

CONSOLIDATED INCOME STATEMENT

for the year ended 31st December

HK\$ million	Notes	2012	2011
Group turnover	5	4,105	3,493
Share of turnover of jointly controlled entities	5	1,644	1,532
		5,749	5,025
Group turnover	5	4,105	3,493
Other income	6	439	701
Operating costs	7	(3,082)	(2,640)
Finance costs	8	(732)	(575)
Exchange gain/(loss)		289	(110)
Share of results of associates		8,626	6,974
Share of results of jointly controlled entities		411	423
Profit before taxation	9	10,056	8,266
Taxation	10(a)	19	6
Profit for the year	11	10,075	8,272
Attributable to:			
Shareholders of the Company		9,427	7,745
Owners of perpetual capital securities		655	517
Non-controlling interests		(7)	10
		10,075	8,272
Earnings per share	12	HK\$3.93	HK\$3.38

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31st December

HK\$ million	2012	2011
Profit for the year	10,075	8,272
Other comprehensive income		
Gain from fair value changes of available-for-sale financial assets	858	647
Loss from fair value changes of derivatives designated as effective cash flow hedges	(47)	(214)
(Loss)/gain from fair value changes of derivatives designated as effective net investment hedges	(952)	79
Actuarial losses of defined benefit retirement schemes	(5)	(43)
Exchange differences on translation of financial statements of foreign operations	1,310	388
Share of other comprehensive expense of associates	(93)	(3,699)
Reserve released upon disposal of a subsidiary	–	31
Reserve released upon disposal of an associate	–	(2)
Income tax relating to components of other comprehensive income	(73)	840
Other comprehensive income/(expense) for the year	998	(1,973)
Total comprehensive income for the year	11,073	6,299
Attributable to:		
Shareholders of the Company	10,424	5,768
Owners of perpetual capital securities	655	517
Non-controlling interests	(6)	14
	11,073	6,299

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31st December

HK\$ million	Notes	2012	2011
Property, plant and equipment	14	1,477	845
Investment properties	15	238	206
Interests in associates	16	71,337	62,504
Interests in jointly controlled entities	17	1,078	942
Investments in securities	18	6,199	5,197
Derivative financial instruments	19	–	158
Deferred tax assets	26	22	15
Total non-current assets		80,351	69,867
Inventories	21	150	223
Derivative financial instruments	19	47	262
Debtors and prepayments	22	1,014	524
Bank balances and deposits	23	6,980	5,947
Total current assets		8,191	6,956
Bank and other loans	24	24	11,342
Derivative financial instruments	19	198	12
Creditors and accruals	25	2,972	2,086
Taxation		97	87
Total current liabilities		3,291	13,527
Net current assets/(liabilities)		4,900	(6,571)
Total assets less current liabilities		85,251	63,296
Bank and other loans	24	11,089	3,126
Derivative financial instruments	19	486	201
Deferred tax liabilities	26	282	187
Other non-current liabilities	27(b)	13	10
Total non-current liabilities		11,870	3,524
Net assets		73,381	59,772
Representing:			
Share capital	28	2,496	2,339
Reserves		60,467	49,405
Equity attributable to shareholders of the Company		62,963	51,744
Perpetual capital securities	29	10,329	7,933
Non-controlling interests		89	95
Total equity		73,381	59,772

