



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 1/4% to 3 1/3% or over the unexpired lease terms of the land, whichever is the higher
Mains, pipes, other plant and machinery	3 1/3% to 33 1/3%
Furniture, fixtures and others	5% to 33 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.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(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:

HK\$ million	2008		2007	
	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 exchange 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:

HK\$ million	2008						2007					
	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*		Infrastructure investments		Infrastructure related business		Unallocated items		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	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										
Group turnover	-	-	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

HK\$ million	Hong Kong		Mainland China		Australia		United Kingdom		Canada, New Zealand and others		Unallocated items		Consolidated	
	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		Mainland China		Australia		United Kingdom		Canada, New Zealand and others		Unallocated Items		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	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
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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

HK\$ million	2008		2007	
	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:

HK\$ million	AU\$		GBP		JPY		Total	
	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	Attributable to shareholders of the Company									
	Share premium	Contributed surplus	Property revaluation reserve	Investment revaluation reserve	Hedging reserve	Exchange translation reserve	Retained profits	Sub-total	Minority interests	Total
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	Basic Salaries, Allowances and Fees		Bonuses	Provident Fund Contributions	Inducement or Compensation Fees	Total Emoluments 2008	Total Emoluments 2007
	Other Benefits						
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:

HK\$ million	Contracted but not provided for		Authorised but not contracted for	
	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.

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	Number	Issued share capital 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 65,780,000 non-voting deferred	HK\$0.5 HK\$0.5	100 –	Investment holding
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.



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	Number	Issued share capital 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.

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

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