



## 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, 2005.

### Principal Activities

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

### Results and Dividends

Results of the Group for the year ended 31st December, 2005 are set out in the consolidated income statement on page 90.

The Directors recommend the payment of a final dividend of HK\$0.708 per share which, together with the interim dividend of HK\$0.24 per share paid on 30th September, 2005, makes the total dividend of HK\$0.948 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 18 and 20 to the financial statements on pages 120 to 122.

### Reserves

Details of changes in the reserves of the Group are set out in the consolidated statement of changes in equity on page 92.

### 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 156.

## Directors

The Directors of the Company in office at the date of this report are listed on page 166 and their biographical information is set out on pages 38 to 43.

On 1st January, 2005, Mr. Colin Stevens Russel was appointed as Independent Non-executive Director. On 21st February, 2005, Mr. Lan Hong Tsung, David was appointed as Independent Non-executive Director. In accordance with the Company's Bye-laws, Mr. Colin Stevens Russel and Mr. Lan Hong Tsung, David were re-elected as Independent Non-executive Directors at the Company's last annual general meeting held on 12th May, 2005.

On 1st November, 2005, Mr. George Colin Magnus was re-designated as a Non-executive 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. Fok Kin Ning, Canning, Mr. Kwan Bing Sing, Eric, 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, 2005, 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

## REPORT OF THE DIRECTORS

### Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures (Cont'd)

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

| Name of Company                                  | Name of Director        | Capacity   | Number of Ordinary Shares |                  |                       |                           | Total         | Approximate % of Shareholding |
|--|-------------------------|--|---------------------------|------------------|-----------------------|---------------------------|---------------|-------------------------------|
|  |                         |  | Personal Interests        | Family Interests | Corporate Interests   | Other Interests           |               |                               |
| Company  | Li Tzar Kuoi, Victor    | Beneficiary of trusts  | -                         | -                | -                     | 1,912,109,945<br>(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<br>(Note 3) | 2,141,698,773<br>(Note 2) | 2,142,785,543 | 50.26%                        |
|  | Kam Hing Lam            | Beneficial owner   | 60,000                    | -                | -                     | -                         | 60,000        | 0.001%                        |
|  | Fok Kin Ning, Canning   | Interest of controlled corporation   | -                         | -                | 4,310,875<br>(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<br>(Note 6)       | 1,000,000     | 0.02%                         |
| Hongkong Electric Holdings Limited               | Li Tzar Kuoi, Victor    | Interest of child or spouse & beneficiary of trusts  | -                         | 151,000          | -                     | 829,599,612<br>(Note 4)   | 829,750,612   | 38.88%                        |
|  | Lee Pui Ling, Angelina  | Beneficial owner   | 8,800                     | -                | -                     | -                         | 8,800         | 0.0004%                       |
| Hutchison Harbour Ring Limited                   | Fok Kin Ning, Canning   | Interest of controlled corporation   | -                         | -                | 5,000,000<br>(Note 5) | -                         | 5,000,000     | 0.07%                         |
| Hutchison Telecommunications (Australia) Limited | Fok Kin Ning, Canning   | Beneficial owner & interest of controlled corporation  | 4,100,000                 | -                | 1,000,000<br>(Note 5) | -                         | 5,100,000     | 0.75%                         |
|  | Frank John Sixt         | Beneficial owner   | 1,000,000                 | -                | -                     | -                         | 1,000,000     | 0.15%                         |

## (2) Long Positions in Underlying Shares

| Name of Company                                  | Name of Director      | Capacity  | Number of Underlying Shares |                  |                       |                        | Total                  |
|--|-----------------------|---|-----------------------------|------------------|-----------------------|------------------------|------------------------|
|  |                       |   | Personal Interests          | Family Interests | Corporate Interests   | Other Interests        |                        |
| Company  | Li Tzar Kuoi, Victor  | Beneficiary of trusts                                 | -                           | -                | -                     | 31,644,803<br>(Note 7) | 31,644,803             |
| Hutchison Whampoa Limited                        | Li Tzar Kuoi, Victor  | Beneficiary of trusts                                 | -                           | -                | -                     | 18,613,202<br>(Note 8) | 18,613,202             |
| Hongkong Electric Holdings Limited               | Li Tzar Kuoi, Victor  | Beneficiary of trusts                                 | -                           | -                | -                     | 20,990,201<br>(Note 9) | 20,990,201             |
| Hutchison Telecommunications (Australia) Limited | Fok Kin Ning, Canning | Beneficial owner & interest of controlled corporation | 134,000                     | -                | 1,340,001<br>(Note 5) | -                      | 1,474,001<br>(Note 10) |

