 3 Company Limited collectively as the Vendors, all being indirect wholly-owned subsidiaries of the Company, entered into three equity interest transfer agreements with 撫順熱電廠 (Fushun Cogen Power Plants*) as the Purchaser pursuant to which the Vendors agreed to sell and the Purchaser agreed to purchase the 60 per cent equity interest held by the Vendors in Fushun Changshun Heat and Electricity Co., Ltd. ("Fushun Changshun Heat and Electricity"), Fushun Changshun Energy Co., Ltd. ("Fushun Changshun Energy") and Fushun Changshun Power Co., Ltd. ("Fushun Changshun Power") respectively at a total consideration of RMB100 million (approximately HK$110 million) (the "Disposal"). As the Purchaser is a substantial shareholder of Fushun Changshun Heat and Electricity, Fushun Changshun Energy and Fushun Changshun Power, all of which are indirect non wholly-owned non-consolidated subsidiaries of the Company, the Purchaser is a connected person of the Company and the Disposal therefore constitutes a connected transaction for the Company under the Listing Rules.

* Name translated for reference purpose only.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, 35.3 per cent of the Group's sales were attributable to the Group's five largest customers with the largest customer accounting for 14.6 per cent of the Group's sales. The Group's purchases attributable to the Group's five largest suppliers were less than 30 per cent of the Group's purchases.

For the year ended 31st December, 2008, Alliance Construction Materials Limited, of which the Company is interested in 50 per cent of the issued share capital, Mr. Li Tzar Kuoi, Victor, Director of the Company, is deemed to be interested in the shares by virtue of his approximately 84.82 per cent interest in the Company pursuant to Part XV of the SFO, and Mr. Ip Tak Chuen, Edmond, Director of the Company, acts as a Director, was one of the Group's five largest customers. Save as disclosed above, 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 customers.

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 energy infrastructure;
(2) Development, investment and operation of transportation infrastructure;
(3) Development, investment and operation of water infrastructure;
(4) Development, investment and operation and commercialisation of infrastructure related business;
(5) Investment holding and project management;
(6) Securities investment; and
(7) Information technology, e-commerce and new technology.

(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	*(5), (6) & (7)*
	Hutchison Whampoa Limited	Deputy Chairman	*(1), (5), (6) & (7)*
	Hongkong Electric Holdings Limited	Executive Director	*(1), (5), (6) & (7)*
	CK Life Sciences Int'l., (Holdings) Inc.	Chairman	*(3), (6) & (7)*
Kam Hing Lam	Cheung Kong (Holdings) Limited	Deputy Managing Director	*(5), (6) & (7)*
	Hutchison Whampoa Limited	Executive Director	*(1), (5), (6) & (7)*
	Hongkong Electric Holdings Limited	Executive Director	*(1), (5), (6) & (7)*
	CK Life Sciences Int'l., (Holdings) Inc.	President and Chief Executive Officer	*(3), (6) & (7)*
	Spark Infrastructure Group	Non-executive Director	*(1) & (5)*
Ip Tak Chuen, Edmond	Cheung Kong (Holdings) Limited	Deputy Managing Director	*(5), (6) & (7)*
	CK Life Sciences Int'l., (Holdings) Inc.	Senior Vice President and Chief Investment Officer	*(3), (6) & (7)*
	TOM Group Limited	Non-executive Director	*(5), (6) & (7)*
	CATIC International Holdings Limited	Non-executive Director	*(1), (5) & (6)*
	Excel Technology International Holdings Limited	Non-executive Director	*(5), (6) & (7)*
	Shougang Concord International Enterprises Company Limited	Non-executive Director	*(5) & (6)*
	The Ming An (Holdings) Company Limited	Non-executive Director	*(5) & (6)*
	ARA Asset Management Limited	Non-executive Director	*(5) & (6)*

COMPETING BUSINESS INTERESTS OF DIRECTORS (CONT'D)

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

Name of Director	Name of Company	Nature of Interest	Competing Business (Note)
Fok Kin Ning, Canning	Cheung Kong (Holdings) Limited	Non-executive Director	*(5), (6) & (7)*
	Hutchison Whampoa Limited	Group Managing Director	*(1), (5), (6) & (7)*
	Hongkong Electric Holdings Limited	Chairman	*(1), (5), (6) & (7)*
	Hutchison Harbour Ring Limited	Chairman	*(7)*
	Hutchison Telecommunications International Limited	Chairman	*(7)*
Andrew John Hunter	Hongkong Electric Holdings Limited	Executive Director	*(1), (5), (6) & (7)*
	Spark Infrastructure Group	Non-executive Director	*(1) & (5)*
Chow Woo Mo Fong, Susan	Hutchison Whampoa Limited	Deputy Group Managing Director	*(1), (5), (6) & (7)*
	Hongkong Electric Holdings Limited	Executive Director and Alternate Director	*(1), (5), (6) & (7)*
	TOM Group Limited	Non-executive Director	*(5), (6) & (7)*
	Hutchison Harbour Ring Limited	Executive Director	*(7)*
	Hutchison Telecommunications International Limited	Non-executive Director and Alternate Director	*(7)*
Frank John Sixt	Cheung Kong (Holdings) Limited	Non-executive Director	*(5), (6) & (7)*
	Hutchison Whampoa Limited	Group Finance Director	*(1), (5), (6) & (7)*
	Hongkong Electric Holdings Limited	Executive Director	*(1), (5), (6) & (7)*
	Hutchison Telecommunications International Limited	Non-executive Director	*(7)*
	TOM Group Limited	Non-executive Chairman	*(5), (6) & (7)*
Tso Kai Sum	Hongkong Electric Holdings Limited	Group Managing Director	*(1), (5), (6) & (7)*
Lee Pui Ling, Angelina	TOM Group Limited	Non-executive Director	*(5), (6) & (7)*
George Colin Magnus	Cheung Kong (Holdings) Limited	Non-executive Director	*(5), (6) & (7)*
	Hutchison Whampoa Limited	Non-executive Director	*(1), (5), (6) & (7)*
	Hongkong Electric Holdings Limited	Non-executive Director	*(1), (5), (6) & (7)*

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 and there are no restrictions against such rights under the laws of Bermuda.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31st December, 2008, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

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$800,000.

DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

The following information is disclosed in accordance with Rules 13.21 and 13.22 of Chapter 13 of the Listing Rules:

(1) A sponsors / shareholders' undertaking referred to under the section headed "Continuing Connected Transactions" 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 outstanding loan amount of US$9.5 million as at 31st December, 2007 attributable to the loan facility of US$125.5 million was fully repaid in 2008. The other loan with the outstanding balance of US$132.8 million as at 31st December, 2008 is repayable by installments with the final repayment due in 2012. 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.

(2) 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, 2008. 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.

DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES (CONT'D)

(3) As at 31st December, 2008, the Group's financial assistance to certain affiliated companies exceeded the assets ratio of 8 per cent. A combined balance sheet of the affiliated companies as at 31st December, 2008 is set out below:

HK$ million	
Non-current assets	62,140
Current assets	3,569
Current liabilities	(3,593)
Non-current liabilities	(58,288)
Net assets	3,828
Share capital	2,204
Reserves	1,624
Capital and reserves	3,828

As at 31st December, 2008, the consolidated attributable interest of the Group in these affiliated companies amounted to HK$7,421 million.

AUDIT COMMITTEE

The Group's annual report for the year ended 31st December, 2008 has been reviewed by the audit committee of the Company ("Audit Committee"). Information on the work of Audit Committee and its composition are set out in the Corporate Governance Report on pages 77 to 82.

AUDITOR

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, 19th March, 2009

CORPORATE GOVERNANCE REPORT

The Board of Directors ("Board") and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value. The corporate governance principles of the Company emphasise a quality Board, sound internal controls, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices ("Code on CG Practices") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") throughout the year ended 31st December, 2008.

Key corporate governance principles and corporate governance practices of the Company are summarised below:

I. Code Provisions

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.	**DIRECTORS**		
A.1	**THE BOARD** *Corporate Governance Principle* *The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.*		
A.1.1	Regular board meetings should be held at least four times a year involving active participation, either in person or through other electronic means of communication, of majority of directors.	✓	• The Board meets regularly and held meetings in March, May, August and November 2008. • Details of Directors' attendance records in 2008: **Members of the Board** — **Attendance** **Executive Directors** LI Tzar Kuoi, Victor (Chairman) — 4/4 KAM Hing Lam (Group Managing Director) — 4/4 IP Tak Chuen, Edmond — 4/4 FOK Kin Ning, Canning — 4/4 Andrew John HUNTER — 4/4 CHOW WOO Mo Fong, Susan — 4/4 Frank John SIXT — 4/4 TSO Kai Sum — 4/4

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.1.1 (Cont'd)			**Members of the Board** — **Attendance** **Independent Non-executive Directors** CHEONG Ying Chew, Henry — 4/4 KWOK Eva Lee — 4/4 SNG Sow-mei alias POON Sow Mei — 4/4 Colin Stevens RUSSEL — 4/4 LAN Hong Tsung, David — 4/4 **Non-executive Directors** LEE Pui Ling, Angelina — 2/4 Barrie COOK — 4/4 George Colin MAGNUS — 4/4 Note: The Directors may attend meetings in person, by phone or through other means of electronic communication or by their alternate directors (if applicable) in accordance with the Company's Bye-laws.
A.1.2	All directors are given an opportunity to include matters in the agenda for regular board meetings.	✓	• All Directors are consulted as to whether they may want to include any matter in the agenda before the agenda for each regular Board meeting is issued.
A.1.3	– At least 14 days notice for regular board meetings – Reasonable notice for other board meetings	✓ ✓	• Regular Board meetings in a particular year are usually scheduled towards the end of the immediately preceding year to give all Directors adequate time to plan their schedules to attend the meetings. • At least 14 days formal notice would be given before each regular meeting. • According to the Company's Bye-laws, any Director may waive notice of any meeting.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.1.4	All directors should have access to the advice and services of the company secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed.	✓	• Directors have access to the Company Secretary and key officers of the Company Secretarial Department who are responsible to the Board for ensuring that Board procedures, and all applicable rules and regulations, are followed. • Memos are issued to Directors from time to time to update them with legal and regulatory changes and matters of relevance to Directors in the discharge of their duties.
A.1.5	– Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting. – Such minutes should be open for inspection at any reasonable time on reasonable notice by any director.	✓ ✓	• The Company Secretary prepares written resolutions or minutes and keeps records of matters discussed and decisions resolved at all Board and Board Committee meetings. • Board and Board Committee minutes / resolutions are sent to all Directors / Board Committee members within a reasonable time (generally within 14 days) after each Board and Board Committee meeting. • Board and Board Committee minutes / resolutions are available for inspection by Directors / Board Committee members.
A.1.6	– Minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered by the board and decisions reached. – Draft and final versions of board minutes for all directors to comment and to keep records within a reasonable time after the board meeting	✓ ✓	• Minutes record in sufficient detail the matters considered by the Board / Board Committees and decisions reached. • Directors are given an opportunity to comment on draft Board minutes. • Final version of Board minutes is placed on record within a reasonable time after the Board meeting.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.1.7	– A procedure agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the company's expense – The board should resolve to provide separate independent professional advice to directors to assist the relevant director or directors to discharge his / their duties to the company.	✓ ✓	• Directors have been advised that the Company Secretary can arrange independent professional advice at the expense of the Company should such advice be considered necessary by any Director.
A.1.8	– If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should not be dealt with by way of circulation or by a committee but a board meeting should be held. – Independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at such board meeting.	✓ ✓	• Important matters are usually dealt with by way of written resolutions so that all Directors (including Independent Non-executive Directors) can note and comment, as appropriate, the matters before approval is granted. • Director must declare his / her interest in the matters to be passed in the resolution, if applicable. • If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent Board committee will be set up to deal with the matter.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.2	**CHAIRMAN AND CHIEF EXECUTIVE OFFICER** *Corporate Governance Principle* *There should be a clear division of responsibilities between the Chairman and the Group Managing Director of the Company to ensure a balance of power and authority.*		
A.2.1	– Separate roles of chairman and chief executive officer not to be performed by the same individual	✓	• The positions of the Chairman of the Board and the Group Managing Director are currently held by separate individuals.
	– Division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.	✓	• The Chairman determines the broad strategic direction of the Group in consultation with the Board and is responsible for the high-level oversight of management. • The Group Managing Director, with the support of the Executive Directors, is responsible for strategic planning of different business functions and day-to-day management and operation of the Group.
A.2.2	The chairman should ensure that all directors are properly briefed on issues arising at board meetings.	✓	• With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information on a timely basis. • In addition to regular Board meetings, the Chairman had meetings with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of the Executive Directors in May and November 2008. Details of the attendance records of the meetings are as follows:

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.2.2 (Cont'd)			**Attendance** **Chairman** LI Tzar Kuoi, Victor 2/2 **Independent Non-executive Directors** CHEONG Ying Chew, Henry 2/2 KWOK Eva Lee 2/2 SNG Sow-mei alias POON Sow Mei 2/2 Colin Stevens RUSSEL 2/2 LAN Hong Tsung, David 2/2 **Non-executive Directors** LEE Pui Ling, Angelina 1/2 Barrie COOK 2/2 George Colin MAGNUS 2/2 Note: The Chairman and the Non-executive Directors (including the Independent Non-executive Directors) may attend meetings in person, by phone or through other means of electronic communication or by their alternate directors (if applicable) in accordance with the Company's Bye-laws.
A.2.3	The chairman should be responsible for ensuring that directors receive adequate information, which must be complete and reliable, in a timely manner.	✓	• The Board papers including supporting analysis and related background information are normally sent to the Directors at least three days before Board meetings. • Communications between Non-executive Directors (including Independent Non-executive Directors) on the one hand, and the Company Secretary as co-ordinator for the other business units of the Group on the other, is a dynamic and interactive process to ensure that queries raised and clarification sought by the Directors are dealt with and further supporting information and / or documentation is provided if appropriate.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.3	**BOARD COMPOSITION** *Corporate Governance Principle* *The Board should have a balance of skills and experience appropriate for the requirements of the business of the Company and should include a balanced composition of Executive and Non-executive Directors so that independent judgement can effectively be exercised.*		
A.3.1	Independent non-executive directors should be expressly identified as such in all corporate communications that disclose the names of directors of the company.	✓	• The composition of the Board, by category and position of Directors including the names of the Chairman, the Executive Directors, the Non-executive Directors and the Independent Non-executive Directors, is disclosed in all corporate communications. • The Board consists of a total of sixteen Directors, comprising eight Executive Directors, three Non-executive Directors and five Independent Non-executive Directors. One of the Executive Directors also acts as Alternate Director to two Executive Directors and two Alternate Directors were appointed. More than one Independent Non-executive Directors have appropriate professional qualifications, or accounting or related financial management expertise. • Details of the composition of the Board are set out on page 182. • The Directors' biographical information and the relationships among the Directors are set out on pages 30 to 35. • Review of the Board composition is made regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.4	**APPOINTMENTS, RE-ELECTION AND REMOVAL** *Corporate Governance Principle* *There should be a formal, considered and transparent procedure for the appointment of new Directors and plans in place for orderly succession for appointments to the Board. All Directors should be subject to re-election at regular intervals.*		
A.4.1	Non-executive directors should be appointed for a specific term, subject to re-election.	✓	• All Directors (including Non-executive Directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company's Bye-laws and the Code on CG Practices.
A.4.2	– All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. – Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.	✓ ✓	• In accordance with the Company's Bye-laws, newly appointed Directors are required to offer themselves for re-election at the next following general meeting (in the case of filling a casual vacancy) or at the next following annual general meeting (in the case of an addition to the existing Board) following their appointment. • The Board as a whole is responsible for the appointment of new Directors and Directors' nomination for re-election by shareholders at the general meeting of the Company. Under the Company's Bye-laws, the Board may from time to time appoint a Director either to fill a casual vacancy or as an addition to the existing Board. Any such new Director shall hold office until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the existing Board) and shall then be eligible for re-election at the same general meeting.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.4.2 (Cont'd)			• All Directors (including Non-executive Directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company's Bye-laws and the Code on CG Practices. • The structure, size and composition of the Board are reviewed from time to time to ensure the Board has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company. The independence of the Independent Non-executive Directors is assessed according to the relevant rules and requirements under the Listing Rules. • Each of the Independent Non-executive Directors makes an annual confirmation of independence pursuant to the requirements of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in the relevant requirements of the Listing Rules and are independent in accordance with the terms of the guidelines.
A.5	**RESPONSIBILITIES OF DIRECTORS** *Corporate Governance Principle* *Every Director is required to keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.*		
A.5.1	– Every newly appointed director of the company should receive a comprehensive, formal and tailored induction on the first occasion of his appointment, and subsequently such briefing and professional development as is necessary.	✓	• The Company Secretary and key officers of the Company Secretarial Department liaise closely with newly appointed Directors both immediately before and after his / her appointment to acquaint the newly appointed Director with the duties and responsibilities as a Director of the Company and the business operation of the Company.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.5.1 (Cont'd)	– To ensure that he has a proper understanding of the operations and business of the company and that he is fully aware of his responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the company.	✓	• A package compiled and reviewed by the Company's legal advisers setting out such duties and responsibilities under the Listing Rules, Companies Ordinance and other related ordinances and relevant regulatory requirements of Hong Kong is provided to each newly appointed Director. A revised information package comprising the latest developments in laws, rules and regulations relating to the duties and responsibilities of directors will be forwarded to each Director from time to time for his / her information and ready reference. The "Non-statutory Guidelines on Directors' Duties" issued by the Companies Registry of Hong Kong has been forwarded to each Director for his / her information and ready reference. • Memos are issued from time to time to keep Directors up to date with legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties (Note 1). • Seminars are organised from time to time at which distinguished professionals are invited to present to the Directors on subjects relating to Directors' duties and corporate governance, etc.

Note

1. The Directors have been advised of the amendments to the Listing Rules effective from 1st January, 2009.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.5.2	The functions of non-executive directors include: – bring independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct at board meetings – take the lead on potential conflicts of interests – serve on the audit, remuneration, nomination and other governance committees, if invited – scrutinise the company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance	✓ ✓ ✓ ✓	• The Non-executive Directors exercise their independent judgment and advise on the future business direction and strategic plans of the Company. • Non-executive Directors review the financial information and operational performance of the Company on a regular basis. • Independent Non-executive Directors are invited to serve on the Audit and Remuneration Committees of the Company.
A.5.3	Every director should ensure that he can give sufficient time and attention to the affairs of the company and should not accept the appointment if he cannot do so.	✓	• There is satisfactory attendance at Board meetings during the year. Please refer to A.1.1 of Part I for details of attendance records. • Every Executive Director has hands-on knowledge and expertise in the areas and operation in which he / she is charged with. Appropriate attention to the affairs of the Company is measured in terms of time as well as the quality of such attention and the ability of the Directors to contribute with reference to his / her necessary knowledge and expertise.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.5.4	– Directors must comply with the Model Code. – Board should establish written guidelines on no less exacting terms than the Model Code for relevant employees.	✓ ✓	• The Company has adopted the model code for securities transactions by directors of listed issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions effective from 31st March, 2004 (Note 2). • Confirmation has been received from all Directors that they have complied with the required standards set out in the Model Code for the year ended 31st December, 2008. • Written guidelines on no less exacting terms than the Model Code relating to securities transactions for employees are set out in the Employee Handbook of the Company.
A.6	**SUPPLY OF AND ACCESS TO INFORMATION** *Corporate Governance Principle* *Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company.*		
A.6.1	– Send agenda and full board papers to all directors at least 3 days before regular board or board committee meeting – So far as practicable for other board or board committee meetings	✓ ✓	• Board / Board Committee papers are circulated not less than three days before the regular Board / Board Committee meetings to enable the Directors / Board Committee members to make informed decisions on matters to be raised at the Board / Board Committee meetings.

