



# Cheung Kong Infrastructure Holdings Limited

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1038)**

## **THE CHAIRMAN'S LETTER FOR 2007**

### **Highlights**

- Profit increased by 30% to reach HK\$4,772 million
- Total dividend for 2007 of HK\$1.10 per share, an increase of 10%
- Strong operating performance in all businesses:
  - Hongkong Electric – up 9%
  - China portfolio – increased by 78%
  - Australia portfolio – 352% rise
  - UK portfolio – up 45%
  - Materials business – increased by 30%
- Milestones in 2007:
  - Commissioning of Jinwan Phase 1 Power Plant in Mainland China
  - Extension of Jinwan Phase 2 Power Plant
  - Acquisition of TransAlta Power in Canada
  - Acquisition of strategic stake in UK Southern Water
- Strong balance sheet, cash on hand of HK\$8,217 million, ready for future acquisitions

Cheung Kong Infrastructure Holdings Limited (“CKI” or the “Group”) reached new heights in 2007.

For the year ended 31st December, 2007, CKI's group turnover and its share of turnover of jointly controlled entities was HK\$5.9 billion, an increase of 23 per cent over the same period last year. Audited profit attributable to shareholders was HK\$4.8 billion, a significant increase of 30 per cent over 2006. Earnings per share were HK\$2.12.

CKI continues to have a very strong balance sheet. Cash on hand amounted to HK\$8.2 billion as at 31st December 2007, while debt was HK\$7.6 billion, resulting in no net debt at the corporate level. Our “A-” rating from Standard and Poor’s has been maintained for the 11th consecutive year since listing.

The Board of Directors of CKI (the “Board”) has recommended a final dividend of HK\$0.83 per share. Together with the interim dividend of HK\$0.27 per share, this will bring the total dividend for the year to HK\$1.10 per share, a 10 per cent increase over last year. This represents 11 years of dividend growth every year since the Group’s listing in 1996. The proposed dividend will be paid on 20th May, 2008 following approval at the Annual General Meeting, to shareholders whose names appear on the Register of Members of the Company on 15th May, 2008.

Several new projects were concluded in the year adding to the robust portfolio of businesses CKI has built up over the years, which now comprise:

- A power generation portfolio in Hong Kong, Mainland China and Canada that exceeds 10,000 MW;
- Electricity distribution networks in Hong Kong and Australia;
- Gas distribution businesses in the United Kingdom and Australia;
- Water assets in the United Kingdom and Australia; and
- Toll roads and bridges that cover approximately 400 kilometres in various provinces throughout Mainland China.

## **2007 Operations Review**

### ***Hongkong Electric***

Profit contribution from Hongkong Electric Holdings Limited (“Hongkong Electric”) recorded growth of 9 per cent, amounting to HK\$2.9 billion in 2007. Hongkong Electric entered into a new Scheme of Control Agreement with the Hong Kong Government which provides for a fixed permitted return on average net fixed assets for ten years from January 2009, with a Government option to extend the agreement for a further term of five years. This agreement removes uncertainties surrounding the electricity industry in Hong Kong and under this long-term stable regulatory framework, Hongkong Electric will continue to make a steady profit contribution to CKI.

## ***International Infrastructure Investments***

### *Mainland China*

Profit contribution from CKI's China portfolio in 2007 was HK\$1.6 billion, an increase of 78 per cent over the same period last year.

The Group's energy investments reported solid performance on the back of increasing electricity demand in Mainland China.

Zhuhai Power Plant continued to be a solid performer in our China portfolio in 2007. An extension to the Zhuhai Power Plant, Jinwan Phase 1 Power Plant project, was commissioned in February 2007. This project added 1,200 MW of electricity generation capacity, providing additional profit contribution to the Group. In October 2007, CKI signed an agreement to develop the Jinwan Phase 2 Power Plant project, which will comprise two new power plant units with total installed capacity of 2,000 MW.

CKI's Siping Cogen Power Plants in Jilin also performed well during the year.

The Group's portfolio of toll roads in Mainland China achieved stable performance in 2007. A one-off gain of HK\$815 million was recorded arising from the sale of our stake in the Guangzhou East-South-West Ring Road to our joint venture partner.