## (3) Short Positions in Underlying Shares

| Name of Company                    | Name of Director     | Capacity              | Number of Underlying Shares |                  |                     |                           | Total      |
|------------------------------------|----------------------|-----------------------|-----------------------------|------------------|---------------------|---------------------------|------------|
|                                    |                      |                       | Personal Interests          | Family Interests | Corporate Interests | Other Interests           |            |
| Company                            | Li Tzar Kuoi, Victor | Beneficiary of trusts | -                           | -                | -                   | 31,644,801<br>(Note 7(b)) | 31,644,801 |
| Hutchison Whampoa Limited          | Li Tzar Kuoi, Victor | Beneficiary of trusts | -                           | -                | -                   | 18,613,202<br>(Note 8)    | 18,613,202 |
| Hongkong Electric Holdings Limited | Li Tzar Kuoi, Victor | Beneficiary of trusts | -                           | -                | -                   | 20,990,201<br>(Note 9)    | 20,990,201 |

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### Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures (Cont'd)

#### (4) Long Positions in Debentures

| Name of Company                                 | Name of Director      | Capacity                           | Amount of Debentures |                  |   |                 | Total                                       |
|---|-----------------------|------------------------------------|----------------------|------------------|---|-----------------|---|
|   |                       |                                    | Personal Interests   | Family Interests | Corporate Interests                                     | Other Interests |   |
| Hutchison Whampoa International (01/11) Limited | Li Tzar Kuoi, Victor  | Interest of controlled corporation | -                    | -                | US\$12,000,000<br>7% Notes<br>due 2011<br>(Note 3)      | -               | US\$12,000,000<br>7% Notes<br>due 2011      |
| Hutchison Whampoa International (03/13) Limited | Li Tzar Kuoi, Victor  | Interest of controlled corporation | -                    | -                | US\$21,000,000<br>6.5% Notes<br>due 2013<br>(Note 3)    | -               | US\$21,000,000<br>6.5% Notes<br>due 2013    |
| Hutchison Whampoa International (03/33) Limited | Fok Kin Ning, Canning | Interest of controlled corporation | -                    | -                | US\$6,500,000<br>6.25% Notes<br>due 2014<br>(Note 5)    | -               | US\$6,500,000<br>6.25% Notes<br>due 2014    |
| Hutchison Whampoa Finance (05) Limited          | Fok Kin Ning, Canning | Interest of controlled corporation | -                    | -                | Euro 12,600,000<br>4.125% Notes<br>due 2015<br>(Note 5) | -               | Euro 12,600,000<br>4.125% Notes<br>due 2015 |

#### Notes:

- 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.

## REPORT OF THE DIRECTORS

### Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures (Cont'd)

Notes (Cont'd):

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 ("Hongkong Electric") 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 underlying shares of the Company are held by an indirect wholly-owned subsidiary of CKH comprising:
  - (a) 2 underlying shares by virtue of the HK\$300,000,000 capital guaranteed notes due 2009; and
  - (b) 31,644,801 underlying shares by virtue of the HK Dollar equity-linked notes due 2007 issued under HK\$ 10,000,000,000 retail note issuance programme.

By virtue of the interests in the shares of CKH taken to have by Mr. 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 and short position in the underlying shares of the Company under the SFO.

8. Such underlying shares of HWL are held by an indirect wholly-owned subsidiary of CKH comprising:
  - (a) 10,463,201 underlying shares by virtue of the HK Dollar equity-linked notes due 2007 issued under HK\$ 10,000,000,000 retail note issuance programme; and
  - (b) 8,150,001 underlying shares by virtue of the HK Dollar equity-linked notes due 2008 issued under HK\$ 10,000,000,000 retail note issuance programme.

By virtue of the interests in the shares of CKH taken to have by Mr. 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 and short position in the underlying shares of HWL under the SFO.

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

By virtue of the interests in the shares of CKH taken to have by Mr. 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 and short position in the underlying shares of Hongkong Electric under the SFO.

10. Such underlying shares in Hutchison Telecommunications (Australia) Limited are derived from the listed and physically settled 5.5% unsecured convertible notes due 2007 issued by Hutchison Telecommunications (Australia) Limited.

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, 2005, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

At no time during the year was the Company or subsidiary a party to any arrangements which enabled any Director 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.