Note

2. A revised Model Code has been adopted by the Company to comply with the new requirements set out in Appendix 10 to the Listing Rules effective from 1st April, 2009.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.6.2	– Management has an obligation to supply the board and its committees with adequate information in a timely manner to enable it to make informed decisions. – The board and each director should have separate and independent access to the company's senior management for making further enquiries where necessary.	✓ ✓	• The Company Secretary and the Qualified Accountant attend all regular Board meetings to advise on corporate governance, statutory compliance, and accounting and financial matters, as appropriate. • Communications between Directors on the one hand, and the Company Secretary, who acts as co-ordinator for the other business units of the Group on the other, is a dynamic and interactive process to ensure that queries raised and clarification sought by the Directors are dealt with and that further supporting information is provided if appropriate.
A.6.3	– All directors are entitled to have access to board papers and related materials. – Steps must be taken to respond as promptly and fully as possible to queries raised by directors.	✓ ✓	• Please see A.6.1 and A.6.2 of Part I above.
B.	**REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT**		
B.1	**THE LEVEL AND MAKE-UP OF REMUNERATION AND DISCLOSURE** *Corporate Governance Principle* *There should be a formal and transparent procedure for setting policy on Executive Directors' remuneration and for fixing the remuneration packages for all Directors.*		
B.1.1	Establish a remuneration committee with specific written terms of reference comprising a majority of independent non-executive directors	✓	• In accordance with the Code on CG Practices, the Company has set up a remuneration committee ("Remuneration Committee") with a majority of the members being Independent Non-executive Directors. • The Company established its Remuneration Committee on 1st January, 2005.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
B.1.1 (Cont'd)			• The Remuneration Committee comprises the Chairman of the Board, Mr. Li Tzar Kuoi, Victor (Chairman of the Remuneration Committee), and two Independent Non-executive Directors, namely, Mr. Colin Stevens Russel and Mr. Cheong Ying Chew, Henry. • Since the publication of the Company's 2007 annual report in April 2008, meetings of the Remuneration Committee were held in November 2008 and January 2009. Details of the attendance records of the members of the Remuneration Committee are as follows: **Members of the Remuneration Committee** — **Attendance** LI Tzar Kuoi, Victor (Chairman of the Remuneration Committee) — 2/2 Colin Stevens RUSSEL — 2/2 CHEONG Ying Chew, Henry — 2/2 Note: The members of the Remuneration Committee may attend meetings in person, by phone or through other means of electronic communication or by their alternates (if applicable) in accordance with the Company's Bye-laws. • The following is a summary of the work for the Remuneration Committee during the said meetings: (1) Review of the remuneration policy for 2008 / 2009; (2) Review of the remuneration of Non-executive Directors; (3) Review of the annual performance bonus policy; and (4) Approval of remuneration packages of Executive Directors.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
B.1.2	The remuneration committee should consult the chairman and / or chief executive officer about their proposals relating to the remuneration of other executive directors and have access to professional advice if considered necessary.	✓	• The Remuneration Committee has consulted the Chairman and / or the Group Managing Director about proposals relating to the remuneration packages and other human resources issues of the Directors and senior management, including, without limitation, succession plan and key personnel movements as well as policies for recruiting and retaining qualified personnel. • The emoluments of Directors are based on the skill, knowledge, involvement in the Company's affairs and the performance of each Director, together with reference to the profitability of the Company, remuneration benchmarks in the industry, and prevailing market conditions. • To enable them to better advise on the Group's future remuneration policy and related strategies, the Remuneration Committee has been advised of the Group's existing remuneration policy and succession plan, such as guidelines on designing employees' remuneration packages and related market trends and information. • The Remuneration Committee is satisfied that there is in place a clear system for determining remuneration, which is reasonable and has been followed consistently in its application.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
B.1.3	Terms of reference of the remuneration committee should include: – determine the specific remuneration packages of all executive directors and senior management – review and approve performance-based remuneration and the compensation payable on loss or termination of office or appointment – ensure that no director or any of his associates is involved in deciding his own remuneration	✓	• The terms of reference of the Remuneration Committee, which follow closely the requirements of the Code Provisions and have been adopted by the Board, are posted on the Company's website.
B.1.4	The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.	✓	• The terms of reference of the Remuneration Committee are posted on the Company's website. • The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of Directors and senior management, and reviewing the specific remuneration packages of all Executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.
B.1.5	The remuneration committee should be provided with sufficient resources to discharge its duties.	✓	• The Human Resources Department provides administrative support and implements the approved remuneration packages and other human resources related decisions approved by the Remuneration Committee.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.	**ACCOUNTABILITY AND AUDIT**		
C.1	**FINANCIAL REPORTING** *Corporate Governance Principle* *The Board should present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects.*		
C.1.1	Management should provide such explanation and information to the board as will enable the board to make an informed assessment of the financial and other information put before the board for approval.	✓	• Directors are provided with a review of the Group's major business activities and key financial information on a quarterly basis.
C.1.2	– The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts. – There should be a statement by the auditors about their reporting responsibilities in the auditors' report on the financial statements.	✓ ✓	• The Directors annually acknowledge in writing their responsibility for preparing the financial statements of the Group. • Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern as referred to in C.1.2 of the Code on CG Practices. • With the assistance of the Finance and Accounting Department which is under the supervision of the Qualified Accountant of the Company, the Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards (Note 3).

Note

3. Pursuant to the amendments to the Listing Rules effective from 1st January, 2009, the requirement for a qualified accountant has been removed. Please refer to Note 4 for the corresponding amendments to Code Provision C.2.1.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.1.2 (Cont'd)	– Unless it is inappropriate to assume that the company will continue in business, the directors should prepare the accounts on a going concern basis, with supporting assumptions or qualifications as necessary. – When the directors are aware of material uncertainties relating to events or conditions that may cast significant doubt upon the company's ability to continue as a going concern, such uncertainties should be clearly and prominently set out and discussed at length in the Corporate Governance Report.	✓ N/A	• The Directors also ensure the publication of the financial statements of the Group is in a timely manner. • The statement by the auditor of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 108.
C.1.3	The board's responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.	✓	• The Board aims to present a clear, balanced and understandable assessment of the Group's performance and position in all shareholder communications. • The Board is aware of the requirements under the applicable rules and regulations about timely disclosure of price-sensitive information or matters regarding the Company and will authorise the publication of such announcements as and when the occasion arises. The Company Secretary and key officers of the Company Secretarial Department work closely and in consultation with legal advisers to review the materiality and sensitivity of transactions and proposed transactions and advise the Board accordingly.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.2	**INTERNAL CONTROLS** *Corporate Governance Principle* *The Board should ensure that the Company maintains sound and effective internal controls to safeguard the shareholders' investment and the Company's assets.*		
C.2.1	– Directors to review the effectiveness of system of internal control of the company and its subsidiaries at least annually and to report that they have done so in the Corporate Governance Report (Note 4) – The review should cover all material controls, including financial, operational and compliance controls and risk management functions.	✓ ✓	• The Board is ultimately responsible for the Group's internal control system and for review of its effectiveness (Note 5). • The internal control system is designed to help the achievement of business objectives in the following categories: (1) Effectiveness and efficiency of operations which include safeguarding assets against unauthorised user or disposition; (2) Reliability of financial and operational reporting; and (3) Compliance with applicable laws, regulations, and internal policies and procedures. • The system is formulated to manage risk that may impede the achievement of the Group's business objectives rather than to eliminate that risk, and can only provide reasonable, not absolute, assurance against material errors, losses or fraud. The concept of reasonable assurance recognises that the cost of control procedure should not exceed the expected benefits.

Notes

4. According to a new Code Provision effective from 1st January, 2009, the board's annual review should, in particular, consider the adequacy of resources, qualifications and experience of staff of the company's accounting and financial reporting function, and their training programmes and budget.

5. Pursuant to the change referred to in Note 4, the Board, through the Audit Committee with the appraisal performed by the Internal Audit Department, reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget at the Board Meeting held in March 2009 and noted that the Company is in compliance with the new Code Provision. Please also refer to Note 7 of C.3.3 of Part I.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.2.1 (Cont'd)			*Internal Control System* • The Board has overall responsibility for monitoring the operations of the businesses within the Group. Executive Directors and senior officials are appointed to the boards and board committees of all significant operating subsidiaries and associates to attend the board meetings and to oversee the operations. Monitoring activities include the review and approval of business strategies, budgets and plans, and setting of key performance indicators. • There are defined organisational structures and authority to operate various business units is delegated to respective managements within limits set by the Executive Directors. • The Head Office management has established operating and management reporting standards for use by all business units. Each business unit also has its own operating policies and procedures that are tailor-made to specific operational environment. • Individual business unit needs to prepare five-year plans which form the foundation of annual budgets and plans. All these plans / budgets have to be approved by the Executive Directors. Monitoring the actual results against the budgets are done monthly via the Executives' and management meetings at the Group and business unit levels, and appropriate actions are taken, if necessary.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.2.1 (Cont'd)			• Each business unit has to perform risk assessment half-yearly where the risks associated with achieving the business objectives are identified and analysed. It also includes a review of the control mechanism for each risk and action plan is put in place to address the areas for improvement. • The Chief Executive Officer and Chief Financial Officer of each business unit need to provide a formal half-yearly confirmation to acknowledge review of their control systems and highlight any weaknesses. • The Group Internal Audit, reporting directly to the Audit Committee and the Group Managing Director, performs independent assessment of the internal control systems. Using a risk based methodology, Internal Audit prepares its audit plan in consultation with, but independent of, management, and it is reviewed by the Audit Committee. The audit work focuses on those areas of the Group's activities with greatest perceived risks. Ad hoc review will also be performed on areas of concern identified by the Audit Committee and management. Management of individual business unit will be informed of the areas for improvement, and Internal Audit is responsible for monitoring the corrective actions. • Reports from the external auditor, Messrs. Deloitte Touche Tohmatsu ("Deloitte"), on internal controls and relevant financial reporting matters, are presented to the Audit Committee and management.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.2.1 (Cont'd)			*Controls on Price-sensitive Information* • Regarding the procedures and internal controls for handling and dissemination of price-sensitive information, the Group: (1) is well aware of its obligations under the Listing Rules to announce any information that is considered to be price-sensitive; (2) makes reference to the "Guide on Disclosure of Price-sensitive Information" issued by the Stock Exchange in 2002; (3) has implemented policy and procedure which strictly prohibit unauthorised use of confidential and sensitive information, and has communicated to all staff; and (4) requires that only Directors and delegated officers can act as the Group's spokesperson and respond to external enquiries about the Group's affairs. *Effectiveness of Internal Control System* • The Board, through the Audit Committee of the Company, has conducted an annual review of the effectiveness of the internal control system operating in the Group and considers it is adequate and effective. The review covers all material controls, including financial, operational and compliance controls, and risk management functions. The Board is not aware of any significant areas of concern which may affect the shareholders. The Board is satisfied that the Group has fully complied with the code provisions on internal controls as set forth in the Code on CG Practices.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.3	**AUDIT COMMITTEE** *Corporate Governance Principle* *The Board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors.*		
C.3.1	– Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting. – Draft and final versions of minutes for all members of the audit committee to comment and to keep records within a reasonable time after the meeting	✓ ✓	• Minutes drafted by the Company Secretary are circulated to members of the Audit Committee within a reasonable time after each meeting. • Audit Committee meetings were held in March and August 2008. Details of the attendance records of the members of the Audit Committee are as follows:

Members of the Audit Committee	Attendance
Colin Stevens RUSSEL (Chairman of the Audit Committee)	2/2
CHEONG Ying Chew, Henry	2/2
KWOK Eva Lee	2/2
SNG Sow-mei alias POON Sow Mei	2/2
LAN Hong Tsung, David	2/2

Note: The members of the Audit Committee may attend meetings in person, by phone or through other means of electronic communication or by their alternates (if applicable) in accordance with the Company's Bye-laws.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.3.1 (Cont'd)			• The following is a summary of the work of the Audit Committee during 2008: (1) Review of the financial reports for 2007 annual results and 2008 interim results; (2) Review of the findings and recommendations of the Group Internal Audit on the work of various divisions / departments and related companies; (3) Review of the effectiveness of the internal control system; (4) Review of the external auditor's audit findings; (5) Review of the auditor's remuneration; (6) Review of risks of different business units and analysis thereof provided by the relevant business units; and (7) Review of the control mechanisms for such risks and advising on action plans for improvement of the situations. • After due and careful consideration of reports from management and the internal and external auditors, the Audit Committee was of the view that no suspected fraud or irregularities, significant internal control deficiencies, or suspected infringement of laws, rules, or regulations had been found, and concluded at the meeting held on 17th March, 2009 that the system of internal controls was adequate and effective.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.3.1 (Cont'd)			• On 17th March, 2009, the Audit Committee met to review the Group's 2008 consolidated financial statements, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditor. After review and discussions with the management, internal auditor and external auditor, the Audit Committee endorsed the accounting treatment adopted by the Company, and the Audit Committee had to the best of its ability assured itself that the disclosure of the financial information in the 2008 Annual Report complied with the applicable accounting standards and Appendix 16 to the Listing Rules. The Audit Committee therefore recommended the Board's approval of the consolidated financial statements for the year ended 31st December, 2008. • The Audit Committee also recommended to the Board the re-appointment of Deloitte as the Company's external auditor for 2009 and that the related resolution shall be put forth for shareholders' consideration and approval at the 2009 annual general meeting. • The Group's Annual Report for the year ended 31st December, 2008 has been reviewed by the Audit Committee.
C.3.2	A former partner of existing auditing firm shall not act as a member of the committee for 1 year after he ceases to be a partner of or to have any financial interest in, the firm, whichever is the later.	✓	• No member of the Audit Committee is a former partner of the existing auditing firm of the Company during the one year after he / she ceases to be a partner of the auditing firm.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.3.3	Terms of reference of the audit committee should include: – recommendation to the board on the appointment and removal of external auditors and approval of their terms of engagement – review and monitor external auditors' independence and effectiveness of audit process – review of financial information of the company – oversight of the company's financial reporting system and internal control procedures (Note 6)	✓	• Terms of reference of the Audit Committee, which follow closely the requirements of the Code Provisions and have been adopted by the Board, are posted on the Company's website (Note 7).
C.3.4	The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.	✓	• 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 the 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.

Notes

6. According to the amended Code Provision C.3.3 effective from 1st January, 2009, the terms of reference of the audit committee are required to oversee the adequacy of resources, qualifications and experience of staff of the company's accounting and financial reporting function, and their training programmes and budget.

7. The terms of reference of the Audit Committee have been modified in accordance with the amended Code Provision and adopted by the Board effective from 1st January, 2009.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.3.4 (Cont'd)			• In accordance with the requirements of the Code on CG Practices, the terms of reference of the Audit Committee were revised from time to time in terms substantially the same as the provisions set out in the Code on CG Practices. The latest version of the terms of reference of the Audit Committee is available on the Company's website. • The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the external auditor of the Company. Regular meetings have been held by the Audit Committee since its establishment. • The Audit Committee comprises five Independent Non-executive Directors, namely, Mr. Colin Stevens Russel (Chairman of the Audit Committee), Mr. Cheong Ying Chew, Henry, Mrs. Kwok Eva Lee, Mrs. Sng Sow-mei alias Poon Sow Mei and Mr. Lan Hong Tsung, David. The Audit Committee held two meetings in 2008.
C.3.5	Where the board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the company should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the board has taken a different view.	N/A	• The Audit Committee recommended to the Board that, subject to shareholders' approval at the forthcoming annual general meeting, Deloitte be re-appointed as the Company's external auditor for 2009. • For the year ended 31st December, 2008, the external auditor of the Company received approximately HK$5.5 million for annual audit service, approximately HK$1.4 million for audit-related services rendered in connection with acquisitions and disposals of certain investments of the Group, and approximately HK$0.4 million for tax and other non-audit services.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.3.6	The audit committee should be provided with sufficient resources to discharge its duties.	✓	• The Audit Committee has been advised that the Company Secretary can arrange independent professional advice at the expense of the Company should the seeking of such advice be considered necessary by the Audit Committee.
D.	**DELEGATION BY THE BOARD**		
D.1	**MANAGEMENT FUNCTIONS** *Corporate Governance Principle* *The Company should have a formal schedule of matters specifically reserved to the Board and those delegated to management.*		
D.1.1	When the board delegates aspects of its management and administration functions to management, it must at the same time give clear directions as to the powers of management, in particular, with respect to the circumstances where management should report back and obtain prior approval from the board before making decisions or entering into any commitments on behalf of the company.	✓	• Executive Directors are in charge of different businesses and functional divisions in accordance with their respective areas of expertise. • Please refer to the Management Structure Chart set out on page 107. • For matters or transactions of a material nature, the same will be referred to the Board for approval. • For matters or transactions of a magnitude requiring disclosure under the Listing Rules or other applicable rules or regulations, appropriate disclosure will be made and where necessary, circular will be prepared and shareholders' approval will be obtained in accordance with the requirements of the applicable rules and regulations.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
D.1.2	Formalise functions reserved to the board and those delegated to management and to review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the company.	✓	• The Board, led by the Chairman, is responsible for the Group's future development directions; overall strategies and policies; evaluation of the performance of the Group and the management; and approval of matters that are of a material or substantial nature. • Under the leadership of the Group Managing Director, management is responsible for the day-to-day operations of the Group.
D.2	**BOARD COMMITTEES** *Corporate Governance Principle* *Board Committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.*		
D.2.1	Where board committees are established to deal with matters, the board should prescribe sufficiently clear terms of reference to enable such committees to discharge their functions properly.	✓	• Three Board Committees, namely Audit Committee, Remuneration Committee and Executive Committee have been established with specific terms of reference.
D.2.2	The terms of reference of board committees should require such committees to report back to the board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).	✓	• Board Committees report to the Board of their decisions and recommendations at the Board meetings.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
E.	**COMMUNICATION WITH SHAREHOLDERS**		
E.1	**EFFECTIVE COMMUNICATION** *Corporate Governance Principle* *The Board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.*		
E.1.1	In respect of each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting.	✓	• Separate resolutions are proposed at the general meeting on each substantially separate issue, including the election of individual directors.
E.1.2	• The chairman of the board should attend the annual general meeting and arrange for the chairmen of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee to be available to answer questions at the annual general meeting.	✓	• In 2008, the Chairman of the Board, Chairman of the Audit Committee and Chairman of the Remuneration Committee attended the annual general meeting and were available to answer questions.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
E.1.2 (Cont'd)	• The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval. (Note 8)	✓	• The Company establishes different communication channels with shareholders and investors, including (i) printed copies of corporate communications (including but not limited to annual reports, interim reports, notices of meetings, circulars and proxy forms) required under the Listing Rules; (ii) the annual general meeting provides a forum for shareholders to raise comments and exchange views with the Board; (iii) updated and key information on the Group is available on the website of the Company; (iv) the Company's website offers a communication channel between the Company and its shareholders and stakeholders; (v) regular press conferences and briefing meetings with analysts are arranged from time to time to update interested parties on the performance of the Group; (vi) the Company's Branch Share Registrars deal with shareholders for share registration and related matters; and (vii) Corporate Affairs Department of the Company handles enquiries from shareholders, and investors generally. (Note 9)

Notes

8. According to a new Code Provision effective from 1st January, 2009, the company should arrange for the notice to shareholders to be sent in the case of annual general meeting at least 20 clear business days before the meeting and to be sent at least 10 clear business days in the case of all other general meetings.

9. The Company's notice to shareholders for the annual general meeting of the Company scheduled for 14th May, 2009 has complied with the new Code Provision.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
E.2	**VOTING BY POLL**		
	Corporate Governance Principle *The Company should regularly inform shareholders of the procedure for voting by poll and ensure compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the Company.*		
E.2.1	– The chairman of a meeting should ensure disclosure in the circulars of the procedures for and the rights of shareholders to demand a poll.	✓	• In 2008, the right to demand a poll was set out in the circular containing the notice of annual general meeting. • In 2008, the Chairman of the annual general meeting exercised his power under the Bye-laws of the Company to put each resolution set out in the notice to be voted by way of a poll.
	– The chairman of a meeting and / or directors who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at a particular meeting shall demand a poll in certain circumstances where, on a show of hands, a meeting votes in the opposite manner to that instructed in those proxies.	✓	
	– If a poll is required under such circumstances, the chairman of the meeting should disclose to the meeting the total number of votes represented by all proxies held by directors indicating an opposite vote to the votes cast at the meeting on a show of hands.	✓	
E.2.2	– The company should count all proxy votes and, except where a poll is required, the chairman of a meeting should indicate to the meeting the level of proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hands.	✓	• Representatives of the Branch Share Registrars of the Company were appointed as scrutineers to monitor and count the poll votes cast at the annual general meeting. • Poll results were announced at the adjourned meeting and were posted on the websites of the Company and the Stock Exchange.
	– The company should ensure that votes cast are properly counted and recorded.	✓	

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
E.2.3	The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of: – the procedures for demanding a poll by shareholders before putting a resolution to the vote on a show of hands; and – the detailed procedures for conducting a poll and then answer any questions from shareholders whenever voting by way of a poll is required. (Note 10)	✓ ✓	• At the 2008 annual general meeting, the Chairman of the meeting explained the detailed procedures for conducting a poll, which had also been set out in the circular containing the notice of annual general meeting, and then answered any questions from shareholders. • At the 2008 annual general meeting, the Chairman of the meeting exercised his power under the Bye-laws of the Company to put each resolution set out in the notice to be voted by way of a poll. (Note 11)

Notes

10. According to the amendments to the Listing Rules effective from 1st January, 2009, any vote of shareholders at a general meeting must be taken by poll.

