

Report of the Directors

(Expressed in Hong Kong Dollars)

The Directors have pleasure in submitting their Annual Report together with the audited financial statements for the year ended 31st December 2008.

Principal Activities

The principal activity of the Company is investment holding and the principal activities of the subsidiaries are the generation and supply of electricity. Particulars of the Company's principal subsidiaries are set out in Appendix 2 on page 111 of the financial statements.

Financial Statements

The Consolidated Profit and Loss Account for the year ended 31st December 2008 is set out on page 54 and shows the Group's profit after tax and Scheme of Control transfers, of \$8,029 million (2007 : \$7,448 million). The state of the Company's and the Group's affairs as at 31st December 2008 are set out in the financial statements on pages 54 to 113.

Dividends

An interim dividend of 62 cents (2007 : 58 cents) per ordinary share was paid to shareholders on 19th September 2008 and the Directors recommend a final dividend of \$1.49 (2007 : \$1.43) per ordinary share payable on 15th May 2009 to shareholders who are registered on the register of members on 14th May 2009.

Reserves

Movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements.

Charitable Donations

Charitable donations made by the Group during the year amounted to \$3 million (2007 : \$3 million).

Fixed Assets

Additions of fixed assets for the year amounted to \$2,084 million (2007 : \$1,747 million). The movements in fixed assets during the year are set out in note 14 to the financial statements.

Subsidiaries

The names, principal activities, places of incorporation and operation and particulars of the issued share capital and debt securities of the principal subsidiaries are set out in Appendix 2 on page 111 of the financial statements.

Summary of Five Year Financial Results

The summary of five year financial results of the Group is set out on page 114.

Major Customers and Suppliers

The Group's five largest customers combined did not exceed 30% of the Group's total turnover for each of the years ended 31st December 2008 and 2007.

The largest supplier of revenue items for the year represents 31.3% (2007 : 28.7%) of the Group's total purchase of revenue items, and the combined total of the largest five suppliers accounts for 71.8% (2007 : 68.9%) for the year ended 31st December 2008.

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

Directors

The Directors in office during the year were Mr. Canning Fok Kin-ning, Mr. Tso Kai-sum, Mr. Ronald Joseph Arculli, Mrs. Susan Chow Woo Mo-fong, Mr. Andrew John Hunter, Mr. Kam Hing-lam, Mr. Holger Kluge, Mr. Francis Lee Lan-yee, Mr. Victor Li Tzar-kuoi, Mr. George Colin Magnus, Mr. Neil Douglas McGee, Mr. Ralph Raymond Shea, Mr. Frank John Sixt, Mr. Wan Chi-tin, Mr. Wong Chung-hin, Mr. Ewan Yee Lup-yuen (resigned on 2nd January 2008) and Mr. Yuen Sui-see (appointed on 1st March 2008).

Mrs. Susan Chow Woo Mo-fong also served as Alternate Director to Mr. Canning Fok Kin-ning and Mr. Frank John Sixt during the year. Mr. Chan Loi-shun served as Alternate Director to Mr. Kam Hing-lam with effect from 11th February 2008.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's issued shares during the year (2007 : Nil).

Arrangement to Purchase Shares or Debentures

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate (2007 : Nil).

Disclosure under Rule 13.22 of Chapter 13 of the Listing Rules

In relation to the provision of financial assistance by the Group to certain affiliated companies, a combined balance sheet of the affiliated companies as at 31st December 2008 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below :

Combined Balance Sheet of the Affiliated Companies as at 31st December 2008

	\$ million
Non-current assets	57,250
Current assets	2,835
Current liabilities	(2,951)
Non-current liabilities	(49,550)
Net assets	7,584
Share capital	4,851
Reserves	2,733
Capital and reserves	7,584

As at 31st December 2008, the consolidated attributable interest of the Group in these affiliated companies amounted to \$7,106 million.

Auditors

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

By Order of the Board

Canning Fok Kin-ning

Chairman
Hong Kong, 17th March 2009