### *Australia*

Profit contribution from the Group's Australian businesses increased over three-fold to HK\$289 million.

The electricity distribution businesses delivered good operating results in 2007. ETSA Utilities, CitiPower I Pty Ltd. and Powercor Australia Limited recorded enhanced returns through both increased regulated revenue and expanded non-regulated business activities.

Our strategic investments in two listed energy companies in Australia, namely Envestra Limited and Spark Infrastructure Group, performed well during the year.

In early 2007, the Group divested 21 per cent of its 40 per cent stake in the Lane Cove Tunnel in Sydney, Australia, bringing its shareholding down to 19 per cent. Subsequently, after tunnel opening in March 2007, traffic levels have been significantly lower than expected. As a result, full provision has been made against the remaining carrying value of this investment.

#### *United Kingdom*

In the United Kingdom, a 45 per cent increase was reported by our water and gas businesses, with a total profit contribution of HK\$458 million.

Strong growth was achieved by Northern Gas Networks Limited (“Northern Gas Networks”). The regulatory reset for the period 2008-2013 was completed in December 2007. This will provide Northern Gas Networks with a high degree of income certainty for the next five years.

In the water business, stable cash and profit returns were generated by Cambridge Water PLC during the period under review.

Our portfolio of investments in the United Kingdom was extended with the acquisition of a stake in Southern Water Group (“Southern Water”) in the fourth quarter of 2007. Southern Water is a regulated water and sewage company in the United Kingdom, with an enterprise value of approximately HK\$66 billion (GBP 4.2 billion). Our 4.75 per cent stake in Southern Water provides immediate earning accretion and good returns.

### *New Market – Canada*

2007 marked our first electricity generation investment in North America. CKI acquired and subsequently privatised TransAlta Power, L.P. (“TransAlta Power”), which was previously listed on the Toronto Stock Exchange. TransAlta Power has stakes in six Canadian power plants with a total generating capacity of 1,362 MW. The total cost of acquisition was HK\$5 billion (C\$630 million). CKI subsequently divested 50 per cent of its interest to Hongkong Electric. The acquisition represents a springboard for CKI into the Canadian electricity market and provides an immediate cashflow stream and profit contribution to the Group in 2008.

### *Materials business*

Our materials business performed well in 2007. With the resurgence of the property and infrastructure markets, the demand for the materials business improved and generated a profit contribution of HK\$143 million, up 30 per cent from last year.

## **Prospects**

CKI is in a formidable position to capitalise on development opportunities which are generally expected to arise in the near term.

The regulatory settlements for Hongkong Electric and Northern Gas Networks have been completed and uncertainties resolved.

The strong recurring cashflow generated from our regulated businesses underpin the Group’s long-term stability, while contributions from our global portfolio continue to grow. The prospects for CKI’s infrastructure investments are bright, with the pace of organic growth experienced to date expected to continue.

At present, our cash on hand stands at HK\$8.2 billion, while debt stands at HK\$7.6 billion, resulting in no net debt at the corporate level. With the Group’s solid balance sheet, we are well-positioned to pursue new expansion opportunities.

The ongoing global credit crisis means that ready cash is a vital commodity. CKI's strong recurring cashflow and ample cash reserves should prove to be very timely in such circumstances. We look forward to leveraging on our position of strength to take advantage of potential opportunities for further expansion and diversification.

I would like to take this opportunity to thank the Board, management and staff of CKI for their dedication and efforts, as well as our shareholders for their unwavering support of the Group.

**Li Tzar Kuoi, Victor**

Chairman

Hong Kong, 17th March, 2008

## **FINANCIAL REVIEW**

### **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, 2007, total borrowings of the Group amounted to HK\$7,579 million, which are all denominated in foreign currencies. Of the total borrowings, 39 per cent were repayable in 2008, 33 per cent were repayable between 2009 and 2012 and 28 per cent repayable beyond 2012. 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, 2007, the Group has changed to a net cash position from the 4 per cent gearing of net debt to shareholders' equity at the year end of 2006. Such change was mainly due to proceeds from divestment of interests in certain projects in Mainland China and Australia 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, 2007, the notional amounts of these derivative instruments amounted to HK\$9,569 million.