11. All the resolutions put to vote at the Company's general meetings in the past few years were already taken by poll.

II. RECOMMENDED BEST PRACTICES

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C") / Explain ("E")	Corporate Governance Practices
A.	**DIRECTORS**		
A.1	**THE BOARD** *Corporate Governance Principle* *The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.*		
A.1.9	Arrange appropriate insurance cover in respect of legal action against the directors	C	• The Company has arranged appropriate Directors and Officers liability insurance coverage for its Directors and officers since its listing in 1996 including the year 2008 / 2009.
A.1.10	Board committees should adopt, so far as practicable, the principles, procedures and arrangements set out in A.1.1 to A.1.8. A.1.1 Regular board meetings should be held at least four times a year involving active participation, either in person or through other electronic means of communication, of majority of directors.	E	• The Company has an Audit Committee, a Remuneration Committee and an Executive Committee. • Based on available data and information, the Company is not satisfied that quarterly review by the Audit Committee would bring meaningful benefit to the shareholders. Meetings between the Chairman and the Non-executive Directors (including the Independent Non-executive Directors) without the presence of Executive Directors were held two times a year at which ample opportunity was provided for reflection of their views and comments to the Board.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C") / Explain ("E")	Corporate Governance Practices
A.1.10 (Cont'd)			• Apart from the Audit Committee, the Company has a Remuneration Committee. The principal responsibility of the Remuneration Committee is to make recommendations to the Board on the Company's policy and structure for the remuneration of its Directors and senior management, which, in line with normal market practice, are only subject to review on an annual basis. It is therefore not necessary for the Remuneration Committee to have four meetings a year as recommended. • The Remuneration Committee held two meetings in respect of the year of 2008. The meeting held in November 2008 was to provide the Remuneration Committee with an overview of the job market conditions and trends for the year, and the meeting held in January 2009 was to review, consider and endorse the remuneration packages proposed for the Executive Directors of the Company.
	A.1.2 All directors are given an opportunity to include matters in the agenda for regular board meetings.	C	• All members of the Board Committees are consulted as to whether they may want to include any matter in the agenda before the agenda for each Board Committee meeting is issued.
	A.1.3 – At least 14 days notice for regular board meetings – Reasonable notice for other board meetings	C C	• Regular Board Committee meetings in a particular year are usually scheduled towards the end of the immediately preceding year to give all Board Committee members adequate time to plan their schedules to attend the meetings. • At least 14 days formal notice would be given before each Board Committee meeting.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C") / Explain ("E")	Corporate Governance Practices
A.1.10 (Cont'd)			• According to the Company's Bye-laws, the Board Committee member may waive notice of the relevant Board Committee meeting.
	A.1.4 All directors should have access to the advice and services of the company secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed.	C	• Board Committee members have access to the Company Secretary and key officers of the Company Secretarial Department who are responsible to the Board Committees for ensuring that Board Committee procedures, and all applicable rules and regulations, are followed.
	A.1.5 – Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting.	C	• The Company Secretary prepares minutes / written resolutions and keeps records of substantive matters discussed and decisions resolved at Board Committee meetings.
	– Such minutes should be open for inspection at any reasonable time on reasonable notice by any director.	C	• Board Committee minutes / written resolutions are sent to all Board Committee members within a reasonable time (generally within 14 days) after each Board Committee meeting. • Board Committee minutes / written resolutions are available for inspection by Board Committee members.
	A.1.6 – Minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered by the board and decisions reached.	C	• The minutes of the Board Committees record in sufficient detail the matters considered by the Board Committees and decisions reached.
	– Draft and final versions of board minutes for all directors to comment and to keep records within a reasonable time after the board meeting	C	• Board Committee members are given an opportunity to comment on the draft Board Committee minutes. • Final version of Board Committee minutes is placed on record within a reasonable time after the Board Committee meeting.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C") / Explain ("E")	Corporate Governance Practices
A.1.10 (Cont'd)	A.1.7 – A procedure agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the company's expense	C	• Board Committee members have been advised that the Company Secretary can arrange independent professional advice at the expense of the Company should such advice be considered necessary by any Board Committee member.
	– The board should resolve to provide separate independent professional advice to directors to assist the relevant director or directors to discharge his / her duties to the company.	C	
	A.1.8 – If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should not be dealt with by way of circulation or by a committee but a board meeting should be held.	C	• Board Committee members must declare his / her interest in the matters to be considered by the Board Committee, if applicable. • In case of conflict of interests, relevant Directors refrain from voting. Mr. Victor Li, the Chairman of the Board, is also the Chairman of the Remuneration Committee. He refrained from voting at decisions made in respect of his own remuneration package.
	– Independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at such board meeting.	C	• The Company has an Executive Committee which comprises Executive Directors and certain senior management of the Company. The major function of the Executive Committee is to review the ongoing operations of the Group and consider potential acquisition opportunities. In the event that conflict of interest was to arise in respect of a substantial shareholder or a director, the matter will be referred to the Board, ensuring the involvement of Independent Non-executive Directors, for consideration and decision.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C") / Explain ("E")	Corporate Governance Practices
A.2	**CHAIRMAN AND CHIEF EXECUTIVE OFFICER**		
	Corporate Governance Principle *There should be a clear division of responsibilities between the Chairman and the Group Managing Director of the Company to ensure a balance of power and authority.*		
A.2.4	– Chairman is to provide leadership for the board. – The chairman should 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. – The chairman should be primarily responsible for drawing up and approving the agenda for each board meeting taking into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda. The chairman may delegate such responsibility to a designated director or the company secretary.	C C C	• The Chairman of the Board is an Executive Director who is responsible for the leadership and effective running of the Board. • The Chairman determines the broad strategic direction of the Group in consultation with the Board and is responsible for the high-level oversight of management. • The Board meets regularly and held meetings in March, May, August and November 2008. • With the support of the Executive Directors and the Company Secretary, the Chairman ensures that all Directors are properly briefed on all key and appropriate issues on a timely manner. • The Company Secretary assists the Chairman in preparing the agenda for each Board meeting and ensures that, where applicable, matters proposed by other Directors are included in the agenda; and that all applicable rules and regulations are followed.
A.2.5	The chairman should take responsibility for ensuring that good corporate governance practices and procedures are established.	C	• The Board as a whole and the management of the Company are committed to the maintenance of good corporate governance practices and procedures.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C") / Explain ("E")	Corporate Governance Practices
A.2.6	The chairman should encourage all directors to make a full and active contribution to the board's affairs and take the lead to ensure that the board acts in the best interests of the company.	C	• Please refer to A.2.4 and A.2.5 of Part II for the details.
A.2.7	The chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present.	C	• In addition to regular Board meetings, the Chairman had meetings with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of the Executive Directors in May and November 2008. Details of the attendance records of the meetings are set out on pages 59 and 60.
A.2.8	The chairman should ensure that appropriate steps are taken to provide effective communication with shareholders and that views of shareholders are communicated to the board as a whole.	C	• The Company establishes different communication channels with shareholders and investors as set out in E.1.2 of Part I.
A.2.9	The chairman should facilitate the effective contribution of non-executive directors in particular and ensure constructive relations between executive and non-executive directors.	C	• Please refer to A.2.4 and A.2.5 of Part II for the details.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C") / Explain ("E")	Corporate Governance Practices
A.3	**BOARD COMPOSITION** *Corporate Governance Principle* *The Board should have a balance of skills and experience appropriate for the requirements of the business of the Company and should include a balanced composition of Executive and Non-executive Directors so that independent judgement can effectively be exercised.*		
A.3.2	The company should appoint independent non-executive directors representing at least one-third of the board.	E	• The Board consists of a total of sixteen Directors, comprising eight Executive Directors, three Non-executive Directors and five Independent Non-executive Directors. One of the Executive Directors also acts as Alternate Director to two Executive Directors and two Alternate Directors were appointed. Half of the Board, therefore is made up of Non-executive Directors with the number of Independent Non-executive Directors exceeding the minimum number required under the Listing Rules. The Company considers that it has complied with the spirit and the intention of the Code on CG Practices and that the addition of one more Independent Non-executive Director would not make any significant difference. The Company also considers that there is a sufficiently independent element on the Board to provide the Company and its shareholders with fair and independent advice.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C") / Explain ("E")	Corporate Governance Practices
A.3.3	The company should maintain on its website an updated list of its directors identifying their role and function and whether they are independent non-executive directors.	C	• The Company maintains on its website an updated list of its Directors together with their biographical information, and identifies whether they are independent non-executive directors. The Company has also posted on its website the Terms of Reference of the Board Committees to enable the shareholders to understand the role played by those Independent Non-executive Directors who serve on the relevant Board Committees.
		E	• The Company is of the view that Executive Directors are collectively in charge of the overall executive functions of the Group as a team for the purposes of efficiency and effectiveness, and hence it is neither appropriate nor meaningful to identify on its website the role and function of its individual Executive Directors.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C") / Explain ("E")	Corporate Governance Practices
A.4	**APPOINTMENTS, RE-ELECTION AND REMOVAL** *Corporate Governance Principle* *There should be a formal, considered and transparent procedure for the appointment of new Directors and plans in place for orderly succession for appointments to the Board. All Directors should be subject to re-election at regular intervals.*		
A.4.3	– If an independent non-executive director serves more than 9 years, any further appointment of such independent non-executive director should be subject to a separate resolution to be approved by shareholders. – The board should set out to shareholders in the papers accompanying a resolution to elect such an independent non-executive director the reasons they believe that the individual continues to be independent and why he should be re-elected.	C C	• Each Independent Non-executive Director who was subject to retirement by rotation was appointed by a separate resolution in the Company's annual general meeting. Each Independent Non-executive Director who was eligible for re-election at the annual general meeting had made a confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company had expressed the view in its circular that each Independent Non-executive Director who was eligible for re-election had met the independence guidelines set out in Rule 3.13 of the Listing Rules and was independent in accordance with the terms of the guidelines. While in accordance with the recommended best practices, the Company has to include its own recommendation in the circular to explain why a particular candidate should be re-elected, as their relevant credentials have been included in the circular for the shareholders' information, the Company opines that it is more important for the shareholders themselves to make their own independent decision on whether to approve a particular re-election or not.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C") / Explain ("E")	Corporate Governance Practices
A.4.4 – A.4.8	– The company should establish a nomination committee. A majority of the members of the nomination committee should be independent non-executive directors. – The nomination committee should be established with specific written terms of reference which deal clearly with the committee's authority and duties. – It is recommended that the nomination committee should discharge the following duties: (a) review the structure, size and composition (including the skills, knowledge and experience) of the board on a regular basis and make recommendations to the board regarding any proposed changes;	E	• The Company does not have a nomination committee. The Board as a whole is responsible for the appointment of new Directors and the nomination of Directors for re-election by shareholders at the general meeting of the Company. Under the Company's Bye-laws, the Board may from time to time appoint a Director either to fill a casual vacancy or as an addition to the existing Board. Any such new Director shall hold office until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the existing Board) and shall then be eligible for re-election at the same general meeting. • At present, the Company does not consider it necessary to have a nomination committee as the full Board is responsible for reviewing the structure, size and composition of the Board from time to time to ensure that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole is also responsible for reviewing the succession plan for the Directors, in particular the Chairman and the Group Managing Director.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C") / Explain ("E")	Corporate Governance Practices
A.4.4 – A.4.8 (Cont'd)	(b) identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of, individuals nominated for directorships;		• Under the Company's Bye-laws, the Board may from time to time appoint a Director either to fill a casual vacancy or as an addition to the existing Board. The Company adopts a formal, considered and transparent procedure for the appointment of new Directors. Before a prospective Director's name is formally proposed, the opinions of the existing Directors (including the Independent Non-executive Directors) are sought. After considering the proposal for the appointment of a new Director, the Board as a whole will make the final decision.
	(c) assess the independence of independent non-executive directors; and (d) make recommendations to the board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors in particular the chairman and the chief executive officer. – The nomination committee should make available its terms of reference explaining its role and the authority delegated to it by the board. – The nomination committee should be provided with sufficient resources to discharge its duties.		• The Board as a whole is responsible for assessing the independence of the Independent Non-executive Directors according to the relevant rules and requirements under the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in the relevant requirements of the Listing Rules and are independent in accordance with the terms of the guidelines.
	– Where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and / or explanatory statement accompanying the notice of the relevant general meeting why they believe the individual should be elected and the reasons why they consider the individual to be independent.		• Please refer to A.4.3 of Part II for the details.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C") / Explain ("E")	Corporate Governance Practices
A.5	**RESPONSIBILITIES OF DIRECTORS** *Corporate Governance Principle* *Every Director is required to keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.*		
A.5.5	All directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to help ensure that their contribution to the board remains informed and relevant. The company should be responsible for arranging and funding a suitable development programme.	C	• The Company regularly reminds all Directors of their functions and responsibilities. Through regular Board meetings and the circulation of written resolutions, memos and board papers, all Directors are kept abreast of the conduct, business activities and development of the Company. • A package compiled and reviewed by the Company's legal advisers setting out the duties and responsibilities of directors under the Listing Rules, the Companies Ordinance and other related ordinances and relevant regulatory requirements of Hong Kong is provided to each newly appointed Director. A revised information package comprising the latest developments in laws, rules and regulations relating to the duties and responsibilities of directors will be forwarded to each Director from time to time for his / her information and ready reference. The "Non-statutory Guidelines on Directors' Duties" issued by the Companies Registry of Hong Kong has been forwarded to each Director for his / her information and ready reference. • Memos are issued from time to time to keep Directors up to date with legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties. • Seminars are organised from time to time at which distinguished professionals are invited to present to the Directors on subjects relating to Directors' duties and corporate governance, etc.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C") / Explain ("E")	Corporate Governance Practices
A.5.6	Each director should disclose to the company at the time of his appointment, and on a periodic basis, the number and nature of offices held in public companies or organisations and other significant commitments, with the identity of the public companies or organisation and an indication of the time involved. The board should determine for itself how frequently such disclosure should be made.	C	• The Directors have disclosed to the Company at the time of their appointment and from time to time thereafter the number and nature of offices held in public companies or organisations and other significant commitments, identifying the public companies or organisations involved.
A.5.7	Non-executive directors, as equal board members, should give the board and any committees on which they serve such as the audit, remuneration or nomination committees the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.	C	• There is satisfactory attendance at Board meetings, Board Committee meetings, the meetings between the Chairman and the Non-executive Directors (including the Independent Non-executive Directors) and the general meeting during the year. Please refer to A.1.1, A.2.2, B.1.1 and C.3.1 of Part I for details of attendance records. • Extent of participation and contribution should be viewed both quantitatively and qualitatively.
A.5.8	Non-executive directors should make a positive contribution to the development of the company's strategy and policies through independent, constructive and informed comments.	C	• There is satisfactory attendance at Board meetings, Board Committee meetings, the meetings between the Chairman and the Non-executive Directors (including the Independent Non-executive Directors) and the general meeting during the year. Please refer to A.1.1, A.2.2, B.1.1 and C.3.1 of Part I for details of attendance records.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C") / Explain ("E")	Corporate Governance Practices
A.6	**SUPPLY OF AND ACCESS TO INFORMATION** *Corporate Governance Principle* *Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company.*		
There is no recommended best practice under Section A.6 in the Code on CG practices.			
B.	**REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT**		
B.1	**THE LEVEL AND MAKE-UP OF REMUNERATION AND DISCLOSURE** *Corporate Governance Principle* *There should be a formal and transparent procedure for setting policy on Executive Directors' remuneration and for fixing the remuneration packages for all Directors.*		
B.1.6	A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.	C	• A significant proportion of Executive Directors' remuneration has been structured so as to link rewards to corporate and individual performance in 2008. Please refer to note 37 in the Notes to the Financial Statements for details of discretionary bonus.
B.1.7	The company should disclose details of any remuneration payable to members of senior management, on an individual and named basis, in their annual reports and accounts.	E	• The remuneration payable to senior management represents only a small portion of the turnover or profits of the Company. As a matter of practice, disclosing details of the remuneration payable to senior management on an individual basis does not bring significant benefits or provide useful information to the shareholders.
B.1.8	Where the board resolves to approve any remuneration or compensation arrangements which the remuneration committee has previously resolved not to approve, the board must disclose the reasons for its resolution in its next annual report.	N/A	• The Board has never approved any remuneration or compensation arrangements which have previously been rejected by the Remuneration Committee.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C") / Explain ("E")	Corporate Governance Practices
C.	**ACCOUNTABILITY AND AUDIT**		
C.1	**FINANCIAL REPORTING** *Corporate Governance Principle* *The Board should present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects.*		
C.1.4 - C.1.5	– The company should announce and publish quarterly financial results within 45 days after the end of the relevant quarter, disclosing such information as would enable shareholders to assess the performance, financial position and prospects of the company. Any such quarterly financial reports should be prepared using the accounting policies applied to the company's half-year and annual accounts.	E	• The Company issued half-yearly financial results within 3 months after the end of the relevant period, and annual financial results within 4 months after the end of the relevant year. In addition, all significant and price-sensitive transactions have been announced and disclosed in accordance with the Listing Rules during the year. The shareholders of the Company are therefore able to assess the performance, financial position and prospects of the Company. The Company does not consider it necessary, nor is it in the interests of the Company and its shareholders, to issue quarterly financial results. This would result in incurring costs disproportionate to any additional benefits to the shareholders.
	– Once the company decides to announce and publish its quarterly financial results, it should continue to adopt quarterly reporting for each of the first 3 and 9 months periods of subsequent financial years. Where the company decides not to announce and publish its financial results for a particular quarter, it should publish an announcement to disclose the reason(s) for such decision.		• Please refer to C.1.4 of Part II for the details.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C") / Explain ("E")	Corporate Governance Practices
C.2	**INTERNAL CONTROLS**		
	Corporate Governance Principle *The Board should ensure that the Company maintains sound and effective internal controls to safeguard the shareholders' investment and the Company's assets.*		
C.2.2	The board's annual review should, in particular, consider:		In the review of the effectiveness of internal control system, the Board, through the Audit Committee, considers:
	– the changes since the last annual review in the nature and extent of significant risks, and the company's ability to respond to changes in its business and the external environment;	C	• the changes since the last review in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment;
	– the scope and quality of management's ongoing monitoring of risks and of the system of internal control, and where applicable, the work of its internal audit function and other providers of assurance;	C	• the scope and quality of management's ongoing monitoring of risks, internal control system, and the work of its Internal Audit Function and other providers of assurance.
	– the extent and frequency of the communication of the results of the monitoring to the board (or board committee(s)) which enables it to build up a cumulative assessment of the state of control in the company and the effectiveness with which risk is being managed;	C	• the extent and frequency of communication of the results of monitoring which enables it to build up a cumulative assessment of the state of control in the Company and the effectiveness with which risk is being managed;
	– the incidence of significant control failings or weakness that has been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the company's financial performance or conditions; and	C	• any incidence of significant control failings or weaknesses identified and the extent that they have caused unforeseeable outcomes or contingencies that could have material impact on the Company's financial performance or condition; and
	– the effectiveness of the company's processes relating to financial reporting and Listing Rule compliance.	C	• the effectiveness of the Company's processes relating to financial reporting and Listing Rules compliance.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C") / Explain ("E")	Corporate Governance Practices
C.2.3	The company should disclose as part of the Corporate Governance Report a narrative statement how they have complied with the code provisions on internal control during the reporting period. The disclosures should also include the following items: – the process that the company has applied for identifying, evaluating and managing the significant risks faced by it; – any additional information to assist understanding of the company's risk management processes and system of internal control; – an acknowledgement by the board that it is responsible for the company's system of internal control and for reviewing its effectiveness; – the process that the company has applied in reviewing the effectiveness of the system of internal control; and – the process that the company has applied to deal with material internal control aspects of any significant problems disclosed in its annual reports and accounts.	C C C C C	In the Corporate Governance Report, the Company, in particular item C.2.1 of Part I, discloses: • the process of identifying, evaluating and managing the significant risks; • any additional information to assist understanding of the risk management processes and internal control system; • an acknowledgement by the Board that it is responsible for the internal control system and for reviewing its effectiveness; • the process applied in reviewing the effectiveness of internal control system, and • the process applied to deal with material internal control aspects of any significant problems disclosed in its Annual Reports and Financial Statements.
C.2.4	The company should ensure that their disclosures provide meaningful information and do not give a misleading impression.	C	• The Company aims to ensure disclosures provide meaningful information and do not give a misleading impression.
C.2.5	The company without an internal audit function should review the need for one on an annual basis and should disclose the outcome of such review in the company's Corporate Governance Report.	N/A	• Please refer to C.2 of Part I for the details.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C") / Explain ("E")	Corporate Governance Practices
C.3	**AUDIT COMMITTEE** *Corporate Governance Principle* *The Board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors.*		
C.3.7	The terms of reference of the audit committee should also require the audit committee: – to review arrangements by which employees of the company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee should ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action; and – to act as the key representative body for overseeing the company's relation with the external auditor.	E C	• The Company has issued an employee's handbook to its staff, which contains the mechanism for employees to raise any questions they may have to their department head and to the human resources and administration department for necessary action (whether these relate to their career development or any other grievances and complaints they may have). The Company considers such mechanisms to be sufficient to ensure that there is a channel for employees to have a direct communication with the management of the Company.
D.	**DELEGATION BY THE BOARD**		
D.1	**MANAGEMENT FUNCTIONS** *Corporate Governance Principle* *The Company should have a formal schedule of matters specifically reserved to the Board and those delegated to management.*		
D.1.3	The company should disclose the division of responsibility between the board and management to assist those affected by corporate decisions to better understand the respective accountabilities and contributions of the board and management.	C	• Please refer to the Management Structure Chart set out on page 107.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C") / Explain ("E")	Corporate Governance Practices
D.1.4	Directors should clearly understand delegation arrangements in place. To that end, the company should have formal letters of appointment for directors setting out the key terms and conditions relative to their appointment.	E	• It is not the Company's practice to have formal letters of appointment for its Directors. Nevertheless, Directors clearly understand their duties to the Company, to which they are collectively and individually responsible for. In addition, part of these duties relate to fiduciary duties, duties of skill, care and diligence established under common law over a long period of time, and it is not feasible to attempt to formulate these comprehensively in writing. The difficulty in reducing these comprehensively into written form may be inferred by the fact that, currently, directors' duties are set out in non-statutory guidelines issued by the Companies Registry instead of being provided for in the Companies Ordinance. To have a formal letter of appointment may also lead to inflexibility.

D.2 BOARD COMMITTEES

Corporate Governance Principle
Board Committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.

There is no recommended best practice under Section D.2 in the Code on CG practices.

E. COMMUNICATION WITH SHAREHOLDERS

E.1 EFFECTIVE COMMUNICATION

Corporate Governance Principle
The Board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.

There is no recommended best practice under Section E.1 in the Code on CG Practices.

E.2 VOTING BY POLL

Corporate Governance Principle
The Company should regularly inform shareholders of the procedure for voting by poll and ensure compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the Company.

There is no recommended best practice under Section E.2 in the Code on CG Practices.