## REPORT OF THE DIRECTORS

### Interests and Short Positions of Shareholders

So far as is known to any Directors or chief executives of the Company, as at 31st December, 2005, 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:

#### (1) 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<br>(Note i)   | -                           | 1,906,681,945 | 84.58%                        |
| Hutchison International Limited   | Interest of controlled corporation  | 1,906,681,945<br>(Note ii)  | -                           | 1,906,681,945 | 84.58%                        |
| Hutchison Whampoa Limited   | Interest of controlled corporations | 1,906,681,945<br>(Note ii)  | -                           | 1,906,681,945 | 84.58%                        |
| Cheung Kong (Holdings) Limited  | Interest of controlled corporations | 1,906,681,945<br>(Note iii) | 31,644,803<br>(Note vi)     | 1,938,326,748 | 85.98%                        |
| Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust                   | Trustee                             | 1,912,109,945<br>(Note iv)  | 31,644,803<br>(Note vi)     | 1,943,754,748 | 86.22%                        |
| 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<br>(Note v)   | 31,644,803<br>(Note vi)     | 1,943,754,748 | 86.22%                        |
| Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust                         | Trustee & beneficiary of a trust    | 1,912,109,945<br>(Note v)   | 31,644,803<br>(Note vi)     | 1,943,754,748 | 86.22%                        |
| Li Ka-shing   | Founder of discretionary trusts     | 1,912,109,945<br>(Note v)   | 31,644,803<br>(Note vi)     | 1,943,754,748 | 86.22%                        |

## (2) Short Positions of Substantial Shareholders in the Underlying Shares of the Company

| Name  | Capacity                           | Number of Underlying Shares |
|---|------------------------------------|-----------------------------|
| Cheung Kong (Holdings) Limited  | Interest of controlled corporation | 31,644,801<br>(Note vi(b))  |
| Li Ka-Shing Unity Trustee Company Limited<br>as trustee of The Li Ka-Shing Unity Trust                      | Trustee                            | 31,644,801<br>(Note vi(b))  |
| Li Ka-Shing Unity Trustee Corporation Limited<br>as trustee of The Li Ka-Shing Unity<br>Discretionary Trust | Trustee & beneficiary of a trust   | 31,644,801<br>(Note vi(b))  |
| Li Ka-Shing Unity Trustcorp Limited<br>as trustee of another discretionary trust                            | Trustee & beneficiary of a trust   | 31,644,801<br>(Note vi(b))  |
| Li Ka-shing   | Founder of discretionary trusts    | 31,644,801<br>(Note vi(b))  |

### 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.
- 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.

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### Interests and Short Positions of Shareholders (Cont'd)

Notes (Cont'd):

- vi. Such underlying shares of the Company are held by an indirect wholly-owned subsidiary of CKH comprising:
  - (a) 2 underlying shares by virtue of the HK\$300,000,000 capital guaranteed notes due 2009; and
  - (b) 31,644,801 underlying shares by virtue of the HK Dollar equity-linked notes due 2007 issued under HK\$10,000,000,000 retail note issuance programme.

By virtue of the SFO, each of Mr. Li Ka-shing, TDT1, TDT2 and TUT1 is deemed to be interested in the same block of interest and short position in the 31,644,803 underlying shares and 31,644,801 underlying shares of the Company respectively held by CKH as described in Note v above.

Save as disclosed above, as at 31st December, 2005, 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, 2005:

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

- (b) On 16th December, 2005, the Company had entered into a 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 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 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\$671,262 has been paid/payable by the Company to Turbo Top pursuant to the aforesaid 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 (the "Announcement") in respect of the above transaction in paragraph (b) was published in the newspapers on 19th December, 2005 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 2005 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.

Pursuant to Rule 14A.38 of the Listing Rules, the Company has engaged the auditors 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 auditors have reported their factual findings on these procedures to the Board of Directors and confirmed that for the year 2005 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 Transaction in paragraph (b) above has not exceeded the cap as disclosed in the Announcement.

## REPORT OF THE DIRECTORS

### Major Customers and Suppliers

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

### 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<br>(Note) |
|-----------------------|---|---|------------------------------|
| Li Tzar Kuoi, Victor  | Cheung Kong (Holdings) Limited                                | Managing Director<br>and Deputy Chairman                          | (5), (6) & (7)               |
|                       | Hutchison Whampoa Limited                                     | Deputy Chairman   | (5), (6) & (7)               |
|                       | Hongkong Electric Holdings Limited                            | Executive Director  | (1), (5), (6) & (7)          |
|                       | CK Life Sciences Int'l., (Holdings) Inc.                      | Chairman  | (6) & (7)                    |
| Kam Hing Lam          | Cheung Kong (Holdings) Limited                                | Deputy Managing Director  | (5), (6) & (7)               |
|                       | Hutchison Whampoa Limited                                     | Executive Director  | (5), (6) & (7)               |
|                       | Hongkong Electric Holdings Limited                            | Executive Director  | (1), (5), (6) & (7)          |
|                       | CK Life Sciences Int'l., (Holdings) Inc.                      | President and<br>Chief Executive Officer                          | (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<br>Chief Investment Officer             | (6) & (7)                    |
|                       | TOM Group Limited   | Non-executive Director  | (5), (6) & (7)               |
|                       | CATIC International Holdings Limited                          | Non-executive Director  | (5) & (6)                    |
|                       | Excel Technology International Holdings<br>Limited            | Non-executive Director  | (5), (6) & (7)               |
|                       | Shougang Concord International<br>Enterprises Company Limited | Non-executive Director  | (1), (5) & (6)               |
|                       | Hanny Holdings Limited  | Non-executive Director<br><i>(retired on 1st September, 2005)</i> | (5), (6) & (7)               |
| 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<br>International Limited         | Chairman  | (7)                          |
|                       | Hanny Holdings Limited  | Non-executive Director<br><i>(retired on 1st September, 2005)</i> | (5), (6) & (7)               |