## Charge on Group Assets

As at 31st December, 2007, the Group's interests in an affiliated company with carrying value of HK\$2,082 million were pledged as part of the security to secure bank borrowings totalling HK\$2,231 million granted to the affiliated company. The Group's obligations under finance leases totalling HK\$49 million were secured by charge over the leased assets with carrying value of HK\$263 million. Moreover, certain plant and machinery of the Group with carrying value of HK\$67 million were pledged to secure bank borrowings totalling HK\$44 million granted to the Group.

## Contingent Liabilities

As at 31st December, 2007, the Group was subject to the following contingent liabilities:

HK\$ million

Guarantee in respect of a bank loan drawn by an affiliated company	2,522
Performance bonds	59
Total	2,581

## Employees

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 1,020 employees. Employees' cost (excluding directors' emoluments) amounted to HK\$274 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.



## **Purchase, Sale or Redemption of Shares**

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

## **Code on Corporate Governance Practices**

The Company is committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality board, sound internal control, 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 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31st December, 2007.

## **Audit Committee**

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 an audit committee ("Audit Committee") in December 1998 and has formulated its written terms of reference in accordance with the provisions set out in the Code on CG Practices.

The Audit Committee comprises five members all of whom are 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 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 auditors of the Company.

The Group's annual results for the year ended 31st December, 2007 have been reviewed by the Audit Committee.

## **Annual General Meeting**

The 2008 Annual General Meeting of the shareholders of the Company will be held at the Ballroom, 1st Floor, Harbour Plaza Hong Kong, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Thursday, 15th May, 2008 at 2:45 p.m. and the Notice of Annual General Meeting will be published and despatched to the shareholders in the manner as required by the Listing Rules in due course.

## **Closure of Register of Members**

The Register of Members of the Company will be closed from Thursday, 8th May, 2008 to Thursday, 15th May, 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company's Branch Share Registrars, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 7th May, 2008.

*As at the date hereof, the Executive Directors of the Company are Mr. LI Tzar Kuoi, Victor (Chairman), Mr. KAM Hing Lam (Group Managing Director), Mr. IP Tak Chuen, Edmond (Deputy Chairman), Mr. FOK Kin Ning, Canning (Deputy Chairman), Mr. Andrew John HUNTER, Mrs. CHOW WOO Mo Fong, Susan (also Alternate Director to Mr. FOK Kin Ning, Canning and Mr. Frank John SIXT), Mr. Frank John SIXT and Mr. TSO Kai Sum; the Non-executive Directors are Mr. CHEONG Ying Chew, Henry (Independent Non-executive Director), Mrs. KWOK Eva Lee (Independent Non-executive Director), Mrs. SNG Sow-mei alias POON Sow Mei (Independent Non-executive Director), Mr. Colin Stevens RUSSEL (Independent Non-executive Director), Mr. LAN Hong Tsung, David (Independent Non-executive Director), Mrs. LEE Pui Ling, Angelina, Mr. Barrie COOK and Mr. George Colin MAGNUS; and the Alternate Directors are Mr. MAN Ka Keung, Simon (Alternate Director to Mr. IP Tak Chuen, Edmond) and Ms. Eirene YEUNG (Alternate Director to Mr. KAM Hing Lam).*

## CONSOLIDATED INCOME STATEMENT

for the year ended 31st December

HK\$ million	Notes	2007	2006
Group turnover	2	1,865	1,822
Share of turnover of jointly controlled entities	2	4,024	2,977
		<b>5,889</b>	4,799
<b>Group turnover</b>		<b>1,865</b>	1,822
Other income	3	734	756
Operating costs	4	(1,669)	(1,587)
Finance costs		(560)	(523)
Gain on disposal of a jointly controlled entity	5	815	-
Impairment losses	6	(654)	(279)
Share of results of associates		3,554	2,751
Share of results of jointly controlled entities		700	737
<b>Profit before taxation</b>		<b>4,785</b>	3,677
Taxation	7	(6)	(4)
<b>Profit for the year</b>	8	<b>4,779</b>	3,673
<b>Attributable to:</b>			
Shareholders of the Company		4,772	3,670
Minority interests		7	3
		<b>4,779</b>	3,673
<b>Earnings per share</b>	9	<b>HK\$2.12</b>	HK\$1.63
<b>Dividends</b>			
Interim dividend paid		609	564
Proposed final dividend		1,871	1,690
		<b>2,480</b>	2,254
<b>Dividends per share</b>			
Interim		<b>HK\$0.27</b>	HK\$0.25
Proposed final		<b>HK\$0.83</b>	HK\$0.75
		<b>HK\$1.10</b>	HK\$1.00