MANAGEMENT STRUCTURE CHART

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS:
LI Tzar Kuoi, Victor
KAM Hing Lam
IP Tak Chuen, Edmond
FOK Kin Ning, Canning
Andrew John HUNTER
CHOW WOO Mo Fong, Susan
Frank John SIXT
TSO Kai Sum

ALTERNATE DIRECTORS:
MAN Ka Keung, Simon
(alternate to IP Tak Chuen, Edmond)
Eirene YEUNG
(alternate to KAM Hing Lam)

INDEPENDENT NON-EXECUTIVE DIRECTORS:
CHEONG Ying Chew, Henry
KWOK Eva Lee
SNG Sow-mei alias POON Sow Mei
Colin Stevens RUSSEL
LAN Hong Tsung, David

NON-EXECUTIVE DIRECTORS:
LEE Pui Ling, Angelina
Barrie COOK
George Colin MAGNUS

AUDIT COMMITTEE

Colin Stevens RUSSEL (Chairman)
CHEONG Ying Chew, Henry
KWOK Eva Lee
SNG Sow-mei alias POON Sow Mei
LAN Hong Tsung, David

REMUNERATION COMMITTEE

LI Tzar Kuoi, Victor (Chairman)
Colin Stevens RUSSEL
CHEONG Ying Chew, Henry

EXECUTIVE COMMITTEE

LI Tzar Kuoi, Victor (Chairman)
KAM Hing Lam
IP Tak Chuen, Edmond
Andrew John HUNTER
CHAN Kee Ham, Ivan
CHAN Loi Shun, Dominic
LEUNG Ying Wah, Lambert
LUN Pak Lam
CHEN Tsien Hua, Joanna
LUK Sai Hong, Victor*
TONG BARNES Wai Che, Wendy*

** appointed on 19th March, 2009*

CHAIRMAN
LI Tzar Kuoi, Victor

GROUP MANAGING DIRECTOR
KAM Hing Lam

CORPORATE OFFICE
Corporate Legal
Corporate Affairs
Company Secretarial
Planning & Investment
Internal Audit
Human Resources & Administration
Information Technology

INTERNATIONAL OPERATION

BUSINESS DEVELOPMENT

CHINA INFRASTRUCTURE

FINANCE & ACCOUNTING

Deloitte.
德勤

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Cheung Kong Infrastructure Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 109 to 171, which comprise the consolidated balance sheet as at 31st December, 2008, and the consolidated income statement, the consolidated statement of recognised income and expense and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2008, and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

19th March, 2009

CONSOLIDATED INCOME STATEMENT

for the year ended 31st December

HK$ million	Notes	**2008**	2007
Group turnover	6	**2,445**	1,865
Share of turnover of jointly controlled entities	6	**5,041**	4,024
		7,486	5,889
Group turnover	6	**2,445**	1,865
Other income	7	**948**	928
Operating costs	8	**(2,253)**	(1,951)
Finance costs	9	**(481)**	(560)
Exchange (loss) / gain		**(631)**	88
Gain on disposal of a jointly controlled entity	10	**–**	815
Impairment losses	11	**(427)**	(654)
Share of results of associates		**3,864**	3,554
Share of results of jointly controlled entities		**978**	700
Profit before taxation	12	**4,443**	4,785
Taxation	13	**(13)**	(6)
Profit for the year	14	**4,430**	4,779
Attributable to:			
Shareholders of the Company		**4,423**	4,772
Minority interests		**7**	7
		4,430	4,779
Earnings per share	15	**HK$1.96**	HK$2.12
Dividends	16		
Interim dividend paid		**670**	609
Proposed final dividend		**1,889**	1,871
		2,559	2,480

CONSOLIDATED BALANCE SHEET

as at 31st December

HK$ million	Notes	2008	2007
Property, plant and equipment	17	**904**	1,121
Investment properties	18	**164**	160
Leasehold land	19	**281**	292
Interests in associates	20	**29,067**	30,389
Interests in jointly controlled entities	21	**3,361**	3,176
Interests in infrastructure project investments	22	**477**	377
Investments in securities	23	**2,597**	4,187
Derivative financial instruments	24	**624**	55
Goodwill	25	**143**	209
Pledged bank deposit	26	**1,113**	–
Deferred tax assets	31	**11**	5
Other non-current assets	32(b)	**–**	19
Total non-current assets		**38,742**	39,990
Inventories	27	**140**	75
Interests in infrastructure project investments	22	**152**	125
Derivative financial instruments	24	**304**	428
Debtors and prepayments	28	**1,303**	607
Bank balances and deposits	26	**4,368**	8,217
Total current assets		**6,267**	9,452
Bank and other loans	29	**1,628**	2,972
Derivative financial instruments	24	**1**	417
Creditors and accruals	30	**1,149**	1,292
Taxation		**109**	121
Total current liabilities		**2,887**	4,802
Net current assets		**3,380**	4,650
Total assets less current liabilities		**42,122**	44,640
Bank and other loans	29	**5,115**	4,607
Derivative financial instruments	24	**50**	187
Deferred tax liabilities	31	**201**	373
Other non-current liabilities	32(b) and (c)	**26**	16
Total non-current liabilities		**5,392**	5,183
Net assets		**36,730**	39,457
Representing:			
Share capital	33	**2,254**	2,254
Reserves	34	**34,421**	37,155
Equity attributable to shareholders of the Company		**36,675**	39,409
Minority interests	34	**55**	48
Total equity		**36,730**	39,457

LI TZAR KUOI, VICTOR
Director

IP TAK CHUEN, EDMOND
Director

19th March, 2009

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

for the year ended 31st December

HK$ million	**2008**	2007
Surplus on revaluation of properties upon transfer to investment properties	**9**	3
(Loss) / Gain from fair value changes of available-for-sale financial assets	**(615)**	65
Gain / (Loss) from fair value changes of derivatives designated as effective cash flow hedges	**286**	(92)
Gain from fair value changes of derivatives designated as effective net investment hedges	**705**	–
Actuarial (losses) / gains of defined benefit retirement schemes	**(36)**	4
Exchange differences on translation of financial statements of foreign operations	**(2,694)**	506
Share of reserve movements of associates	**(2,692)**	357
Net (loss) / gain recognised directly in equity	**(5,037)**	843
Reserve released upon disposal of a subsidiary	**(6)**	–
Reserves released upon disposals of interests in an associate	**–**	29
Reserves released upon disposal of investment in a security	**–**	3
Reserve released upon recognition of impairment losses against investments in securities	**427**	–
Reserve released relating to cash flow hedge	**–**	237
Profit for the year	**4,430**	4,779
Total recognised income and expense for the year	**(186)**	5,891
Attributable to:		
Shareholders of the Company	**(193)**	5,884
Minority interests	**7**	7
	(186)	5,891

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31st December

HK$ million	Notes	2008	2007
OPERATING ACTIVITIES			
Cash (utilised in) / generated from operations	36(a)	**(1,434)**	1,354
Income taxes recovered / (paid)		**3**	(7)
Net cash (utilised in) / from operating activities		**(1,431)**	1,347
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(91)**	(183)
Disposals of property, plant and equipment		**1**	6
Acquisitions of associates		**(833)**	(8)
Return of capital from an associate		**125**	122
Disposal of a subsidiary	36(b)	**106**	–
Disposals of interests in an associate		**279**	538
Disposal of a jointly controlled entity		**–**	1,160
Advances to associates		**(9)**	(4)
Advances from an associate		**–**	20
Advances to jointly controlled entities		**(47)**	–
Repayments from jointly controlled entities		**–**	825
Disposals of infrastructure project investments		**112**	–
Purchases of securities		**(623)**	(1,159)
Disposals of securities		**6**	200
Repayments from finance lease debtors		**–**	2
Loan note repayments of stapled securities		**98**	75
Dividends received from associates		**2,187**	2,047
Interest received		**415**	542
Net cash from investing activities		**1,726**	4,183
Net cash before financing activities		**295**	5,530
FINANCING ACTIVITIES			
New bank and other loans		**2,583**	1,659
Repayments of bank and other loans		**(2,589)**	(3,813)
Bank deposit pledged		**(1,113)**	–
Finance costs paid		**(484)**	(580)
Dividends paid		**(2,541)**	(2,299)
Net cash utilised in financing activities		**(4,144)**	(5,033)
Net (decrease) / increase in cash and cash equivalents		**(3,849)**	497
Cash and cash equivalents at 1st January		**8,217**	7,720
Cash and cash equivalents at 31st December	26	**4,368**	8,217

1. GENERAL

The Company is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange"). The addresses of its registered office and principal place of business are disclosed in the section headed "Corporate Information" of the Group's Annual Report. The Directors consider that the Company's ultimate holding company is Hutchison Whampoa Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on Hong Kong Stock Exchange.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Group's principal activities are the development, investment and operation of infrastructure businesses in Hong Kong, Mainland China, Australia, the United Kingdom, Canada, New Zealand and the Philippines.

2. CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective to the Group for accounting periods beginning on or after 1st January, 2008. The adoption of those HKFRSs has no material impact on the Group's results and financial position for the current or prior years, and does not result in any significant changes in the accounting policies of the Group.

The Group has not early adopted the following new and revised HKFRSs issued by HKICPA that are effective to the Group for accounting periods beginning on or after 1st January, 2009. The Directors anticipate that the adoption of the following HKFRSs will have no material impact on the results and financial position of the Group.

HKFRSs (Amendments)	Improvement to HKFRSs
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK (IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK (IFRIC) – Int 13	Customer Loyalty Programmes
HK (IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK (IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK (IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK (IFRIC) – Int 18	Transfers of Assets from Customers

3. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on Hong Kong Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as explained in the principal accounting policies set out below.

(a) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the year together with the Group's interests in associates and jointly controlled entities on the basis set out in (d) below.

The results of subsidiaries, associates and jointly controlled entities acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisitions or up to the effective dates of disposals, as appropriate.

(b) Goodwill

Goodwill represents the excess of costs of acquisition over the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the subsidiaries, associates and jointly controlled entities acquired. Goodwill is recognised as an asset less any identified impairment loss.

The Group has applied the relevant transitional provisions in HKFRS 3 "Business Combination". Goodwill recognised in reserves prior to 1st January, 2001 continues to be held in the reserves and are transferred to retained profits when the business to which the goodwill relates is disposed of or becomes impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the business acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of a subsidiary, associate, jointly controlled entity or relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(c) Subsidiaries

A subsidiary is an entity that is controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of such entity so as to obtain benefits from its activities.

The acquisition of a subsidiary is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities, where appropriate, are recognised at their fair values at the acquisition date.

(d) Associates and Jointly Controlled Entities

An associate is a company, other than a subsidiary or jointly controlled entity, in which the Group has a long-term equity interest and over which the Group is in a position to exercise significant influence over its management, including participation in the financial and operating policy decisions.

A joint venture is a contractual arrangement whereby the venturers undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control. A jointly controlled entity is the joint venture which involves the establishment of a separate entity.

The results and assets and liabilities of associates / jointly controlled entities are incorporated in the Group's financial statements using the equity method of accounting. Under the equity method, investments in associates / jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates / jointly controlled entities, less impairment in the values of individual investments.

Losses of an associate / jointly controlled entity in excess of the Group's interest in that associate / jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's investment in the associate / jointly controlled entity) are not recognised.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(e) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation of property, plant and equipment is provided to write off their depreciable amounts over their estimated useful lives using the straight-line method, at the following rates per annum:

Buildings	$1\frac{1}{4}$% to $3\frac{1}{3}$% or over the unexpired lease terms of the land, whichever is the higher
Mains, pipes, other plant and machinery	$3\frac{1}{3}$% to $33\frac{1}{3}$%
Furniture, fixtures and others	5% to $33\frac{1}{3}$%

When an asset is disposed of or retired, any gain or loss, representing the difference between the carrying value and the sales proceeds, if any, is included in the consolidated income statement.

(f) Investment Property

Investment property, which is property held to earn rentals and / or for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in the consolidated income statement for the period in which they arise.

(g) Leasehold Land

Leasehold land is classified as prepaid operating leases and is amortised and recognised in the consolidated income statement over the unexpired lease terms using the straight-line method.

(h) Inventories

Inventories are stated at the lower of cost, computed on a weighted-average or a first-in first-out basis as appropriate, and net realisable value. Cost includes cost of purchase and where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value is determined on the basis of anticipated sales proceeds less estimated costs to completion and selling expenses.

(i) Contract Work

When the outcome of a contract can be estimated reliably, revenue and costs associated with the contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date, that is the proportion that contract costs incurred for work performed to date bears to the estimated total contract costs.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(i) Contract Work (Cont'd)

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that will probably be recoverable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(j) Financial Instruments

Interests in infrastructure project investments

Investments in joint ventures are classified as infrastructure project investments, where the Group's return is predetermined in accordance with the provisions of the relevant agreements and the venturers' share of net assets are not in proportion to their capital contribution ratios but are as defined in the contracts and in respect of which the Group is not entitled to share the assets at the end of the investment periods.

The Group's interests in the infrastructure project investments, classified as loans and receivable in accordance with HKAS 39, are stated at amortised cost using effective interest method. The carrying amount of such interests is reduced to recognise any identified impairment losses of individual investments.

Investments in securities

The Group's investments in securities are classified as either available-for-sale financial assets, which are measured at fair value or at cost when the fair value cannot be measured reliably, or financial assets at fair value through profit or loss which are measured at fair value.

The Group designates the securities intended to be held for long term strategic purposes as available-for-sale financial assets. Gains and losses arising from changes in fair values of these assets are dealt with as movements in investment revaluation reserve, until the assets are disposed of or are determined to be impaired, at which time the cumulative gains or losses previously recognised in the reserve is included in the consolidated income statement for the period. When a significant or prolonged decline in the fair value of an available-for-sale financial asset has been identified, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the consolidated income statement even though the financial asset has not been disposed of. Impairment losses recognised in the consolidated income statement for equity or stapled securities classified as available-for-sale financial assets are not subsequently reversed in the consolidated income statement.

Securities which are managed and their performances are evaluated based on a fair value basis are designated as financial assets at fair value through profit or loss. The management considers that such designation is appropriate given that the basis of internal risk assessments and performance evaluations on these assets is different from other investments and assets of the Group. Gains and losses arising from changes in fair values of these assets are dealt with in the consolidated income statement. The relevant dividend or interest accrued on the financial assets are also recognised in the consolidated income statement.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(j) Financial Instruments (Cont'd)

Derivative financial instruments and hedge accounting

Derivative financial instruments are initially measured at fair values on the dates at which the contracts are entered into, and are remeasured to their fair values at subsequent reporting dates.

Changes in the fair values of derivative financial instruments that are designated as effective in hedging future cash flows are recognised directly in hedging reserve. Amount deferred in the equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. Any ineffective portion is recognised immediately in the consolidated income statement.

Changes in fair values of derivative financial instruments that are designated and qualify as net investment hedges are recognised directly in exchange translation reserve. Any ineffective portion is recognised immediately in the consolidated income statement.

Changes in the fair values of derivative financial instruments that do not qualify for hedge accounting are recognised in the consolidated income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or the hedge no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the hedged risk associated with the hedged item is ultimately recognised in profit or loss. The cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss when a forecast transaction is no longer expected to occur in relation to hedging of a forecast transaction.

Debtors

Debtors are classified as loan and receivables in accordance with HKAS 39, and are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in the consolidated income statement when there is objective evidence that the assets are impaired.

Cash and cash equivalents

Cash and cash equivalents are classified as loan and receivables in accordance with HKAS 39, and comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Bank and other loans

Interest-bearing bank and other loans are initially measured at fair values, and are subsequently measured at amortised cost, using the effective interest method.

(j) Financial Instruments (Cont'd)

Creditors

Creditors are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group, which is not designated as a fair value through profit or loss, is recognised initially at its fair value less transaction costs directly attributable to the issue of the financial guarantee contract.

Fair value

Fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. Fair value of derivative financial instruments and certain available-for-sale financial assets not traded on active liquid markets are determined with reference to fair value estimated by independent professionals or the present value of the estimated future cash flows discounted at the effective interest rate.

(k) Revenue Recognition

Sales of goods

Revenue from sales of goods is recognised at the time when the goods are delivered or title to the goods passes to the customers. Revenue is measured at the fair value of the consideration received or receivable and is arrived at after deduction of any sales returns and discounts and taxes.

Return from infrastructure project investments

Return from infrastructure project investments is accrued on a time basis, by reference to the carrying amount and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the infrastructure project to that project's net carrying amount at initial recognition.

Interest income

Interest income from a financial asset excluding financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(k) Revenue Recognition (Cont'd)

Income from investments in securities

Dividend and interest income from investments in securities are recognised when the Group's right to receive payment is established.

Contract revenue

Income from contracts is recognised according to the stage of completion.

(l) Foreign Currencies

The individual financial statements of each group entity is prepared and presented in the currency of the primary economic environment in which the entity operates ("functional currency"). For the purpose of the consolidated financial statements, the result and financial position of each entity are presented in Hong Kong Dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated income statement for the year, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised directly in equity. Exchange differences arising on the retranslation of non-monetary items carried at fair values are included in the consolidated income statement for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Hong Kong Dollars using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange translation reserve. Such translation differences are recognised in the consolidated income statement in the year in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange difference arising are recognised in the exchange translation reserve.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(m) Taxation

Hong Kong Profits Tax is provided for at the prevailing rate on the estimated assessable profits less available tax relief for losses brought forward of each individual company comprising the Group. Overseas tax is provided for at the applicable local rates on the estimated assessable profits less available tax losses of the individual company concerned.

Deferred tax is provided using balance sheet liability method, on all temporary differences arising between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit of the corresponding year. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(n) Operating Leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Rentals payable under operating leases are recorded in the consolidated income statement on a straight-line basis over the respective lease terms.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(o) Finance Leases

Leases that transfer substantially all the risks and rewards of ownership of the leased assets to the lessees are accounted for as finance leases.

The amounts due from the lessees under finance lease contracts are recorded as finance lease debtors. The finance lease debtors comprise the gross investment in leases less unearned finance lease income allocated to future accounting periods. The unearned finance lease income is allocated to future accounting periods so as to reflect constant periodic rates of return on the Group's net investments outstanding in respect of the leases.

Assets held under finance leases are recognised as assets at their fair values or, if lower, at the present value of the minimum lease payment at the dates of inception. The corresponding liabilities to the lessor are shown within bank and other loans in the balance sheet as obligations under finance leases. Finance costs are charged to the consolidated income statement over the terms of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(p) Employee Retirement Benefits

The Group operates defined contribution and defined benefit retirement plans for its employees.

The costs of defined contribution plans are charged to the consolidated income statement as and when employees have rendered service entitling them to the contributions.

The cost of providing retirement benefits under the Group's defined benefit retirement plans is determined using the projected unit credit method, with actuarial valuations being carried out annually. Actuarial gains and losses of defined benefit retirement plans are recognised immediately in full in the period in which they occur, outside profit or loss, in equity. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested. The amount recognised in the consolidated balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost and as reduced by the fair value of plan assets. Any assets resulting from this calculation are limited to past service cost plus the present value of available refunds and reductions in future contributions to the plans.

(q) Borrowing Costs

Borrowing costs are expensed in the income statement in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the financing of certain infrastructure projects considered as qualified assets up to the commencement of revenue contribution or upon commencement of operation of the projects, whichever is the earlier.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumption concerning the future, and other key sources of estimation uncertainty at 31st December, 2008, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Impairment of Property, Plant and Equipment

Property, plant and equipment are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value. The carrying value of property, plant and equipment as at 31st December, 2008 is HK$904 million (2007: HK$1,121 million).

(b) Impairment of Interests in Infrastructure Project Investments

Determining whether interests in infrastructure project investments are impaired requires an estimation of the recoverable amounts of infrastructure project investments, which represent the present values of estimated future cash flows from those investments, discounted at the original effective interest rates. The carrying amount of interests in infrastructure project investments as at 31st December, 2008 is HK$629 million (2007: HK$502 million).

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include interests in infrastructure project investments, investments in securities, derivative financial instruments, bank balances and deposits, bank and other loans, and debtors and creditors. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Currency Risk

The Group is exposed to currency risk primarily arising from foreign investments and borrowings denominated in currencies other than the functional currency of individual subsidiaries, which accounted for 37 per cent of the Group's borrowings (2007: 27 per cent). The Group generally hedges those investments with the appropriate level of borrowings denominated in the local currencies of relevant countries. The Group also entered into currency swaps to hedge most foreign investments financed by internal resources. Given this, the management considers that the net exposure to currency risk is kept to an appropriate level. Details of the currency swaps entered into by the Group at the balance sheet date are set out in note 24.

The Group is also exposed to currency risk arising from bank deposits denominated in foreign currencies, which accounted for 84 per cent of the Group's bank balances and deposits at the balance sheet date (2007: 85 per cent). Those bank balances and deposits are mainly denominated in United States dollars, Australian dollars, Pounds Sterling, Canadian dollars and New Zealand dollars. The management maintains the portfolio of bank deposits denominated in different currencies and the exposure to currency risk is kept to an appropriate level.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Currency Risk (Cont'd)

Sensitivity analysis

The following table indicates the approximate change in the Group's profit for the year and other components of consolidated equity in response to a 10 per cent strengthening in foreign currencies (except for United States dollars) against Hong Kong dollars to which the Group has significant exposure related to monetary items and derivative financial instruments in existence at the balance sheet date:

	2008		2007	
HK$ million	**Effect on profit for the year increase / (decrease)**	**Effect on other components of equity increase / (decrease)**	Effect on profit for the year increase / (decrease)	Effect on other components of equity increase / (decrease)
Australian Dollars	**143**	**55**	210	252
Pounds Sterling	**31**	**(40)**	(6)	(290)
Japanese Yen	**(253)**	**–**	(209)	–
Canadian Dollars	**7**	**–**	–	–
New Zealand Dollars	**4**	**65**	–	–

A 10 per cent weakening in the above foreign currencies against Hong Kong dollars would have had an equal but opposite effect on the Group's profit for the year and other components of consolidated equity.

The sensitivity analysis has been determined assuming that the change in foreign exhange rates had occurred at the balance sheet date and had been applied to each of the Group's entities exposure to currency risk for both monetary items and derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. In this respect, the management does not expect any significant movements in the pegged rate of 7.8 between the United States dollars and Hong Kong dollars. It is also assumed that such pegged rate would be materially unaffected by any changes in movement in value of the United States dollars against other currencies. The analysis is performed on the same basis for 2007.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Interest Rate Risk

The Group's interest rate risk relates primarily to floating rate borrowings and deposits. In relation to these floating rate borrowings, the management aims at keeping borrowings at fixed rates at appropriate level by entering into interest rate swaps. In order to achieve this result, the Group entered into interest rate swaps to hedge against certain exposures to changes in interest rates of the borrowings. The management adopts a policy of ensuring that all the material net borrowings of the Group are effectively on a fixed rate basis, either through the contractual terms of the loan facilities agreements or through the use of interest rate swaps. For this purpose the "net borrowings" represent interest-bearing borrowings less cash deposits (if any) financed by the aforesaid borrowings.