## REPORT OF THE DIRECTORS

### 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) |
|-------------------------|--|--------------------------------|---------------------------|
| Kwan Bing Sing, Eric    | Spark Infrastructure Group                         | Non-executive Director         | (1) & (5)                 |
| Chow Woo Mo Fong, Susan | Hutchison Whampoa Limited                          | Deputy Group Managing Director | (5), (6) & (7)            |
|                         | Hongkong Electric Holdings Limited                 | Non-executive 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 | Alternate Director             | (7)                       |
|                         | TOM Online Inc.                                    | Alternate Director             | (7)                       |
| Frank John Sixt         | Cheung Kong (Holdings) Limited                     | Non-executive Director         | (5), (6) & (7)            |
|                         | Hutchison Whampoa Limited                          | Group Finance Director         | (5), (6) & (7)            |
|                         | Hongkong Electric Holdings Limited                 | Executive Director             | (1), (5), (6) & (7)       |
|                         | Hutchison Telecommunications International Limited | Non-executive Director         | (7)                       |
|                         | TOM Group Limited                                  | Chairman                       | (5), (6) & (7)            |
|                         | TOM Online Inc.                                    | Chairman                       | (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         | (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 although there are no restrictions against such rights under the laws of Bermuda.

## Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the year ended 31st December, 2005. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

## 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\$738,000.

## 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:

- (a) The Group has entered into a syndicated loan facility agreement of HK\$3.8 billion, of which the whole amount was drawn as at 31st December, 2005. The facility will mature in 2007. Under the provision of the loan agreement, it is an event of default if HWL (the Company's controlling shareholder) ceases to own (directly or indirectly) at least 35 per cent. of the issued share capital of the Company. The obligation has been complied with.



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

- (b) 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 two loans with the outstanding amounts of US\$28.4 million and US\$388.2 million as at 31st December, 2005, are repayable by installments with the final repayment due in 2008 and 2012 respectively. It is an event of default for both facilities if CKH and HWL collectively own directly or indirectly less than 51 per cent. of the shareholding in the Zhuhai Foreign Party. The obligation has been complied with.
- (c) The Group has entered into a long term syndicated facility agreement of A\$400 million with the loan balance of A\$209.9 million remained outstanding as at 31st December, 2005. The facility will mature in 2008. Under the provision of the loan agreement, it is an event of default if HWL ceases to own (directly or indirectly) at least 30 per cent. of the issued share capital of the Company. The obligation has been complied with.
- (d) 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, 2005. 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.
- (e) The Group provided a guarantee to a bank for facilities of up to an aggregate amount of approximately A\$215 million granted to its indirect wholly-owned subsidiary expiring in 2006. As a term of the facilities, it was 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 was complied with. The guarantee and the bank facilities have been terminated since 9th March, 2006.

- (f) As at 31st December, 2005, the Group's financial assistance to certain affiliated companies and its guarantee given for a facility granted to an affiliated company together in aggregate exceeded the assets ratio of 8%. A combined balance sheet of the affiliated companies as at 31st December, 2005 is set out below:

| HK\$ million            |          |
|-------------------------|----------|
| Non-current assets      | 57,372   |
| Current assets          | 4,532    |
| Current liabilities     | (3,656)  |
| Non-current liabilities | (56,394) |
| Net assets              | 1,854    |
| Share capital           | 1,057    |
| Reserves                | 797      |
| Capital and reserves    | 1,854    |

As at 31st December, 2005, the consolidated attributable interest of the Group in these affiliated companies amounted to HK\$6,778 million.

## Audit Committee

The Group's annual report for the year ended 31st December, 2005 has been reviewed by the Audit Committee. Information on the work of Audit Committee and its composition are set out in the Corporate Governance Report on pages 79 to 83.

## Auditors

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

On behalf of the Board

**LI TZAR KUOI, VICTOR**

Chairman

Hong Kong, 16th March, 2006