## CONSOLIDATED BALANCE SHEET

as at 31st December

HK\$ million	Notes	2007	2006
Property, plant and equipment		1,121	991
Investment properties		160	130
Leasehold land		292	301
Interests in associates		30,389	29,382
Interests in jointly controlled entities		3,176	4,238
Interests in infrastructure project investments		377	490
Investments in securities		4,187	3,064
Derivative financial instruments		55	38
Goodwill		209	205
Deferred tax assets		5	-
Other non-current assets		19	13
<b>Total non-current assets</b>		<b>39,990</b>	<b>38,852</b>
Inventories		75	99
Interests in infrastructure project investments		125	127
Derivative financial instruments		428	369
Debtors and prepayments	10	607	455
Bank balances and deposits		8,217	7,720
<b>Total current assets</b>		<b>9,452</b>	<b>8,770</b>
Bank and other loans		2,972	3,813
Derivative financial instruments		417	485
Creditors and accruals	11	1,292	1,245
Taxation		121	105
<b>Total current liabilities</b>		<b>4,802</b>	<b>5,648</b>
<b>Net current assets</b>		<b>4,650</b>	<b>3,122</b>
<b>Total assets less current liabilities</b>		<b>44,640</b>	<b>41,974</b>
Bank and other loans		4,607	5,514
Derivative financial instruments		187	179
Deferred tax liabilities		373	401
Other non-current liabilities		16	15
<b>Total non-current liabilities</b>		<b>5,183</b>	<b>6,109</b>
<b>Net assets</b>		<b>39,457</b>	<b>35,865</b>
Representing:			
Share capital		2,254	2,254
Reserves		37,155	33,570
<b>Equity attributable to shareholders of the Company</b>		<b>39,409</b>	<b>35,824</b>
Minority interests		48	41
<b>Total equity</b>		<b>39,457</b>	<b>35,865</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted a number of new and revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective to the Group for accounting periods beginning on or after 1st January, 2007. Except for certain changes in disclosures in notes to the financial statements, the adoption of those new 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.

### 2. 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	2007	2006
Sales of infrastructure materials	896	1,015
Income from the supply of water	292	250
Return from infrastructure project investments	139	99
Interest income from loans granted to associates	432	392
Distribution from investments in listed securities	106	66
<b>Group turnover</b>	<b>1,865</b>	<b>1,822</b>
<b>Share of turnover of jointly controlled entities</b>	<b>4,024</b>	<b>2,977</b>
	<b>5,889</b>	<b>4,799</b>

### 3. OTHER INCOME

Other income includes the following:

HK\$ million	2007	2006
Interest income from banks	538	384
Gain on disposals of interests in an associate	79	-
Change in fair values of investment properties	25	3
Change in fair values of investments in securities	(35)	(24)
Change in fair values of derivative financial instruments	(247)	(49)
Gain on disposals of listed securities	80	-
Gain on disposals of infrastructure project investment	-	115
Finance lease income	-	1

### 4. OPERATING COSTS

Operating costs include the following:

HK\$ million	2007	2006
Depreciation of property, plant and equipment	51	52
Amortisation of prepayment for leasehold land	9	10
Cost of inventories sold	896	948

### 5. GAIN ON DISPOSAL OF A JOINTLY CONTROLLED ENTITY

HK\$ million	2007	2006
Disposal of 44.4% interests in Guangzhou E-S-W Ring Road Company Limited	815	-

In August 2007, the Group disposed of its entire equity and loan interests in Guangzhou E-S-W Ring Road Company Limited, a jointly controlled entity of the Group, at a consideration of HK\$1,160 million.