Details of the Group's interest rate swaps and borrowings entered into by the Group at the balance sheet date are set out in notes 24 and 29, respectively.

Sensitivity analysis

At 31st December, 2008, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would increase the Group's profit for the year by HK$44 million (2007: HK$66 million). Other components of consolidated equity would increase by HK$14 million (2007: HK$30 million) in response to the general increase in interest rates. A decrease of 100 basis points in interest rate would have had an equal but opposite effect on the Group's profit for the year and other components of consolidated equity.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

(c) Credit Risk

The Group's credit risk is primarily attributable to interests in infrastructure project investments, debt securities investments, derivative financial instruments entered into for hedging purposes, bank balances and deposits, trade debtors and other receivables.

In respect of interests in infrastructure project investments, trade debtors and other receivables, local management teams of subsidiaries are responsible for monitoring the procedures to ensure that follow-up actions are taken to recover overdue debts of the subsidiaries. In addition, the teams review the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. Normally, the Group does not obtain collateral covering the outstanding balances.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Credit Risk (Cont'd)

Debt securities investments are normally in liquid securities quoted on a recognised stock exchange or financial institutions with high credit standing, except where entered into for long term strategic purposes. Transactions involving derivative financial instruments and liquid funds are also with banks or financial institutions of high credit standing.

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the balance sheet date in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. Except for the guarantees given by the Group as set out in note 39, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these guarantees at the balance sheet date is disclosed in note 39.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors and other receivables are set out in note 28.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

(d) Liquidity Risk

The Group's treasury activities are centralised to achieve better risk control and minimise the cost of funds. Cash is generally placed in short-term deposits mostly denominated in United States dollars, Hong Kong dollars, Australian dollars, Pounds Sterling, Canadian dollars and New Zealand dollars. The management aims to maintain a balance between continuity of adequate funding and the flexibility through the use of bank and other borrowings. The Group's liquidity and financing requirements are reviewed regularly to mitigate the effects of fluctuations in cash flows. The management will consider new financing while maintaining appropriate gearing for new investments and refinancing of existing debts.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Liquidity Risk (Cont'd)

The following table details the remaining contractual maturities at the balance sheet date of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

	2008						2007					
HK$ million	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
Unsecured bank loans	3,069	3,289	1,727	376	1,176	10	5,416	5,900	3,294	2,146	457	3
Secured bank loan	1,145	1,227	85	1,142	–	–	44	100	5	5	10	80
Obligations under finance leases	31	36	8	7	16	5	49	60	10	10	27	13
Unsecured notes	2,498	4,526	87	87	262	4,090	2,070	3,880	72	72	217	3,519
Trade creditors	139	139	139	–	–	–	131	131	131	–	–	–
Amount due to an unlisted associate	–	–	–	–	–	–	175	176	176	–	–	–
Other payables and accruals	432	432	432	–	–	–	359	359	359	–	–	–
	7,314	9,649	2,478	1,612	1,454	4,105	8,244	10,606	4,047	2,233	711	3,615
Derivatives settled gross:												
Forward foreign exchange contracts held as cash flow or net investment hedging instruments (note 24):												
– outflow	5,704	5,813	3,351	2,462	–	–	5,706	5,932	1,586	1,046	3,300	–
– inflow	(6,631)	(6,666)	(3,621)	(3,045)	–	–	(5,530)	(5,664)	(1,584)	(1,035)	(3,045)	–
	(927)	(853)	(270)	(583)	–	–	176	268	2	11	255	–

(e) Other Price Risk

The Group is exposed to other price risk through its investments in securities as set out in note 23. The management manages this exposure by maintaining a portfolio of investments with different risks. For strategic purposes, the Group holds primarily equity or debt instruments operating in energy or transportation sectors.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(e) Other Price Risk (Cont'd)

Sensitivity analysis

At 31st December, 2008, it is estimated that a 5 per cent decrease in the prices of the respective instruments, with all other variables held constant, would decrease the Group's profit for the year by HK$46 million (2007: HK$52 million). Other components of consolidated equity would decrease by HK$58 million (2007: HK$96 million) in response to the decrease in the prices. A 5 per cent increase in prices would have had an equal but opposite effect on the Group's profit for the year and other components of consolidated equity.

The sensitivity analysis above has been determined assuming that the change in prices had occurred at the balance sheet date and had been applied to the exposure to price risk for the Group's investments in securities in existence at that date (as set out in note 23). The 5 per cent decrease in prices represents management's assessment of a reasonably possible change in the prices of those instruments over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

(f) Fair Value

Except for certain investments in securities which are stated at cost, the carrying values of all financial assets and financial liabilities approximate to their fair values.

6. GROUP TURNOVER AND SHARE OF TURNOVER OF JOINTLY CONTROLLED ENTITIES

Group turnover represents net sales of infrastructure materials, income from the supply of water, return from infrastructure project investments, interest income from loans granted to associates, and distribution from investments in securities classified as infrastructure investments.

In addition, the Group presents its proportionate share of turnover of jointly controlled entities. Turnover of associates is not included.

The Group turnover and share of turnover of jointly controlled entities for the current year is analysed as follows:

HK$ million	**2008**	2007
Sales of infrastructure materials	**1,132**	896
Income from the supply of water	**278**	292
Return from infrastructure project investments	**344**	139
Interest income from loans granted to associates	**522**	432
Distribution from investments in securities	**169**	106
Group turnover	**2,445**	1,865
Share of turnover of jointly controlled entities	**5,041**	4,024
	7,486	5,889

7. OTHER INCOME

Other income includes the following:

HK$ million	2008	2007
Interest income from banks	**429**	538
Gain on disposal of a subsidiary (note 36(b))	**108**	–
Gain on disposals of infrastructure project investments	**112**	–
Gain on disposals of listed securities	**3**	80
Gain on disposals of interests in an associate	**–**	79
Change in fair values of investment properties	**–**	25

8. OPERATING COSTS

HK$ million	2008	2007
Staff costs including directors' emoluments	**315**	315
Depreciation of property, plant and equipment	**52**	51
Amortisation of prepayment for leasehold land	**9**	9
Raw materials and consumables used	**674**	416
Changes in inventories of finished goods and work-in-progress	**(36)**	24
Change in fair values of investments in securities	**491**	35
Change in fair values of derivative financial instruments	**(112)**	247
Change in fair values of investment properties	**7**	–
Other operating expenses	**853**	854
Total	**2,253**	1,951

9. FINANCE COSTS

HK$ million	2008	2007
Interest and other finance costs on		
Bank borrowings wholly repayable within 5 years	**398**	488
Notes repayable after 5 years	**83**	72
Total	**481**	560

10. GAIN ON DISPOSAL OF A JOINTLY CONTROLLED ENTITY

HK$ million	**2008**	2007
Disposal of 44.4% interests in Guangzhou E-S-W Ring Road Company Limited	**–**	815

11. IMPAIRMENT LOSSES

During the current year, the Group recognised impairment losses of the following assets:

HK$ million	**2008**	2007
Investments in securities (note 23)	**427**	623
Interests in a jointly controlled entity (note 21)	**–**	31
Total	**427**	654

12. PROFIT BEFORE TAXATION

HK$ million	**2008**	2007
Profit before taxation is arrived at after (crediting) / charging:		
Contract revenue	**(106)**	(94)
Loss on disposals of property, plant and equipment	**–**	10
Operating lease rental for land and buildings	**12**	8
Directors' emoluments (note 37)	**37**	41
Auditor's remuneration	**6**	6
Share of tax of associates	**693**	719
Share of tax of jointly controlled entities	**145**	181

13. TAXATION

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profit tax rate from 17.5 per cent to 16.5 per cent which is effective from the year of assessment 2008/2009. Accordingly, Hong Kong Profits Tax is provided for at the rate of 16.5 per cent (2007: 17.5 per cent) on the estimated assessable profits less available tax losses.

Overseas tax is provided for at the applicable tax rate on the estimated assessable profits less available tax losses.

HK$ million	2008	2007
Current taxation		
– Hong Kong Profits Tax	–	3
– Overseas tax	5	22
Deferred taxation (note 31)	8	(19)
Total	**13**	6

Reconciliation between tax charge and accounting profit at Hong Kong Profits Tax rate:

HK$ million	2008	2007
Profit before taxation	4,443	4,785
Less: share of results of associates	(3,864)	(3,554)
share of results of jointly controlled entities	(978)	(700)
	(399)	531
Tax at 16.5% (2007: 17.5%)	(66)	93
Tax impact on:		
Different domestic rates of subsidiaries operating in other tax jurisdictions	14	(211)
Effect of change in tax rate	(3)	–
Income not subject to tax	(45)	(199)
Expenses not deductible for tax purpose	67	304
Tax losses and other temporary differences not recognised	29	30
Others	17	(11)
Tax charge	**13**	6

14. PROFIT FOR THE YEAR AND SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographic regions as the secondary reporting format.

By Business Segment

for the year ended 31st December

HK$ million	Investment in Hongkong Electric* 2008	2007	Infrastructure investments 2008	2007	Infrastructure related business 2008	2007	Unallocated items 2008	2007	Consolidated 2008	2007
Group turnover	–	–	1,313	969	1,132	896	–	–	2,445	1,865
Share of turnover of jointly controlled entities	–	–	4,195	3,447	846	577	–	–	5,041	4,024
	–	–	5,508	4,416	1,978	1,473	–	–	7,486	5,889
Segment revenue										
Group turnover	–	–	1,313	969	1,132	896	–	–	2,445	1,865
Others	–	–	29	69	41	57	–	–	70	126
	–	–	1,342	1,038	1,173	953	–	–	2,515	1,991
Segment result	–	–	1,289	762	(105)	(41)	–	–	1,184	721
Gain on disposal of a subsidiary	–	–	–	–	108	–	–	–	108	–
Gain on disposals of interests in an associate	–	–	–	79	–	–	–	–	–	79
Gain on disposal of a jointly controlled entity	–	–	–	815	–	–	–	–	–	815
Gain on disposals of infrastructure project investment and listed securities	–	–	112	13	3	–	–	67	115	80
Change in fair values of investments in securities and derivative financial instruments	–	–	–	–	(29)	(5)	(350)	(277)	(379)	(282)
Interest income	–	–	76	55	109	140	244	343	429	538
Finance costs	–	–	(111)	(83)	–	–	(370)	(477)	(481)	(560)
Exchange gain / (loss)	–	–	231	–	(3)	–	(859)	88	(631)	88
Impairment losses	–	–	(427)	(654)	–	–	–	–	(427)	(654)
Corporate overheads and others	–	–	–	–	–	–	(317)	(294)	(317)	(294)
Share of results of associates and jointly controlled entities	3,120	2,864	1,675	1,335	47	55	–	–	4,842	4,254
Profit / (Loss) before taxation	3,120	2,864	2,845	2,322	130	149	(1,652)	(550)	4,443	4,785
Taxation	–	–	(17)	(4)	4	1	–	(3)	(13)	(6)
Profit / (Loss) for the year	3,120	2,864	2,828	2,318	134	150	(1,652)	(553)	4,430	4,779
Attributable to:										
Shareholders of the Company	3,120	2,864	2,828	2,318	127	143	(1,652)	(553)	4,423	4,772
Minority interests	–	–	–	–	7	7	–	–	7	7
	3,120	2,864	2,828	2,318	134	150	(1,652)	(553)	4,430	4,779
Other information										
Capital expenditure	–	–	65	164	26	19	–	–	91	183
Depreciation and amortisation	–	–	36	30	25	30	–	–	61	60

14. PROFIT FOR THE YEAR AND SEGMENT INFORMATION (CONT'D)

By Business Segment (Cont'd)

as at 31st December

HK$ million	Investment in Hongkong Electric*		Infrastructure investments		Infrastructure related business		Unallocated items		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Assets										
Segment assets	**–**	–	**4,451**	6,826	**1,894**	2,725	**–**	–	**6,345**	9,551
Interests in associates and jointly controlled entities	**19,541**	19,844	**12,684**	13,553	**203**	168	**–**	–	**32,428**	33,565
Unallocated corporate assets	**–**	–	**–**	–	**–**	–	**6,236**	6,326	**6,236**	6,326
Total assets	**19,541**	19,844	**17,135**	20,379	**2,097**	2,893	**6,236**	6,326	**45,009**	49,442
Liabilities										
Segment liabilities	**–**	–	**1,648**	2,339	**340**	261	**–**	–	**1,988**	2,600
Taxation, deferred taxation and unallocated corporate liabilities	**–**	–	**181**	361	**129**	133	**5,981**	6,891	**6,291**	7,385
Total liabilities	**–**	–	**1,829**	2,700	**469**	394	**5,981**	6,891	**8,279**	9,985

* During the year, the Group has a 38.87 per cent equity interest in Hongkong Electric Holdings Limited ("Hongkong Electric"), which is listed on Hong Kong Stock Exchange.

14. PROFIT FOR THE YEAR AND SEGMENT INFORMATION (CONT'D)

By Geographic Region

for the year ended 31st December

	Hong Kong		Mainland China		Australia		United Kingdom		Canada, New Zealand and others		Unallocated items		Consolidated	
HK$ million	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Group turnover	**771**	652	**686**	380	**525**	538	**357**	292	**106**	3	**–**	–	**2,445**	1,865
Share of turnover of jointly controlled entities	**481**	441	**4,560**	3,583	**–**	–	**–**	–	**–**	–	**–**	–	**5,041**	4,024
	1,252	1,093	**5,246**	3,963	**525**	538	**357**	292	**106**	3	**–**	–	**7,486**	5,889
Segment revenue														
Group turnover	**771**	652	**686**	380	**525**	538	**357**	292	**106**	3	**–**	–	**2,445**	1,865
Others	**21**	12	**25**	70	**–**	–	**20**	43	**4**	1	**–**	–	**70**	126
	792	664	**711**	450	**525**	538	**377**	335	**110**	4	**–**	–	**2,515**	1,991
Segment result	**(104)**	(66)	**306**	177	**730**	538	**148**	94	**104**	(22)	**–**	–	**1,184**	721
Gain on disposal of a subsidiary	**–**	–	**108**	–	**–**	–	**–**	–	**–**	–	**–**	–	**108**	–
Gain on disposals of interests in an associate	**–**	–	**–**	–	**–**	79	**–**	–	**–**	–	**–**	–	**–**	79
Gain on disposal of a jointly controlled entity	**–**	–	**–**	815	**–**	–	**–**	–	**–**	–	**–**	–	**–**	815
Gain on disposals of infrastructure project investment and listed securities	**–**	–	**112**	–	**–**	13	**–**	–	**3**	–	**–**	67	**115**	80
Change in fair values of investments in securities and derivative financial instruments	**–**	–	**–**	–	**(23)**	–	**–**	–	**(6)**	(5)	**(350)**	(277)	**(379)**	(282)
Interest income	**109**	140	**–**	–	**–**	–	**76**	55	**–**	–	**244**	343	**429**	538
Finance costs	**–**	–	**–**	–	**–**	–	**(111)**	(83)	**–**	–	**(370)**	(477)	**(481)**	(560)
Exchange (loss) / gain	**(3)**	–	**–**	–	**231**	–	**–**	–	**–**	–	**(859)**	88	**(631)**	88
Impairment losses	**–**	–	**–**	(31)	**(427)**	(623)	**–**	–	**–**	–	**–**	–	**(427)**	(654)
Corporate overheads and others	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(317)**	(294)	**(317)**	(294)
Share of results of associates and jointly controlled entities	**3,173**	2,939	**927**	643	**316**	282	**425**	392	**1**	(2)	**–**	–	**4,842**	4,254
Profit / (Loss) before taxation	**3,175**	3,013	**1,453**	1,604	**827**	289	**538**	458	**102**	(29)	**(1,652)**	(550)	**4,443**	4,785
Taxation	**4**	1	**(29)**	(4)	**–**	–	**12**	–	**–**	–	**–**	(3)	**(13)**	(6)
Profit / (Loss) for the year	**3,179**	3,014	**1,424**	1,600	**827**	289	**550**	458	**102**	(29)	**(1,652)**	(553)	**4,430**	4,779
Attributable to:														
Shareholders of the Company	**3,179**	3,014	**1,417**	1,593	**827**	289	**550**	458	**102**	(29)	**(1,652)**	(553)	**4,423**	4,772
Minority interests	**–**	–	**7**	7	**–**	–	**–**	–	**–**	–	**–**	–	**7**	7
	3,179	3,014	**1,424**	1,600	**827**	289	**550**	458	**102**	(29)	**(1,652)**	(553)	**4,430**	4,779
Other information														
Capital expenditure	**15**	3	**11**	16	**–**	–	**65**	164	**–**	–	**–**	–	**91**	183

14. PROFIT FOR THE YEAR AND SEGMENT INFORMATION (CONT'D)

By Geographic Region (Cont'd)

as at 31st December

HK$ million	Hong Kong 2008	Hong Kong 2007	Mainland China 2008	Mainland China 2007	Australia 2008	Australia 2007	United Kingdom 2008	United Kingdom 2007	Canada, New Zealand and others 2008	Canada, New Zealand and others 2007	Unallocated Items 2008	Unallocated Items 2007	Consolidated 2008	Consolidated 2007
Assets														
Segment assets	**958**	1,441	**908**	736	**958**	2,451	**2,917**	3,908	**604**	1,015	**–**	–	**6,345**	9,551
Interests in associates and jointly controlled entities	**19,720**	20,169	**3,182**	3,029	**4,930**	6,932	**2,168**	3,424	**2,428**	11	**–**	–	**32,428**	33,565
Unallocated corporate assets	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**6,236**	6,326	**6,236**	6,326
Total assets	**20,678**	21,610	**4,090**	3,765	**5,888**	9,383	**5,085**	7,332	**3,032**	1,026	**6,236**	6,326	**45,009**	49,442

15. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of the Company of HK$4,423 million (2007: HK$4,772 million) and on 2,254,209,945 shares (2007: 2,254,209,945 shares) in issue during the year.

16. DIVIDENDS

HK$ million	2008	2007
Interim dividend paid of HK$0.297 (2007: HK$0.27) per share	**670**	609
Proposed final dividend of HK$0.838 (2007: HK$0.83) per share	**1,889**	1,871
Total	**2,559**	2,480

17. PROPERTY, PLANT AND EQUIPMENT

HK$ million	Freehold land outside Hong Kong	Buildings	Mains, pipes, other plant and machinery	Furniture, fixtures and others	Total
Cost					
At 1st January, 2007	3	742	2,852	36	3,633
Additions	–	4	177	2	183
Disposals	–	(31)	(265)	(2)	(298)
Exchange translation differences	–	22	83	2	107
Transfers *	–	(1)	–	–	(1)
At 31st December, 2007	3	736	2,847	38	3,624
Additions	–	2	86	3	91
Disposals	–	–	(109)	(8)	(117)
Disposal of a subsidiary	–	(137)	(112)	–	(249)
Exchange translation differences	(1)	22	(309)	2	(286)
Transfers *	–	(1)	–	–	(1)
At 31st December, 2008	2	622	2,403	35	3,062
Accumulated depreciation and impairment loss					
At 1st January, 2007	–	693	1,916	33	2,642
Charge for the year	–	5	45	1	51
Disposals	–	(29)	(250)	(3)	(282)
Exchange translation differences	–	21	69	2	92
At 31st December, 2007	–	690	1,780	33	2,503
Charge for the year	–	4	46	2	52
Disposals	–	–	(108)	(8)	(116)
Disposal of a subsidiary	–	(129)	(111)	–	(240)
Exchange translation differences	–	20	(63)	2	(41)
At 31st December, 2008	–	585	1,544	29	2,158
Carrying value					
At 31st December, 2008	**2**	**37**	**859**	**6**	**904**
At 31st December, 2007	3	46	1,067	5	1,121

* During the year, certain properties of the Group were transferred to investment properties with revaluation gain of HK$4 million (2007: HK$3 million).

17. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The carrying value of the Group's mains, pipes, other plant and machinery includes an amount of HK$193 million (2007: HK$263 million) in respect of assets held under finance leases, and another amount of HK$50 million (2007: HK$67 million) in respect of assets pledged as security for certain bank loans of the Group.

The Directors reviewed the Group's property, plant and equipment based on value in use calculation. The discount rate used was 8.5 per cent (2007: 8.5 per cent) per annum. No impairment loss has been recognised for the property, plant and equipment during the year.

18. INVESTMENT PROPERTIES

HK$ million	
Medium term leases in Hong Kong, at fair value	
At 1st January, 2007	130
Transfer from property, plant and equipment and leasehold land	5
Change in fair values	25
At 31st December, 2007	160
Transfer from property, plant and equipment and leasehold land	11
Change in fair values	(7)
At 31st December, 2008	**164**

The fair values of the Group's investment properties at 31st December, 2008 are determined based on a valuation carried out by Mr. K. B. Wong for and on behalf of DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. Mr. K. B. Wong is a member of the Hong Kong Institute of Surveyors ("HKIS") with appropriate qualifications and recent experiences in the valuation of similar locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

19. LEASEHOLD LAND

HK$ million	Medium term leasehold land in Hong Kong	Medium term leasehold land outside Hong Kong	Total
Operating lease prepayment			
At 1st January, 2007	403	48	451
Transfers *	(1)	–	(1)
Exchange translation differences	–	3	3
At 31st December, 2007	402	51	453
Transfers *	(2)	–	(2)
Disposal of a subsidiary	–	(7)	(7)
Exchange translation differences	–	2	2
At 31st December, 2008	400	46	446
Accumulated amortisation and impairment loss			
At 1st January, 2007	116	34	150
Charge for the year	8	1	9
Exchange translation differences	–	2	2
At 31st December, 2007	124	37	161
Charge for the year	8	1	9
Transfer *	(1)	–	(1)
Disposal of a subsidiary	–	(6)	(6)
Exchange translation differences	–	2	2
At 31st December, 2008	131	34	165
Carrying value			
At 31st December, 2008	**269**	**12**	**281**
At 31st December, 2007	278	14	292

* During the year, certain leasehold land of the Group was transferred to investment properties with HK$5 million revaluation gain (2007: nil).