## 6. IMPAIRMENT LOSSES

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

HK\$ million	2007	2006
Interests in associates	-	279
Interests in a jointly controlled entity	31	-
Investments in securities	623	-
<b>Total</b>	<b>654</b>	<b>279</b>

## 7. TAXATION

Hong Kong Profits Tax is provided for at the rate of 17.5 per cent (2006: 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	2007	2006
Current taxation		
- Hong Kong Profits Tax	3	6
- Overseas tax	22	9
Deferred taxation	(19)	(11)
<b>Total</b>	<b>6</b>	<b>4</b>

## 8. SEGMENT INFORMATION

### By business segment

for the year ended 31st December

HK\$ million	Investment in Hongkong Electric*		Infrastructure investments		Infrastructure related business		Unallocated items		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Group turnover	-	-	969	807	896	1,015	-	-	1,865	1,822
Share of turnover of jointly controlled entities	-	-	3,447	2,371	577	606	-	-	4,024	2,977
	-	-	4,416	3,178	1,473	1,621	-	-	5,889	4,799
<b>Segment revenue</b>										
Group turnover	-	-	969	807	896	1,015	-	-	1,865	1,822
Others	-	-	69	55	57	75	-	-	126	130
	-	-	1,038	862	953	1,090	-	-	1,991	1,952
<b>Segment result</b>										
Net gain on disposals of infrastructure project investment and listed securities	-	-	762	633	(41)	(28)	-	-	721	605
Change in fair values of investments in securities and derivative financial instruments	-	-	13	115	-	-	67	-	80	115
Interest and finance lease income	-	-	55	2	140	126	343	257	538	385
Exchange gain	-	-	-	-	-	-	88	171	88	171
Corporate overheads and others	-	-	-	-	-	-	(294)	(212)	(294)	(212)
Finance costs	-	-	(83)	(20)	-	-	(477)	(503)	(560)	(523)
Gain on disposals of interests in an associate	-	-	79	-	-	-	-	-	79	-
Gain on disposal of a jointly controlled entity	-	-	815	-	-	-	-	-	815	-
Impairment losses	-	-	(654)	(279)	-	-	-	-	(654)	(279)
Share of results of associates and jointly controlled entities	2,864	2,632	1,335	820	55	36	-	-	4,254	3,488
<b>Profit/(loss) before taxation</b>	<b>2,864</b>	<b>2,632</b>	<b>2,322</b>	<b>1,271</b>	<b>149</b>	<b>108</b>	<b>(550)</b>	<b>(334)</b>	<b>4,785</b>	<b>3,677</b>
Taxation	-	-	(4)	(3)	1	5	(3)	(6)	(6)	(4)
<b>Profit/(loss) for the year</b>	<b>2,864</b>	<b>2,632</b>	<b>2,318</b>	<b>1,268</b>	<b>150</b>	<b>113</b>	<b>(553)</b>	<b>(340)</b>	<b>4,779</b>	<b>3,673</b>
<b>Attributable to:</b>										
Shareholders of the Company	2,864	2,632	2,318	1,268	143	110	(553)	(340)	4,772	3,670
Minority interests	-	-	-	-	7	3	-	-	7	3
	2,864	2,632	2,318	1,268	150	113	(553)	(340)	4,779	3,673

\* 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.