The Directors reviewed the Group's leasehold land based on value in use calculation. The discount rate used was 8.5 per cent (2007: 8.5 per cent) per annum. No impairment loss has been recognised for the leasehold land during the year.

20. INTERESTS IN ASSOCIATES

HK$ million	2008	2007
Investment costs		
– Listed in Hong Kong	**8,687**	8,687
– Unlisted	**6,592**	5,960
Share of post-acquisition reserves	**9,357**	12,049
	24,636	26,696
Impairment losses	**(857)**	(857)
	23,779	25,839
Amounts due by unlisted associates	**5,288**	4,550
At 31st December	**29,067**	30,389
Market value of investment in a listed associate	**36,046**	37,208

Included in the amounts due by unlisted associates are subordinated loans of HK$3,800 million (2007: HK$4,006 million). The rights in respect of these loans are subordinated to the rights of any other lenders to the associates.

The Directors reviewed certain associates' operations and financial positions as at 31st December, 2008 based on value in use calculation.

Summarised financial information in respect of the Group's associates is set out below:

HK$ million	2008	2007
Total assets	**150,526**	169,655
Total liabilities	**(91,804)**	(104,880)
Net assets	**58,722**	64,775
Total turnover	**32,712**	30,203
Total profit for the year	**9,315**	8,718
Shared by the Group:		
Net assets of the associates	**24,640**	26,696
Profit of the associates for the year	**3,864**	3,554

Particulars of the principal associates are set out in Appendix 2 on pages 169 and 170.

21. INTERESTS IN JOINTLY CONTROLLED ENTITIES

HK$ million	**2008**	2007
Investment costs	**2,999**	3,079
Share of post-acquisition reserves	**164**	(54)
	3,163	3,025
Impairment losses	**(245)**	(245)
	2,918	2,780
Shareholders' loans to jointly controlled entities	**443**	396
At 31st December	**3,361**	3,176

The Group's interests in a jointly controlled entity with carrying value of HK$1,902 million as at 31st December, 2008 (2007: HK$2,082 million) have been pledged as part of the security to secure certain bank borrowings granted to the jointly controlled entity.

The Directors reviewed certain jointly controlled entities' operations and financial positions as at 31st December, 2008 based on value in use calculation. A discount rate 9 per cent (2007: 9 per cent) per annum was applied on projected cash flows for value in use calculation. No further impairment loss (2007: HK$31 million) against interests in jointly controlled entities was recognised in current year.

Summarised financial information in respect of the Group's jointly controlled entities is set out below:

HK$ million	**2008**	2007
Total assets	**19,726**	18,567
Total liabilities	**(11,792)**	(11,947)
Net assets	**7,934**	6,620
Total turnover	**11,481**	9,155
Total profit for the year	**1,863**	1,761
Shared by the Group:		
Net assets of the jointly controlled entities	**3,163**	3,025
Profit of jointly controlled entities for the year	**978**	700

Particulars of the principal jointly controlled entities are set out in Appendix 3 on page 171.

22. INTERESTS IN INFRASTRUCTURE PROJECT INVESTMENTS

HK$ million	**2008**	2007
Classified as:		
Non-current asset	**477**	377
Current assets	**152**	125
At 31st December	**629**	502

Interests in infrastructure project investments carry effective interest rates which range from 13.7 per cent to 16.2 per cent (2007: range from 13.7 per cent to 16.2 per cent) per annum. The interests in infrastructure project investments were not past due as at 31st December, 2008 (2007: nil).

The Directors reviewed certain infrastructure projects' operations and financial positions as at 31st December, 2008 based on the present values of estimated future cash flows from those investments, discounted at the original effective interest rates. No impairment loss against the interests in infrastructure project investments was recognised in current year.

23. INVESTMENTS IN SECURITIES

HK$ million	**2008**	2007
Financial assets at fair value through profit or loss*		
Notes, unlisted	**373**	787
Equity securities, unlisted	**174**	240
Equity securities, listed overseas	**5**	14
Others, unlisted	**365**	–
Available-for-sale financial assets		
Stapled securities, listed overseas, at fair value	**930**	2,113
Equity securities, unlisted, at cost	**526**	706
Debt securities, unlisted, at fair value	**198**	265
Equity securities, unlisted, at fair value	**26**	62
Total	**2,597**	4,187

* designated as at fair value through profit or loss in accordance with HKAS 39

23. INVESTMENTS IN SECURITIES (CONT'D)

A stapled security comprises various subordinated loan notes and fully paid ordinary shares. It is quoted at a single combined price and cannot be traded separately.

Neither the subordinated loan notes, debt securities nor the unlisted notes are past due or impaired, which are issued by corporate entities with credit ratings ranging from AA to BBB-.

As at 31st December, 2008, cumulative losses of certain available-for-sale stapled securities totalling HK$427 million previously dealt with as movements in investment revaluation reserve have been recognised as impairment losses in the consolidated income statement due to a significant decline in the market values of those financial assets during the current year.

As at 31st December, 2007, the Group's available-for-sale equity securities amounting to HK$623 million were individually determined to be fully impaired due to unsatisfactory operating performance which indicated that the cost of the Group's investment in the investee may not be recovered. Impairment loss on such investment was recognised in the consolidated income statement.

24. DERIVATIVE FINANCIAL INSTRUMENTS

	2008		2007	
HK$ million	**Assets**	**Liabilities**	Assets	Liabilities
Forward foreign exchange contracts	**928**	**(1)**	428	(604)
Interest rate swaps	**–**	**(50)**	55	–
At 31st December	**928**	**(51)**	483	(604)
Portion classified as:				
Non-current	**624**	**(50)**	55	(187)
Current	**304**	**(1)**	428	(417)
	928	**(51)**	483	(604)

Currency Derivatives

During the current year, the Group utilised currency derivatives to hedge significant future transactions and cash flows, and long term foreign investments. The Group is a party to a variety of foreign currency forward contracts in the management of its exchange rate exposures. No material cash flow is expected to occur in the coming year.

24. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

Currency Derivatives (Cont'd)

The following contracts are outstanding as at the balance sheet dates and the major terms of these contracts are as follows:

As at 31st December 2008

Notional amount	Maturity
Sell AUD150.9 million*	11th May, 2009
Sell GBP26.6 million	30th April, 2009
Sell GBP62.6 million*	21st December, 2009
Sell CAD157.5 million*	20th May, 2009
Sell CAD70.0 million*	17th June, 2009
Sell GBP212.4 million*	24th May, 2010

As at 31st December 2007

Notional amount	Maturity
Sell AUD155.5 million*	9th May, 2008
Sell GBP26.6 million	30th April, 2008
Sell GBP62.6 million*	21st December, 2009
Sell GBP212.4 million*	24th May, 2010

* designated as hedging instrument in accordance with HKAS 39

The fair values of the above currency derivatives that are designated and effective as cash flow hedges totalling HK$263 million (net assets to the Group) (2007: HK$59 million (net assets to the Group)) have been deferred in equity at 31st December, 2008.

The fair values of the above currency derivatives that are designated and effective as net investment hedges totalling HK$628 million (net assets to the Group) (2007: HK$187 million (net liabilities to the Group)) have been deferred in equity at 31st December, 2008.

Change in fair values of currency derivative not designated for hedging amounting to HK$112 million (net gain) has been credited (2007: HK$247 million (net loss)) to the consolidated income statement for the current year.

24. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

Interest Rate Swaps

During the current year, the Group utilised interest rate swaps to manage its exposure to interest rate movements on its bank borrowings by swapping a proportion of those borrowings from floating rates to fixed rates. The notional principal amounts of the interest rate swap contracts outstanding as at 31st December, 2008, their remaining terms and estimated total fair value are as follows:

HK$ million	Floating interest rate	Weighted average fixed interest rate	Notional principal amount	Estimated fair value
Contracts maturing in 2010	BBSW or LIBOR*	5.62%	1,460	(50)
Fair value deferred in equity at 31st December, 2008				**(50)**
Contracts maturing in 2010	BBSW or LIBOR*	5.62%	1,872	55
Fair value deferred in equity at 31st December, 2007				55

* BBSW-Australian Bank Bill Swap Reference Rate
LIBOR-London Interbank Offered Rate

The fair value estimation covering the above interest rate swap contracts is based on the fair value estimated by independent professionals for equivalent instruments at 31st December, 2008. All of the above interest rate swaps are designated and effective as cash flow hedges and the fair values (net liabilities to the Group) have been deferred in equity.

25. GOODWILL

HK$ million	2008	2007
At 1st January	**209**	205
Exchange difference	**(66)**	4
At 31st December	**143**	209

The goodwill was recognised on acquisition of 100 per cent interest in Cambridge Water PLC ("Cambridge Water"), the water supplier in South Cambridgeshire of the United Kingdom.

The Group tests goodwill annually for impairment, or more frequently if there are indications that the goodwill might be impaired.

The recoverable amount of Cambridge Water, which covers the above goodwill, is determined from a value in use calculation. The key assumptions for the value in use calculation are those regarding the discount rate, growth rates, and expected changes to selling prices and direct costs during the period. The Group estimates discount rate using the rate that reflects current market assessments of the time value of money and the risks specific to Cambridge Water. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the relevant markets.

The Group prepares cash flow forecasts derived from Cambridge Water's approved budget for 2009 to 2013 and extrapolates cash flows for the subsequent 10 years using the same cashflows as that in 2013. The rate used to discount the forecast cash flows is 8 per cent (2007: 8 per cent) per annum.

As Cambridge Water's principal operation is supply of water which is regulated in nature, the Group considers that cash flow projection for 15 years and low growth rates are appropriate for the impairment test review.

The results of the reviews undertaken as at 31st December, 2008 indicated that no further impairment charge was necessary for current year.

26. BANK BALANCES AND DEPOSITS

Bank balances and deposits carry effective interest rate at 4.86 per cent (2007: 5.85 per cent) per annum.

Analysis of the bank balances and deposits is as follows:

HK$ million	**2008**	2007
Pledged bank deposit	**1,113**	–
Cash and cash equivalents	**4,368**	8,217
Total	**5,481**	8,217

The pledged bank deposit represents a deposit pledged to a bank to secure a bank loan repayable in 2010. The pledged bank deposit which is classified as non-current asset will be released upon repayment of the bank loan.

27. INVENTORIES

HK$ million	**2008**	2007
Raw materials	**62**	42
Work-in-progress	**30**	10
Stores, spare parts and supplies	**18**	9
Finished goods	**30**	14
Total	**140**	75

The cost of inventories charged to the consolidated income statement during the year was HK$1,124 million (2007: HK$896 million).

28. DEBTORS AND PREPAYMENTS

HK$ million	2008	2007
Trade debtors	**243**	235
Prepayments, deposits and other receivables	**1,060**	372
Total	**1,303**	607

The aging analysis of the Group's trade debtors is as follows:

HK$ million	2008	2007
Current	**139**	144
Less than 1 month past due	**52**	55
1 to 3 months past due	**38**	24
More than 3 months but less than 12 months past due	**25**	24
More than 12 months past due	**58**	71
Amount past due	**173**	174
Allowance for doubtful debts	**(69)**	(83)
Total after allowance	**243**	235

Trade with customers for infrastructure materials is carried out largely on credit, except for new customers and customers with unsatisfactory payment records, where payment in advance is normally required. Trade with metered customers for water supply is carried out largely on credit and with unmetered customers largely by payment in advance. Invoices are normally due within 1 month of issuance, except for certain well-established customers, where the terms are extended to 2 months, and certain customers with disputed items, where the terms are negotiated individually. Each customer has a maximum credit limit, which was granted and approved by senior management in accordance with the laid-down credit review policy and procedures.

The movement in the allowance for doubtful debts during the year is as follows:

HK$ million	2008	2007
At 1st January	**83**	122
Impairment loss recognised	**4**	8
Impairment loss written back	**(15)**	(37)
Uncollective amounts written off	**(5)**	(14)
Exchange translation differences	**2**	4
At 31st December	**69**	83

28. DEBTORS AND PREPAYMENTS (CONT'D)

At 31st December, 2008, gross trade debtors' balances totalling HK$69 million (2007: HK$92 million) were individually determined to be impaired, which related to customers that were in financial difficulties. The management assessed that only a portion of the trade debtors' balances is expected to be recovered. Consequently, specific allowance for doubtful debts of HK$69 million (2007: HK$83 million) was recognised as at 31st December, 2008. The Group does not hold any collateral over these balances.

The aging analysis of trade debtors that are neither individually nor collectively considered to be impaired is as follows:

HK$ million	**2008**	2007
Neither past due nor impaired	**133**	138
Less than 1 month past due	**51**	49
1 to 3 months past due	**36**	17
More than 3 months but less than 12 months past due	**21**	20
More than 12 months past due	**2**	2
Amount past due	**110**	88
Total	**243**	226

The trade debtors that were neither past due nor impaired related to customers for whom there was no recent history of default.

The trade debtors that were past due but not impaired related to customers that had good track records with the Group. Management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

29. BANK AND OTHER LOANS

HK$ million	2008	2007
Unsecured bank loans repayable:		
Within 1 year	**1,590**	2,964
In the 2nd year	**321**	2,019
In the 3rd to 5th year, inclusive	**1,156**	430
After 5 years	**2**	3
	3,069	5,416
Obligations under finance leases repayable:		
Within 1 year	**6**	8
In the 2nd year	**6**	8
In the 3rd to 5th year, inclusive	**14**	23
After 5 years	**5**	10
	31	49
Unsecured notes, 3.5%, repayable after 5 years	**2,498**	2,070
Secured bank loans repayable:		
Within 1 year (note 17)	**32**	–
In the 2nd year (note 26)	**1,113**	–
After 5 years	**–**	44
	1,145	44
Total	**6,743**	7,579
Portion classified as:		
Current liabilities	**1,628**	2,972
Non-current liabilities	**5,115**	4,607
Total	**6,743**	7,579

29. BANK AND OTHER LOANS (CONT'D)

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	AU$		GBP		JPY		Total	
HK$ million	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Bank loans	**2,703**	3,432	**1,511**	2,028	**–**	–	**4,214**	5,460
Finance leases	**–**	–	**31**	49	**–**	–	**31**	49
Notes	**–**	–	**–**	–	**2,498**	2,070	**2,498**	2,070
Total	**2,703**	3,432	**1,542**	2,077	**2,498**	2,070	**6,743**	7,579

The average effective interest rates of the Group's bank loans and finance leases are 6.19 per cent (2007: 5.20 per cent) per annum and 8.86 per cent (2007: 7.87 per cent) per annum, respectively.

The Group's notes of HK$2,498 million (2007: HK$2,070 million), an unsecured bank loan of HK$2 million (2007: HK$3 million) were arranged at fixed interest rate and exposed the Group to fair value interest rate risk. Other borrowings were arranged at floating rates, thus exposed the Group to cash flow interest rate risk.

Bank loans (except for the fixed rate notes) carried interest at floating rate, which was determined with reference to Australian Bank Bill Swap Reference Rate or London Interbank Offered Rate plus a margin less than one per cent.

Fixed rate notes, other loans and finance leases carried interest at 3.5 per cent to 13.3 per cent (2007: 3.5 per cent to 13.3 per cent) per annum.

29. BANK AND OTHER LOANS (CONT'D)

Details of the present value of the minimum finance lease payments are shown below:

HK$ million	2008	2007
Minimum lease payments:		
Within 1 year	**8**	10
In the 2nd year	**7**	11
In the 3rd to 5th year, inclusive	**16**	27
After 5 years	**5**	13
	36	61
Less: future finance charges	**(5)**	(12)
Present value of lease payments	**31**	49
Less: Amount due for settlement within 12 months	**(6)**	(8)
Amount due for settlement after 12 months	**25**	41

At 31st December, 2008, the remaining weighted average lease term was 5.0 years (2007: 5.8 years). All leases are denominated in GBP on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The Group's obligations under finance leases are secured by the lessors' charge over the leased assets (note 17).

30. CREDITORS AND ACCRUALS

HK$ million	2008	2007
Trade creditors	**139**	131
Amount due to an unlisted associate	**–**	175
Other payables and accruals	**1,010**	986
Total	**1,149**	1,292

The aging analysis of the Group's trade creditors is as follows:

HK$ million	2008	2007
Current	**100**	98
1 month	**24**	12
2 to 3 months	**1**	6
Over 3 months	**14**	15
Total	**139**	131

31. DEFERRED TAX ASSETS / LIABILITIES

HK$ million	**2008**	2007
Deferred tax assets	**11**	5
Deferred tax liabilities	**(201)**	(373)
Total	**(190)**	(368)

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior years:

HK$ million	**Accelerated tax depreciation**	**Tax losses**	**Fair value changes in securities**	**Others**	**Total**
At 1st January, 2007	232	(1)	175	(5)	401
Credit to profit for the year	(10)	(9)	–	–	(19)
Charge to equity for the year	–	–	(38)	–	(38)
Exchange translation differences	3	–	17	–	20
Others	–	4	–	–	4
At 31st December, 2007	225	(6)	154	(5)	368
(Credit) / Charge to profit for the year	(2)	(20)	–	33	11
Charge to equity for the year	–	–	(109)	–	(109)
Change in applicable tax rate	(3)	–	–	–	(3)
Exchange translation differences	(45)	2	(45)	–	(88)
Others	(2)	13	–	–	11
At 31st December, 2008	**173**	**(11)**	**–**	**28**	**190**

31. DEFERRED TAX ASSETS / LIABILITIES (CONT'D)

Apart from the unused tax losses of which the deferred tax assets were recognised as presented above, the Group had unused tax losses and other unused tax credits totalling HK$1,779 million (2007: HK$1,748 million) at 31st December, 2008. No deferred tax asset has been recognised in respect of these tax losses and tax credits due to the unpredictability of future profit streams to utilise the available tax losses and tax credits. An analysis of the expiry dates of the tax losses and tax credits is as follows:

HK$ million	**2008**	2007
Within 1 year	**21**	29
In the 2nd year	**13**	37
In the 3rd to 5th year, inclusive	**62**	88
No expiry date	**1,683**	1,594
Total	**1,779**	1,748

32. RETIREMENT PLANS

(a) Defined Contribution Retirement Plans

The Group provides defined contribution retirement plans for its eligible employees except for 2 defined benefit plans for the employees of certain subsidiaries as detailed in (b) and (c) below.

Contributions to the defined contribution plans are made by either the employer only at 10 per cent of the employees' monthly basic salaries or by both the employer and the employees each at 10 or 15 per cent of the employees' monthly basic salaries. The Company and its Hong Kong subsidiaries also participate in master trust Mandatory Provident Fund ("MPF") schemes operated by independent service providers. Mandatory contributions to these MPF schemes are made by both the employers and employees at 5 per cent of the employees' monthly relevant income each capped at HK$20,000.

As the Group's retirement plans in Hong Kong, including the defined benefit plan mentioned in (b) below, are all MPF-exempted recognised occupational retirement schemes ("ORSO schemes"), except for certain subsidiaries of which the new Hong Kong employees have to join the MPF schemes, the Group offers an option to its new Hong Kong employees to elect between the ORSO schemes and the MPF schemes.

The Group's costs in respect of defined contribution plans for the year amounted to HK$12 million (2007: HK$11 million). No forfeited contributions and earnings for the year under the defined contribution plans were used to reduce the existing level of contributions (2007: HK$2 million). At 31st December, 2008, there were no forfeited contributions and earnings available to the Group to reduce its contributions to the defined contribution plans in future years (2007: nil).

32. RETIREMENT PLANS (CONT'D)

(b) Defined Benefit Retirement Plan operating in Hong Kong

Certain subsidiaries of the Group operate a defined benefit retirement plan in Hong Kong for their eligible employees. Contributions to the defined benefit plan are made by the employees at either 5 or 7 per cent of the employees' salaries and contributions made by the employer are based on the recommendations of an independent actuary according to a periodic actuarial valuation of the plan.

Actuarial valuation of the defined benefit plan according to HKAS 19 "Employee Benefits" was carried out at 31st December, 2008, by Ms. Elaine Hwang of Watson Wyatt Hong Kong Limited, who is a Fellow of the Society of Actuaries. The present value of the defined benefit obligations, the related current service cost and past service cost, if any, were measured using the Projected Unit Credit Method. The principal actuarial assumptions used are as follows:

	2008	2007
Discount rate at 31st December	**1.55% per annum**	3.3% per annum
Expected rate of salary increase	**1.0% for 2009, 2.0% for 2010 and 4.0% per annum thereafter**	5.0% per annum
Expected return on plan assets	**6.25% per annum**	6.25% per annum

The following amounts in respect of the defined benefit plan have been credited to the consolidated income statement under operating costs:

HK$ million	**2008**	2007
Current service cost	**2**	2
Interest cost	**1**	2
Expected return on plan assets	**(4)**	(4)
Net amount credited to consolidated income statement	**(1)**	–

The actual return on plan assets for the year ended 31st December, 2008 was a loss of HK$26 million (2007: a gain of HK$10 million).

32. RETIREMENT PLANS (CONT'D)

(b) Defined Benefit Retirement Plan operating in Hong Kong (Cont'd)

The amount included in the consolidated balance sheet at 31st December, 2008 arising from the Group's obligations in respect of its defined benefit plan in Hong Kong is as follows:

HK$ million	2008	2007
Present value of defined benefit obligations	**65**	55
Fair value of plan assets	**(50)**	(74)
Employee retirement benefit liabilities / (assets) classified as other non-current liabilities / (assets) included in the consolidated balance sheet	**15**	(19)

Changes in the present value of the defined benefit obligations are as follows:

HK$ million	2008	2007
At 1st January	**55**	62
Current service cost	**2**	2
Interest cost	**1**	2
Actual benefits paid	**–**	(13)
Actual employee contributions	**1**	1
Actuarial loss on obligation	**6**	1
At 31st December	**65**	55

Changes in the fair value of the plan assets are as follows:

HK$ million	2008	2007
At 1st January	**74**	75
Expected return	**4**	4
Actuarial (loss) / gain on plan assets	**(30)**	6
Actual company contributions	**1**	1
Actual employee contributions	**1**	1
Actual benefits paid	**–**	(13)
At 31st December	**50**	74

32. RETIREMENT PLANS (CONT'D)

(b) Defined Benefit Retirement Plan operating in Hong Kong (Cont'd)

Major categories of the plan assets at the balance sheet date are analysed as follows:

As at 31st December	**2008**	2007
Equity instruments	**49%**	49%
Debt instruments	**51%**	51%
Total	**100%**	100%

The expected rate of return on assets was 6.25 per cent per annum (2007: 6.25 per cent per annum). This rate is derived by taking the weighted average of the long term expected rate of return on each of the asset classes invested.