## 8. SEGMENT INFORMATION (Cont'd)

### By geographic region

for the year ended 31st December

HK\$ million	Hong Kong		Mainland China		Australia		United Kingdom		Canada and Others		Unallocated Items		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Group turnover	652	728	380	279	538	458	292	250	3	107	-	-	1,865	1,822
Share of turnover of jointly controlled entities	441	475	3,583	2,502	-	-	-	-	-	-	-	-	4,024	2,977
	<b>1,093</b>	<b>1,203</b>	<b>3,963</b>	<b>2,781</b>	<b>538</b>	<b>458</b>	<b>292</b>	<b>250</b>	<b>3</b>	<b>107</b>	-	-	<b>5,889</b>	<b>4,799</b>
<b>Segment revenue</b>														
Group turnover	652	728	380	279	538	458	292	250	3	107	-	-	1,865	1,822
Others	12	46	70	50	-	-	43	36	1	(2)	-	-	126	130
	<b>664</b>	<b>774</b>	<b>450</b>	<b>329</b>	<b>538</b>	<b>458</b>	<b>335</b>	<b>286</b>	<b>4</b>	<b>105</b>	-	-	<b>1,991</b>	<b>1,952</b>
<b>Segment result</b>	(66)	(29)	177	87	538	465	94	97	(22)	(15)	-	-	721	605
Net gain on disposals of infrastructure project investment and listed securities	-	-	-	115	13	-	-	-	-	-	67	-	80	115
Change in fair values of investments in securities and derivative financial instruments	-	-	-	-	-	-	-	-	(5)	(26)	(277)	(47)	(282)	(73)
Interest and finance lease income	140	126	-	-	-	-	55	2	-	-	343	257	538	385
Exchange gain	-	-	-	-	-	-	-	-	-	-	88	171	88	171
Corporate overheads and others	-	-	-	-	-	-	-	-	-	-	(294)	(212)	(294)	(212)
Finance costs	-	-	-	-	-	-	(83)	(20)	-	-	(477)	(503)	(560)	(523)
Gain on disposals of interests in an associate	-	-	-	-	79	-	-	-	-	-	-	-	79	-
Gain on disposal of a jointly controlled entity	-	-	815	-	-	-	-	-	-	-	-	-	815	-
Impairment losses	-	-	(31)	-	(623)	(279)	-	-	-	-	-	-	(654)	(279)
Share of results of associates and jointly controlled entities	2,939	2,692	643	696	282	(122)	392	240	(2)	(18)	-	-	4,254	3,488
<b>Profit/(loss) before taxation</b>	<b>3,013</b>	<b>2,789</b>	<b>1,604</b>	<b>898</b>	<b>289</b>	<b>64</b>	<b>458</b>	<b>319</b>	<b>(29)</b>	<b>(59)</b>	<b>(550)</b>	<b>(334)</b>	<b>4,785</b>	<b>3,677</b>
Taxation	1	5	(4)	-	-	-	-	(3)	-	-	(3)	(6)	(6)	(4)
<b>Profit/(loss) for the year</b>	<b>3,014</b>	<b>2,794</b>	<b>1,600</b>	<b>898</b>	<b>289</b>	<b>64</b>	<b>458</b>	<b>316</b>	<b>(29)</b>	<b>(59)</b>	<b>(553)</b>	<b>(340)</b>	<b>4,779</b>	<b>3,673</b>
<b>Attributable to:</b>														
Shareholders of the Company	3,014	2,794	1,593	895	289	64	458	316	(29)	(59)	(553)	(340)	4,772	3,670
Minority interests	-	-	7	3	-	-	-	-	-	-	-	-	7	3
	<b>3,014</b>	<b>2,794</b>	<b>1,600</b>	<b>898</b>	<b>289</b>	<b>64</b>	<b>458</b>	<b>316</b>	<b>(29)</b>	<b>(59)</b>	<b>(553)</b>	<b>(340)</b>	<b>4,779</b>	<b>3,673</b>

## 9. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of the Company of HK\$4,772 million (2006: HK\$3,670 million) and on 2,254,209,945 shares (2006: 2,254,209,945 shares) in issue during the year.

## 10. DEBTORS AND PREPAYMENTS

Included in debtors and prepayments are trade debtors of HK\$235 million (2006: HK\$240 million) and their aging analysis is as follows:

HK\$ million	2007	2006
Current	144	114
Less than 1 month past due	55	55
1 to 3 months past due	24	29
More than 3 months but less than 12 months past due	24	65
More than 12 months past due	71	99
Amount past due	174	248
Allowance for doubtful debts	(83)	(122)
<b>Total after allowance</b>	<b>235</b>	<b>240</b>

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.

## 11. CREDITORS AND ACCRUALS

Included in creditors and accruals are trade creditors of HK\$131 million (2006: HK\$150 million) and their aging analysis is as follows:

HK\$ million	2007	2006
Current	98	103
1 month	12	22
2 to 3 months	6	8
Over 3 months	15	17
<b>Total</b>	<b>131</b>	<b>150</b>

## 12. COMPARATIVE FIGURES

As a result of adopting new HKFRSs, certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2007.

## 13. REVIEW OF ANNUAL RESULTS

The annual results have been reviewed by the Audit Committee.

The figures in respect of the Group's consolidated balance sheet at 31st December, 2007, consolidated income statement and the related notes thereto for the year then ended 31st December, 2007 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.