The experience adjustment is as follows:

HK$ million	**2008**	2007
Present value of defined benefit obligations	**65**	55
Fair value of the plan assets	**(50)**	(74)
Deficit / (Surplus)	**15**	(19)
Experience adjustment on plan assets	**(30)**	6

The Group recognised actuarial losses amounting to HK$36 million (2007: actuarial gains of HK$5 million) for the year ended 31st December, 2008 directly in the consolidated statement of recognised income and expense. The cumulative amount of actuarial losses recognised directly in the consolidated statement of recognised income and expense amounted to HK$16 million (2007: actuarial gains of HK$20 million) as at 31st December, 2008.

Another actuarial valuation was completed at 1st January, 2007 by Mr. Billy Y.L. Wong of Watson Wyatt Hong Kong Limited, who was a Fellow of the Society of Actuaries, to determine the funding rates to be adopted by the Group in accordance with requirements of Occupational Retirement Schemes Ordinance. The actuarial method adopted was Attained Age Funding Method. The major assumptions used were the long-term average annual rate of investment return on the plan assets at 6 per cent per annum, and the average annual salary increases at 5 per cent per annum. The actuarial valuation showed that the fair value of the plan assets attributable to the Group of HK$75 million at 31st December, 2006 represented 135 per cent of the present value of the obligations as at that date. Contributions to fund the obligations were based upon the recommendations of actuary to fully fund the retirement plan on an ongoing basis. The funding rates will be reviewed no later than 1st January, 2010 as required by Occupational Retirement Schemes Ordinance.

The Group expects to make a contribution of HK$1 million to the defined benefit plan during the next financial year.

32. RETIREMENT PLANS (CONT'D)

(c) Defined Benefit Retirement Plan operating in the United Kingdom

Cambridge Water PLC, a wholly-owned subsidiary acquired by the Group on 28th April, 2004, operates a defined benefit retirement plan in the United Kingdom. The retirement plan is covered under the Water Companies Pension Scheme of which the Company is a member. Contributions to the defined benefit plan are made by the employees at 6 per cent of the employees' salaries and contributions made by the employer are based on the recommendations of an independent actuary according to a periodic actuarial valuation of the plan.

Actuarial valuation of the defined benefit plan was updated to 31st December, 2008, by Mr. Paul Metcalf of Lane Clark & Peacock LLP, who is a Fellow of the Institute of Actuaries. The principal actuarial assumptions used are as follows:

	2008	2007
Discount rate at 31st December	**6.4% per annum**	6.1% per annum
Expected rate of pension increase	**3.1% per annum**	3.4% per annum
Expected rate of salary increase	**4.6% per annum**	5.4% per annum

The following amounts in respect of the defined benefit plan have been charged to the consolidated income statement under operating costs:

HK$ million	**2008**	2007
Current service cost	**8**	9
Interest cost	**20**	25
Expected return on plan assets	**(21)**	(29)
Net amount charged to consolidated income statement	**7**	5

The actual return on plan assets for the year ended 31st December, 2008 was a loss of HK$36 million (2007: a gain of HK$33 million).

32. RETIREMENT PLANS (CONT'D)

(c) Defined Benefit Retirement Plan operating in the United Kingdom (Cont'd)

The amount included in the consolidated balance sheet at 31st December, 2008 arising from the Group's obligations in respect of its defined benefit plan in the United Kingdom is as follows:

HK$ million	2008	2007
Present value of defined benefit obligations	348	513
Fair value of plan assets	(337)	(497)
Employee retirement benefit liabilities classified as other non-current liabilities included in the consolidated balance sheet	**11**	16

Changes in the present value of the defined benefit obligations are as follows:

HK$ million	2008	2007
At 1st January	513	478
Current service cost	8	9
Interest cost	20	25
Employee contributions	2	2
Actuarial gain	(48)	(62)
Benefits paid	(11)	(14)
Exchange translation differences	(136)	75
At 31st December	**348**	513

Changes in the fair value of the plan assets are as follows:

HK$ million	2008	2007
At 1st January	497	463
Expected return	21	29
Actuarial (loss) / gain	(57)	4
Employer contributions	6	7
Employee contributions	2	2
Benefits paid	(11)	(14)
Exchange translation differences	(121)	6
At 31st December	**337**	497

32. RETIREMENT PLANS (CONT'D)

(c) Defined Benefit Retirement Plan operating in the United Kingdom (Cont'd)

Major categories of the plan assets at the balance sheet date are analysed as follows:

As at 31st December	2008	2007
Equity instruments	**39%**	47%
Debt instruments	**61%**	53%
Total	**100%**	100%

The expected rate of return on assets is 5.9 per cent per annum (2007: 6.3 per cent per annum). This rate is derived by taking the weighted average of the long term expected rate of return on each of the asset classes invested.

The experience adjustments are as follows:

HK$ million	2008	2007
Present value of the defined benefit obligations	**348**	513
Fair value of the plan assets	**(337)**	(497)
Deficit	**11**	16
Experience adjustment on plan liabilities	**(12)**	(1)
Experience adjustment on plan assets	**57**	(3)

The above actuarial valuation showed that the fair value of the plan assets attributable to the Group of HK$337 million (2007: HK$497 million) at 31st December, 2008 represents 97 per cent (2007: 97 per cent) of the present value of the obligations as at that day. The Group's future annual contribution is designed to fund the shortfall over a period of time and the employer funding rates have been increased since 1st April, 2005. The funding rates are subject to annual review.

The Group expects to make a contribution of HK$6 million to the defined benefit plan during the next financial year.

33. SHARE CAPITAL

HK$ million	2008	2007
Authorised:		
4,000,000,000 shares of HK$1 each	**4,000**	4,000
Issued and fully paid:		
2,254,209,945 shares of HK$1 each	**2,254**	2,254

34. RESERVES AND MINORITY INTERESTS

HK$ million	Share premium	Contributed surplus	Property revaluation reserve	Investment revaluation reserve	Hedging reserve	Exchange translation reserve	Retained profits	Sub-total	Minority interests	Total
	Attributable to shareholders of the Company									
At 1st January, 2007	3,836	6,062	56	76	(146)	981	22,705	33,570	41	33,611
Surplus on revaluation of properties upon transfer to investment properties	–	–	3	–	–	–	–	3	–	3
Gain from fair value changes of available-for-sale financial assets	–	–	–	65	–	–	–	65	–	65
Loss from fair value changes of derivatives designated as effective cash flow hedges	–	–	–	–	(92)	–	–	(92)	–	(92)
Actuarial gains of defined benefit retirement schemes	–	–	–	–	–	–	4	4	–	4
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	506	–	506	–	506
Share of reserve movements of associates	–	–	–	–	96	176	85	357	–	357
Net gain recognised directly in equity	–	–	3	65	4	682	89	843	–	843
Reserves released upon disposals of interests in an associate	–	–	–	–	96	(67)	–	29	–	29
Reserves released upon disposal of investment in security	–	–	–	3	–	–	–	3	–	3
Reserve released relating to cash flow hedge	–	–	–	–	237	–	–	237	–	237
Profit for the year	–	–	–	–	–	–	4,772	4,772	7	4,779
Total recognised income and expense for the year	–	–	3	68	337	615	4,861	5,884	7	5,891
Final dividend for the year 2006 paid	–	–	–	–	–	–	(1,690)	(1,690)	–	(1,690)
Interim dividend paid	–	–	–	–	–	–	(609)	(609)	–	(609)
At 31st December, 2007	3,836	6,062	59	144	191	1,596	25,267	37,155	48	37,203
Surplus on revaluation of properties upon transfer to investment properties	–	–	9	–	–	–	–	9	–	9
Loss from fair value changes of available-for-sale financial assets	–	–	–	(615)	–	–	–	(615)	–	(615)
Gain from fair value changes of derivatives designated as effective cash flow hedges	–	–	–	–	286	–	–	286	–	286
Gain from fair value changes of derivatives designated as effective net investment hedges	–	–	–	–	–	705	–	705	–	705
Actuarial losses of defined benefit retirement schemes	–	–	–	–	–	–	(36)	(36)	–	(36)
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	(2,694)	–	(2,694)	–	(2,694)
Share of reserve movements of associates	–	–	–	–	(904)	(491)	(1,297)	(2,692)	–	(2,692)
Net gain / (loss) recognised directly in equity	–	–	9	(615)	(618)	(2,480)	(1,333)	(5,037)	–	(5,037)
Reserve released upon disposal of a subsidiary	–	–	–	–	–	(6)	–	(6)	–	(6)
Reserve released upon recognition of impairment losses against available-for-sale financial assets	–	–	–	427	–	–	–	427	–	427
Profit for the year	–	–	–	–	–	–	4,423	4,423	7	4,430
Total recognised income and expense for the year	–	–	9	(188)	(618)	(2,486)	3,090	(193)	7	(186)
Final dividend for the year 2007 paid	–	–	–	–	–	–	(1,871)	(1,871)	–	(1,871)
Interim dividend paid	–	–	–	–	–	–	(670)	(670)	–	(670)
At 31st December, 2008	**3,836**	**6,062**	**68**	**(44)**	**(427)**	**(890)**	**25,816**	**34,421**	**55**	**34,476**

35. CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can expand and generate attractive and predictable returns for shareholders and benefits for other stakeholders, by establishing and maintaining a quality investment portfolio with stable earnings and appropriate level of risks that the management are comfortable with.

The capital structure of the Group consists of debts, which includes bank borrowings, notes and obligations under finance leases as detailed in note 29, bank balances and deposits, and equity attributable to shareholders of the Company, comprising issued share capital and reserves as detailed in note 34.

The management actively and regularly reviews and manages the Group's capital structure to maintain a balance between high shareholders' returns and strong capital position, and makes adjustments to the capital structure in light of changes in the global market conditions.

The Group maintained a low net debt to shareholders' equity ratio of 3 per cent as at 31st December, 2008 (2007: net cash position). The management targets to maintain a solid capital position to pursue more new investment opportunities. The Group's overall strategy remains unchanged from 2007.

The net debt to shareholders' equity ratio at 31st December, 2008 and 2007 was as follows:

HK$ million	**2008**	2007
Total debts	**6,743**	7,579
Bank balances and deposits	**(5,481)**	(8,217)
Net debt / (cash)	**1,262**	(638)
Shareholders' equity	**36,675**	39,409
Net debt to shareholders' equity ratio	**3%**	N/A

During the current year, the Company acted as the guarantor in respect of certain loan facilities granted to its subsidiaries and an associate, and fully complied with the capital requirements under the loan facility agreements.

36. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Cash (Utilised in) / Generated from Operations

HK$ million	2008	2007
Profit before taxation	**4,443**	4,785
Impairment losses	**427**	654
Share of results of associates	**(3,864)**	(3,554)
Share of results of jointly controlled entities	**(978)**	(700)
Interest income from loans granted to associates	**(522)**	(432)
Interest income from banks	**(429)**	(538)
Interest income from investments in securities	**(120)**	(97)
Return from infrastructure project investments	**(344)**	(139)
Finance costs	**481**	560
Depreciation of property, plant and equipment	**52**	51
Amortisation of prepayment for leasehold land	**9**	9
Change in fair values of investment properties	**7**	(25)
Loss on disposals of property, plant and equipment	**–**	10
Gain on disposal of a subsidiary	**(108)**	–
Gain on disposals of infrastructure project investments	**(112)**	–
Gain on disposals of interests in an associate	**–**	(79)
Gain on disposal of a jointly controlled entity	**–**	(815)
Gain on disposals of listed securities	**(3)**	(80)
Change in fair values of investments in securities	**491**	35
Change in fair values of derivative financial instruments	**(112)**	247
Dividend from investments in securities	**(49)**	(9)
Pension costs of defined benefit retirement plans	**(1)**	–
Unrealised exchange (gain) / loss	**(177)**	99
Returns received from jointly controlled entities	**760**	572
Returns received from infrastructure project investments	**217**	254
Distribution received from investment in securities	**148**	106
Advances to associates	**(1,796)**	(26)
Repayments from associates	**108**	1
Interest received from associates	**648**	551
Contributions to defined benefit retirement plans	**(1)**	(1)
Net cash received / (paid) at close of derivative financial instruments	**314**	(238)
Operating cash flows before changes in working capital	**(511)**	1,201
(Increase) / decrease in inventories	**(65)**	24
(Increase) / decrease in debtors and prepayments	**(766)**	75
(Decrease) / increase in creditors and accruals	**(140)**	56
Exchange translation differences	**48**	(2)
Cash (utilised in) / generated from operations	**(1,434)**	1,354

36. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

(b) Disposal of a Subsidiary

HK$ million	2008
Net assets disposed of:	
Property, plant and equipment	9
Leasehold land	1
Bank balances and deposits	1
Creditors and accruals	(6)
	5
Release of exchange translation reserve	(6)
	(1)
Gain on disposal of a subsidiary	108
Total consideration	107
Satisfied by:	
Cash	107

Analysis of the net cash flow arising on the disposal:

HK$ million	2008
Cash consideration	107
Bank balances and deposits disposed of	(1)
Net cash inflow arising on disposal	106

37. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' emoluments comprise payments to the Company's directors by the Group in connection with the management of the affairs of the Group. The independent non-executive directors ("INED") receive an annual director's fee of HK$75,000 each; and for those acting as the audit committee members ("ACM") and remuneration committee members ("RCM"), additional annual fee of HK$80,000 each is paid for the former and HK$25,000 each is paid for the latter. The emoluments of each of the Company's directors for the current year, excluding emoluments received from the Group's associates, are as follows:

HK$ million	Fees	Basic Salaries, Allowances and Other Benefits	Bonuses	Provident Fund Contributions	Inducement or Compensation Fees	Total Emoluments 2008	Total Emoluments 2007
Li Tzar Kuoi, Victor (1)	0.075	–	9.900	–	–	**9.975**	11.075
Kam Hing Lam (1)	0.075	4.200	4.320	–	–	**8.595**	9.075
Ip Tak Chuen, Edmond	0.075	1.800	4.950	–	–	**6.825**	7.375
Fok Kin Ning, Canning (1)	0.075	–	–	–	–	**0.075**	0.075
Andrew John Hunter (1)	0.075	6.627	3.335	0.663	–	**10.700**	10.408
Chow Woo Mo Fong, Susan (1)	0.075	–	–	–	–	**0.075**	0.075
Frank John Sixt (1)	0.075	–	–	–	–	**0.075**	0.075
Tso Kai Sum (1)	0.075	–	–	–	–	**0.075**	0.075
Cheong Ying Chew, Henry (2)	0.180	–	–	–	–	**0.180**	0.180
Kwok Eva Lee (2)	0.155	–	–	–	–	**0.155**	0.155
Sng Sow-Mei (2)	0.155	–	–	–	–	**0.155**	0.155
Colin Stevens Russel (2)	0.180	–	–	–	–	**0.180**	0.180
Lan Hong Tsung, David (2)	0.155	–	–	–	–	**0.155**	0.155
Lee Pui Ling, Angelina	0.075	–	–	–	–	**0.075**	0.075
Barrie Cook	0.075	–	–	–	–	**0.075**	0.075
George Colin Magnus (1)	0.075	–	–	–	–	**0.075**	0.075
Kwan Bing Sing, Eric	–	–	–	–	–	**–**	2.013
Total for the year 2008	**1.650**	**12.627**	**22.505**	**0.663**	**–**	**37.445**	
Total for the year 2007	1.668	13.840	25.006	0.782	–		41.296

Notes:

(1) During the current year, Mr. Li Tzar Kuoi, Victor, Mr. Kam Hing Lam, Mr. Andrew John Hunter, Mrs. Chow Woo Mo Fong, Susan, Mr. Frank John Sixt, Mr. Tso Kai Sum and Mr. George Colin Magnus each received directors' fees of HK$70,000 (2007: HK$70,000), Mr. Fok Kin Ning, Canning received director's fees of HK$120,000 (2007: HK$120,000) from Hongkong Electric. Except for HK$70,000 (2007: HK$70,000) received by Mr. George Colin Magnus, the directors' fees totalling HK$540,000 (2007: HK$540,000) were then paid back to the Company.

(2) INED, ACM and RCM – During the year, Mr. Cheong Ying Chew, Henry, Ms. Kwok Eva Lee, Mr. Lan Hong Tsung, David, Mr. Colin Stevens Russel and Ms. Sng Sow-Mei have acted as INED and ACM of the Company. Mr. Cheong Ying Chew, Henry and Mr. Colin Stevens Russel have acted as RCM of the Company during the year. The total emoluments paid to these INED, ACM and RCM during the current year are HK$825,000 (2007: HK$825,000).

37. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (CONT'D)

Of the 5 individuals with the highest emoluments in the Group, 4 (2007: 4) are directors whose emoluments are disclosed above. The aggregate of the emoluments in respect of the remaining 1 (2007: 1) individual falls within the band of HK$4,000,001 to HK$4,500,000 (2007: HK$4,500,001 to HK$5,000,000), details of which are set out below:

HK$ million	**2008**	2007
Salaries and benefits in kind	**3**	3
Bonuses	**1**	2
Total	**4**	5

38. COMMITMENTS

(a) The Group's capital commitments outstanding at 31st December and not provided for in the consolidated financial statements are as follows:

	Contracted but not provided for		**Authorised but not contracted for**	
HK$ million	**2008**	2007	**2008**	2007
Investments in an associate and a jointly controlled entity	**864**	831	**–**	–
Plant and machinery	**10**	12	**72**	97
Total	**874**	843	**72**	97

(b) At 31st December, the Group had outstanding commitments under non-cancellable operating leases in respect of land and buildings, which fall due as follows:

HK$ million	**2008**	2007
Within 1 year	**11**	3
In the 2nd to 5th year, inclusive	**15**	–
Total	**26**	3

39. CONTINGENT LIABILITIES

HK$ million	**2008**	2007
Guarantee in respect of bank loan drawn by an associate	**871**	2,522
Guarantee in respect of performance bonds	**–**	59
Total	**871**	2,581

40. MATERIAL RELATED PARTY TRANSACTIONS

During the year, the Group advanced HK$1,805 million (2007: HK$30 million) to its unlisted associates. The Group received repayments totalling HK$108 million (2007: HK$1 million) from unlisted associates. The total outstanding loan balances as at 31st December, 2008 amounted to HK$5,288 million (2007: HK$4,550 million), of which HK$23 million (2007: HK$31 million) bore interest with reference to Australian Bank Bill Swap Reference Rate and HK$4,857 million (2007: HK$4,186 million) at fixed rates ranging from 10.85 per cent to 12.25 per cent (2007: from 10.5 per cent to 11.19 per cent) per annum and HK$404 million (2007: HK$333 million) was interest-free. The average effective interest rate of the loan granted to associates is 13.51 per cent (2007: 10.5 per cent) per annum. As stated in note 6, interest from loans granted to associates during the year amounted to HK$522 million (2007: HK$432 million). Except for a loan of HK$94 million (2007: HK$94 million) which was repayable within thirteen years (2007: fourteen years), the loans had no fixed terms of repayment. As stated in note 30, the amount due to an unlisted associate of HK$175 million as at 31st December, 2007 include HK$155 million bore interest at HIBOR plus 0.75 per cent per annum and HK$20 million with no fixed terms of repayment and interest-free.

In 2007, the Group received repayments totalling HK$825 million from jointly controlled entities. The total outstanding loan balances as at 31st December, 2008 amounted to HK$443 million (2007: HK$396 million), of which HK$251 million (2007: HK$251 million) bore interest with reference to Hong Kong dollar prime rate, and HK$192 million (2007: HK$145 million) was interest-free. The loans had no fixed terms of repayment.

Moreover, the Group's sales and purchases of infrastructure materials to / from a jointly controlled entity for the current year amounted to HK$207 million (2007: HK$186 million) and HK$13 million (2007: HK$9 million), respectively.

The emoluments of key management have been presented in note 37 above.

41. BALANCE SHEET OF THE COMPANY

as at 31st December

HK$ million	2008	2007
Total assets	**30,585**	30,729
Total liabilities	**(43)**	(202)
Net assets	**30,542**	30,527
Representing:		
Share capital	**2,254**	2,254
Reserves	**28,288**	28,273
Total equity	**30,542**	30,527

Of the Group's profit attributable to shareholders of the Company for the current year, HK$2,553 million (2007: HK$2,308 million) has been dealt with in the financial statements of the Company.

Total distributable reserves of the Company amounted to HK$24,452 million as at 31st December, 2008 (2007: HK$24,437 million).

42. EVENT AFTER THE BALANCE SHEET DATE

On 5th February, 2009, the Company announced that it has entered into an agreement to procure the sale of the entire issued share capital of Outram Limited ("Outram"), a wholly-owned subsidiary of the Company, to Hongkong Electric or a wholly-owned subsidiary of Hongkong Electric, for a consideration of HK$5,680 million. Outram holds 45 per cent equity interest in each of the joint ventures in the Mainland which own and operate three power plants, namely Zhuhai Power Plant in Zhuhai City, the neighbouring Jinwan Phase 1 Power Plant and Siping Cogen Power Plants in the Jilin Province. As the result of the transaction, it is expected that a realised gain of approximately HK$1,348 million will be recorded in the Company's consolidated income statement for the year ending 31st December, 2009, which is arrived at with reference to the proceeds and the estimated net book value at the date of completion with adjustment for unrealised gain because of its 38.87 per cent equity interest in Hongkong Electric.

43. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

44. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements set out on pages 109 to 171 were approved by the Board of Directors on 19th March, 2009.

PRINCIPAL SUBSIDIARIES

APPENDIX 1

The table below shows the subsidiaries as at 31st December, 2008 which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of all the subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Name	Issued share capital Number	Par value per share	Proportion of nominal value of issued capital held by the Group (per cent)	Principal activities
Incorporated and operating in Hong Kong				
Anderson Asia (Holdings) Limited	2 ordinary	HK$0.5	100	Investment holding
	65,780,000 non-voting deferred	HK$0.5	–	
Anderson Asphalt Limited	36,000 ordinary	HK$100	100	Production and laying of asphalt and investment holding
Cheung Kong China Infrastructure Limited	2 ordinary	HK$1	100	Investment holding and investment in infrastructure projects in Mainland China
China Cement Company (International) Limited	1,000,000 ordinary	HK$1	70	Investment holding
Green Island Cement Company, Limited	76,032,000 ordinary	HK$2	100	Manufacturing, sale and distribution of cement and property investment
Green Island Cement (Holdings) Limited	101,549,457 ordinary	HK$2	100	Investment holding
Incorporated in British Virgin Islands and operating in Hong Kong				
Cheung Kong Infrastructure Finance (BVI) Limited	1 ordinary	US$1	100	Financing
Daredon Assets Limited	1 ordinary	US$1	100	Treasury
Green Island International (BVI) Limited	1 ordinary	US$1	100	Investment holding
Incorporated and operating in Australia				
Cheung Kong Infrastructure Finance (Australia) Pty Ltd	1 ordinary	A$1	100	Financing
Incorporated and operating in the United Kingdom				
Cambridge Water PLC	14,621,152 ordinary	£0.05	100	Water supply

Note: The shares of all the above subsidiaries are indirectly held by the Company.

PRINCIPAL ASSOCIATES

APPENDIX 2

The table below shows the associates as at 31st December, 2008 which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of all the associates would, in the opinion of the Directors, result in particulars of excessive length.

Name	Issued share capital Number	Par value per share	Approximate share of equity shares held by the Group (per cent)	Principal activities
Incorporated and operating in Hong Kong				
Hongkong Electric Holdings Limited (note 1)	2,134,261,654 ordinary	HK$1	39	Electricity generation and distribution
Incorporated and operating in Australia				
ETSA Utilities Partnership (note 2)	N/A	N/A	23	Electricity distribution
CKI / HEI Electricity Distribution Pty Limited (note 3)	810,000,000 ordinary	A$1	23	Electricity distribution
CKI / HEI Electricity Distribution Two Pty Limited (note 4)	180,000,000 ordinary	A$1	23	Electricity distribution
	37,188,524,600 ordinary	A$0.01		
Incorporated and operating in the United Kingdom				
Northern Gas Networks Holdings Limited	571,670,979 ordinary	£1	40	Gas distribution
	1 special	£1		
Incorporated and operating in Canada				
Stanley Power Inc.	107,000,000 ordinary	C$1	50	Electricity generation
	46,666,800 preference	C$1		
Incorporated and operating in New Zealand				
Wellington Electricity Distribution Network Limited	117,000,000 ordinary	NZ$1	50	Electricity distribution

APPENDIX 2 (CONT'D)

Notes:

1. The associate is listed on Hong Kong Stock Exchange.

2. ETSA Utilities Partnership, an unincorporated body, is formed by the following companies:

   CKI Utilities Development Limited
   HEI Utilities Development Limited
   CKI Utilities Holdings Limited
   CKI / HEI Utilities Distribution Limited
   HEI Utilities Holdings Limited

   CKI Utilities Development Limited and HEI Utilities Development Limited, both of which are associates of the Group, own 51 per cent interests in ETSA Utilities Partnership.

   The partnership operates and manages the electricity distribution business in the State of South Australia of Australia.

3. CKI / HEI Electricity Distribution Pty Limited owns 100 per cent interests in the following companies ("the Powercor Group"):

   Powercor Proprietary Limited
   Powercor Australia Limited Liability Company
   Powercor Australia Holdings Pty Limited
   Powercor Australia Limited

   The Powercor Group operates and manages an electricity distribution business in the State of Victoria of Australia.

4. CKI / HEI Electricity Distribution Two Pty Limited owns 100 per cent interests in CitiPower I Pty Ltd, which is one of five electricity distributors in the State of Victoria of Australia.

PRINCIPAL JOINTLY CONTROLLED ENTITIES

APPENDIX 3

The table below shows the jointly controlled entities as at 31st December, 2008 which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of all the jointly controlled entities would, in the opinion of the Directors, result in particulars of excessive length.

Name	Percentage of interest held by the Group	Profit sharing percentage	Principal activities
Incorporated and operating in Mainland China			
Guangdong Shantou Bay Bridge Co. Ltd.	30	30	Operation of Shantou Bay Bridge
Guangdong Zhuhai Power Station Co., Ltd.	45	45	Operation of Zhuhai Power Station
Guangdong Shenzhen-Shantou Highway (East) Co., Ltd.	33.5	33.5	Operation of Shenzhen-Shantou Highway (Eastern Section)
Incorporated and operating in Hong Kong			
Alliance Construction Materials Limited	50	50	Quarry operation and production and sale of concrete and aggregates

SCHEDULE OF MAJOR PROPERTIES

APPENDIX 4

Location	Lot Number	Group's Interest (per cent)	Approximate floor / site area attributable to the Group (sq. m.)	Existing Usage	Lease Term
14-18 Tsing Tim Street, Tsing Yi	TYTL 98	100	3,355	I	Medium
TMTL 201 Tap Shek Kok	TMTL 201	100	152,855	I	Medium
Certain units of Harbour Centre Tower 2, 8 Hok Cheung Street, Hunghom	KML113	100	5,528	C	Medium

I: Industrial C: Commercial

PROJECT PROFILES

2008

INVESTMENT IN HK ELECTRIC

HONGKONG ELECTRIC HOLDINGS LIMITED
HONG KONG

Business	Exclusive generator and distributor of electricity to Hong Kong Island and Lamma Island
Installed capacity	3,736 MW
Consumer coverage	563,000 customers
CKI's shareholding	38.87%

INFRASTRUCTURE INVESTMENT IN CHINA

SIPING COGEN POWER PLANTS
JILIN, CHINA

Location	Siping, Jilin Province
Generation capacity	200 MW
Joint venture contract date	1997
Joint venture expiry date	2019
Total project cost	HK$1,610 million
CKI's investment	HK$725 million
CKI's interest in JV	45%

ZHUHAI POWER PLANT
GUANGDONG, CHINA

Location	Zhuhai, Guangdong Province
Generation capacity	1,400 MW
Joint venture contract date	1995
Joint venture expiry date	2019
Total project cost	HK$9,493 million
CKI's investment	HK$1,284 million
CKI's interest in JV	45%

JINWAN PHASE 1 POWER PLANT
GUANGDONG, CHINA

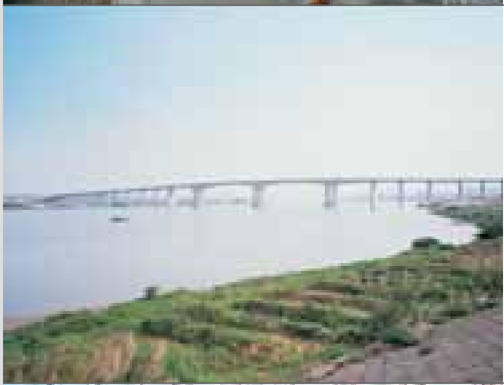
Location	Zhuhai, Guangdong Province
Generation capacity	1,200 MW
Joint venture contract date	2005
Joint venture expiry date	2035
Total project cost	HK$5,741 million
CKI's investment	HK$650 million
CKI's interest in JV	45%

INFRASTRUCTURE INVESTMENT IN

CHINA

CHANGSHA WUJIALING AND WUYILU BRIDGES HUNAN, CHINA

Location	Changsha, Hunan Province
Road type	Bridge
Length	5 km
No. of lanes	Dual two-lane
Joint venture contract date	1997
Joint venture expiry date	2022
Total project cost	HK$465 million
CKI's investment	HK$206 million
CKI's interest in JV	44.2%



JIANGMEN CHAOLIAN BRIDGE GUANGDONG, CHINA

Location	Jiangmen, Guangdong Province
Road type	Bridge
Length	2 km
No. of lanes	Dual two-lane
Joint venture contract date	1997
Joint venture expiry date	2027
Total project cost	HK$130 million
CKI's investment	HK$65 million
CKI's interest in JV	50%

JIANGMEN JIANGSHA HIGHWAY GUANGDONG, CHINA

Location	Jiangmen, Guangdong Province
Road type	Class 1 highway
Length	21 km
No. of lanes	Dual two-lane
Joint venture contract date	1996
Joint venture expiry date	2026
Total project cost	HK$207 million
CKI's investment	HK$103 million
CKI's interest in JV	50%

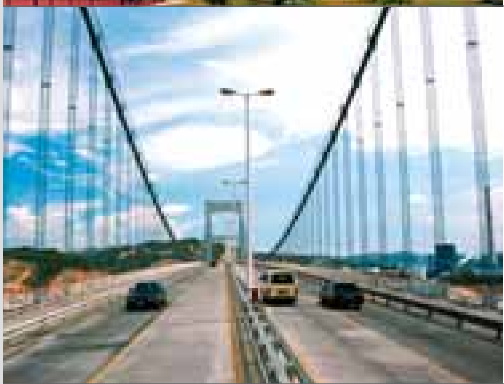
NATIONAL HIGHWAY 107 (ZHUMADIAN SECTIONS) HENAN, CHINA

Location	Zhumadian, Henan Province
Road type	Class 2 highway
Length	114 km
No. of lanes	Dual two-lane
Joint venture contract date	1997
Joint venture expiry date	2024
Total project cost	HK$461 million
CKI's investment	HK$304 million
CKI's interest in JV	66%

INFRASTRUCTURE INVESTMENT IN CHINA

PANYU BEIDOU BRIDGE GUANGDONG, CHINA

Location	Panyu, Guangdong Province
Road type	Bridge
Length	3 km
No. of lanes	Dual three-lane
Joint venture contract date	1999
Joint venture expiry date	2024
Total project cost	HK$164 million
CKI's investment	HK$66 million
CKI's interest in JV	40%



SHANTOU BAY BRIDGE GUANGDONG, CHINA

Location	Shantou, Guangdong Province
Road type	Bridge
Length	6 km
No. of lanes	Dual three-lane
Joint venture contract date	1993
Joint venture expiry date	2028
Total project cost	HK$665 million
CKI's investment	HK$200 million
CKI's interest in JV	30%

SHEN-SHAN HIGHWAY (EASTERN SECTION) GUANGDONG, CHINA

Location	Lufeng/Shantou, Guangdong Province
Road type	Expressway
Length	140 km
No. of lanes	Dual two-lane
Joint venture contract date	1993
Joint venture expiry date	2028
Total project cost	HK$2,619 million
CKI's investment	HK$877 million
CKI's interest in JV	33.5%

TANGSHAN TANGLE ROAD HEBEI, CHINA

Location	Tangshan, Hebei Province
Road type	Class 2 highway
Length	100 km
No. of lanes	Dual one-lane
Joint venture contract date	1997
Joint venture expiry date	2019
Total project cost	HK$187 million
CKI's investment	HK$95 million
CKI's interest in JV	51%

INFRASTRUCTURE INVESTMENT IN
AUSTRALIA

CITIPOWER I PTY LTD.
VICTORIA, AUSTRALIA

Business	Operates the electricity distribution network in the central business district and inner suburban areas of Melbourne, Victoria
Electricity distribution network	6,445 km
Consumer coverage	301,000 customers
CKI's shareholding	23.07% (another 27.93% held by HK Electric)

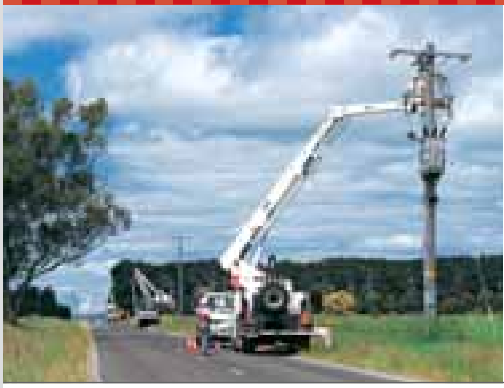
ENVESTRA LIMITED
AUSTRALIA

Business	Australia's largest distributor of natural gas
Natural gas distribution network	21,000 km
Consumer coverage	1 million customers
CKI's shareholding	18.5%

ETSA UTILITIES
SOUTH AUSTRALIA, AUSTRALIA

Business	Primary electricity distribution business for the state of South Australia
Electricity distribution network	86,276 km
Consumer coverage	803,000 customers
CKI's shareholding	23.07% (another 27.93% held by HK Electric)

INFRASTRUCTURE INVESTMENT IN AUSTRALIA



POWERCOR AUSTRALIA LIMITED
VICTORIA, AUSTRALIA

Business	Operates a major electricity distribution network, covering an area of over 150,000 sq km in the state of Victoria
Electricity distribution network	82,653 km
Consumer coverage	683,000 customers
CKI's shareholding	23.07% (another 27.93% held by HK Electric)

SPARK INFRASTRUCTURE GROUP
AUSTRALIA

Business	An infrastructure fund listed in Australia with seed assets being a 49% stake in each of CitiPower, ETSA Utilities and Powercor
Manager	CKI owns 50% interest in the management company
CKI's shareholding	8.7%

AQUATOWER PTY LIMITED
VICTORIA, AUSTRALIA

Business	AquaTower has the exclusive rights until 2027 to provide potable water to four towns in Victoria
Consumer coverage	Serves a total population of 25,000
CKI's shareholding	49%

INFRASTRUCTURE INVESTMENT IN NEW ZEALAND

WELLINGTON ELECTRICITY DISTRIBUTION NETWORK
WELLINGTON, NEW ZEALAND

Business	Operates the electricity distribution network in the central city area and other key suburbans of Wellington, New Zealand
Electricity distribution network	4,592 km
Consumer coverage	161,000 customers (approx.)
CKI's shareholding	50% (another 50% held by HK Electric)

INFRASTRUCTURE INVESTMENT IN
UNITED KINGDOM

NORTHERN GAS NETWORKS LIMITED
THE UNITED KINGDOM

Business	One of the eight major gas distribution networks in the United Kingdom
Natural gas distribution network	36,000 km
Consumer coverage	2.5 million consumers
CKI's shareholding	40% (another 35.1% held by HK Electric)

CAMBRIDGE WATER PLC
CAMBRIDGESHIRE, THE UNITED KINGDOM

Business	Supplies fresh water to an area of 1,175 sq km in South Cambridgeshire
Water distribution system	7 service reservoirs, 10 water towers and 2,200 km of water mains
Consumer coverage	Serves a total population of 300,000
CKI's shareholding	100%

SOUTHERN WATER
THE UNITED KINGDOM

Business	Supplies water and waste water services to the South of England
Length of mains/sewers	Water mains: 13,600 km Length of sewers: 21,500 km
Consumer coverage	Served population: water – 2.3 million sewerage – 4.3 million
CKI's shareholding	4.75%

INFRASTRUCTURE INVESTMENT IN
CANADA

STANLEY POWER INC.
CANADA

Business	Owns 49.99% share of TransAlta Cogeneration which operates power plants in the provinces of Ontario, Alberta and Saskatchewan in Canada
Generation capacity	Six power plants with total gross capacity of 1,362 MW
CKI's shareholding	50% (another 50% held by HK Electric)

INVESTMENT IN INFRASTRUCTURE RELATED BUSINESS

ALLIANCE CONSTRUCTION MATERIALS LIMITED
HONG KONG

CONCRETE DIVISION

Business	Hong Kong's largest concrete producer
Total capacity	4 million cubic meters per annum
CKI's interest	50%

QUARRY DIVISION

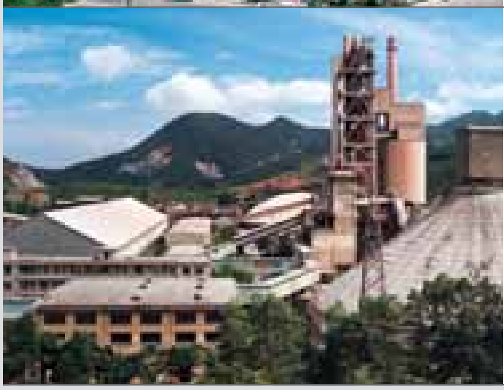
Business	3 quarries in Hong Kong, 2 quarries in Mainland China
Total capacity (aggregates)	4 million tonnes per annum
CKI's interest	50%

ANDERSON ASPHALT
HONG KONG

Business	One of Hong Kong's largest asphalt producers, pavement contractors and recyclers
Total capacity	Asphalt – 1.0 million tonnes per annum Recycling – 0.5 million tonnes per annum
CKI's interest	100%

GREEN ISLAND CEMENT
HONG KONG

Business	Only integrated cement producer in Hong Kong with about 55% market share
Total capacity	Clinker – 1.5 million tonnes per annum Cement grinding – 2.5 million tonnes per annum
CKI's interest	100%



GUANGDONG GITIC GREEN ISLAND CEMENT CO. LTD.
GUANGDONG, CHINA

Location	Yunfu, Guangdong Province
Business	Cement production
Total capacity	Clinker – 0.8 million tonnes per annum Cement grinding – 1.5 million tonnes per annum
CKI's interest	67%

INVESTMENT IN
INFRASTRUCTURE RELATED BUSINESS

SIQUIJOR LIMESTONE QUARRY PHILIPPINES

Location	Siquijor, Philippines
Business	Limestone quarry
Total capacity	2 million tonnes per annum
CKI's interest	40%

CORPORATE INFORMATION AND KEY DATES

DIRECTORS

Executive Directors

LI Tzar Kuoi, Victor (Chairman)

FOK Kin Ning, Canning (Deputy Chairman)
CHOW WOO Mo Fong, Susan *
Frank John SIXT
TSO Kai Sum

KAM Hing Lam (Group Managing Director)
IP Tak Chuen, Edmond (Deputy Chairman)
Andrew John HUNTER (Chief Operating Officer)

* also alternate to FOK Kin Ning, Canning and Frank John SIXT

Independent Non-executive Directors
CHEONG Ying Chew, Henry
KWOK Eva Lee
SNG Sow-mei alias POON Sow Mei
Colin Stevens RUSSEL
LAN Hong Tsung, David

Alternate Directors
MAN Ka Keung, Simon
(alternate to IP Tak Chuen, Edmond)
Eirene YEUNG
(alternate to KAM Hing Lam)

Non-executive Directors
LEE Pui Ling, Angelina
Barrie COOK
George Colin MAGNUS

AUDIT COMMITTEE

Colin Stevens RUSSEL (Chairman)
CHEONG Ying Chew, Henry
KWOK Eva Lee
SNG Sow-mei alias POON Sow Mei
LAN Hong Tsung, David

REMUNERATION COMMITTEE

LI Tzar Kuoi, Victor (Chairman)
Colin Stevens RUSSEL
CHEONG Ying Chew, Henry

COMPANY SECRETARY

Eirene YEUNG

QUALIFIED ACCOUNTANT

CHAN Loi Shun, Dominic

AUTHORISED REPRESENTATIVES

IP Tak Chuen, Edmond
Eirene YEUNG

PRINCIPAL BANKERS

Australia and New Zealand Banking Group Limited
Bank of Nova Scotia
Barclays Bank PLC
BNP Paribas
Commonwealth Bank of Australia
Deutsche Bank AG
The Hongkong and Shanghai Banking Corporation Limited
The Royal Bank of Scotland plc

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Woo, Kwan, Lee & Lo

REGISTERED OFFICE

Clarendon House, Church Street,
Hamilton HM11, Bermuda

PRINCIPAL PLACE OF BUSINESS

12th Floor, Cheung Kong Center,
2 Queen's Road Central, Hong Kong

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited,
Rosebank Centre,
11 Bermudiana Road,
Pembroke HM08,
Bermuda

BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

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

STOCK CODES

Stock Exchange of Hong Kong: 1038
Bloomberg: 1038 HK
Reuters: 1038.HK

WEBSITE

www.cki.com.hk

INVESTOR RELATIONS

For further information about Cheung Kong Infrastructure Holdings Limited, please contact:

Ivan CHAN

Cheung Kong Infrastructure Holdings Limited,
12th Floor, Cheung Kong Center,
2 Queen's Road Central, Hong Kong
Telephone: (852) 2122 3986
Facsimile: (852) 2501 4550
Email: contact@cki.com.hk

KEY DATES

Annual Results Announcement	19th March, 2009
Closure of Register of Members	7th to 14th May, 2009 *(both days inclusive)*
Annual General Meeting	14th May, 2009
Record Date for Final Dividend	14th May, 2009
Payment of Final Dividend	19th May, 2009

This annual report 2008 ("Annual Report") is available in both English and Chinese versions. Shareholders who have received either the English or the Chinese version of the Annual Report may request a copy in the other language by writing to the Company c/o the Company's Branch Share Registrars, Computershare Hong Kong Investor Services Limited, at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

The Annual Report (in both English and Chinese versions) has been posted on the Company's website at www.cki.com.hk. Shareholders may at any time choose to change your choice of the language of the Company's corporate communications (including but not limited to annual reports, interim reports, notices of meetings, circulars and proxy forms) by reasonable prior notice in writing to the Company c/o the Company's Branch Share Registrars.

CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED
12th Floor, Cheung Kong Center,
2 Queen's Road Central, Hong Kong
Tel: (852) 2122 3133 Fax: (852) 2501 4550

www.cki.com.hk