LI TZAR KUOI, VICTOR
Director

IP TAK CHUEN, EDMOND
Director

7th March, 2013

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December

HK\$ million	Attributable to shareholders of the Company												Total
	Share capital	Share premium	Treasury shares	Contributed surplus	Property revaluation reserve	Investment revaluation reserve	Hedging reserve	Exchange translation reserve	Retained profits	Sub-total	Perpetual capital securities	Non-controlling interests	
At 1st January, 2011	2,254	3,836	–	6,062	68	186	256	1,149	31,862	45,673	7,933	81	53,687
Profit for the year	–	–	–	–	–	–	–	–	7,745	7,745	517	10	8,272
Gain from fair value changes of available-for-sale financial assets	–	–	–	–	–	647	–	–	–	647	–	–	647
Loss from fair value changes of derivatives designated as effective cash flow hedges	–	–	–	–	–	–	(214)	–	–	(214)	–	–	(214)
Gain from fair value changes of derivatives designated as effective net investment hedges	–	–	–	–	–	–	–	79	–	79	–	–	79
Actuarial losses of defined benefit retirement schemes	–	–	–	–	–	–	–	–	(43)	(43)	–	–	(43)
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	–	384	–	384	–	4	388
Share of other comprehensive expense of associates	–	–	–	–	–	–	(1,374)	(67)	(2,258)	(3,699)	–	–	(3,699)
Reserve released upon disposal of a subsidiary	–	–	–	–	–	–	–	31	–	31	–	–	31
Reserve released upon disposal of an associate	–	–	–	–	–	–	–	(2)	–	(2)	–	–	(2)
Income tax relating to components of other comprehensive income	–	–	–	–	–	(63)	394	–	509	840	–	–	840
Total comprehensive income/ (expense) for the year	–	–	–	–	–	584	(1,194)	425	5,953	5,768	517	14	6,299
Final dividend for the year 2010 paid	–	–	–	–	–	–	–	–	(2,254)	(2,254)	–	–	(2,254)
Interim dividend paid	–	–	–	–	–	–	–	–	(854)	(854)	–	–	(854)
Interest paid on perpetual capital securities	–	–	–	–	–	–	–	–	–	–	(517)	–	(517)
Issue of new ordinary shares	85	3,326	–	–	–	–	–	–	–	3,411	–	–	3,411
At 31st December, 2011	2,339	7,162	–	6,062	68	770	(938)	1,574	34,707	51,744	7,933	95	59,772
Profit for the year	–	–	–	–	–	–	–	–	9,427	9,427	655	(7)	10,075
Gain from fair value changes of available-for-sale financial assets	–	–	–	–	–	858	–	–	–	858	–	–	858
Loss from fair value changes of derivatives designated as effective cash flow hedges	–	–	–	–	–	–	(47)	–	–	(47)	–	–	(47)
Loss from fair value changes of derivatives designated as effective net investment hedges	–	–	–	–	–	–	–	(952)	–	(952)	–	–	(952)
Actuarial loss of defined benefit retirement scheme	–	–	–	–	–	–	–	–	(5)	(5)	–	–	(5)
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	–	1,309	–	1,309	–	1	1,310
Share of other comprehensive (expense)/income of associates	–	–	–	–	–	–	(552)	260	199	(93)	–	–	(93)
Income tax relating to components of other comprehensive income	–	–	–	–	–	(82)	115	–	(106)	(73)	–	–	(73)
Total comprehensive income/ (expense) for the year	–	–	–	–	–	776	(484)	617	9,515	10,424	655	(6)	11,073
Final dividend for the year 2011 paid	–	–	–	–	–	–	–	–	(2,784)	(2,784)	–	–	(2,784)
Interim dividend paid	–	–	–	–	–	–	–	–	(976)	(976)	–	–	(976)
Interest paid on perpetual capital securities	–	–	–	–	–	–	–	–	–	–	(599)	–	(599)
Issue of perpetual capital securities (note 29)	56	2,235	(2,291)	–	–	–	–	–	–	–	2,340	–	2,340
Direct costs for issue of perpetual capital securities	–	–	–	–	–	–	–	–	(49)	(49)	–	–	(49)
Issue of new ordinary shares	101	4,503	–	–	–	–	–	–	–	4,604	–	–	4,604
At 31st December, 2012	2,496	13,900	(2,291)	6,062	68	1,546	(1,422)	2,191	40,413	62,963	10,329	89	73,381

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31st December

HK\$ million	Notes	2012	2011
OPERATING ACTIVITIES			
Cash from operations	31(a)	1,873	1,598
Income taxes recovered		39	24
Net cash from operating activities		1,912	1,622
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(680)	(353)
Disposals of property, plant and equipment		–	9
Acquisitions of associates		(2,628)	(10,863)
Disposal of interest in an associate		–	212
Shares redemption from an associate		–	189
Advances to associates		(3)	(5)
Repayment from associates		220	164
Disposal of interest in a jointly controlled entity		6	–
Advances to jointly controlled entities		(6)	(5)
Repayment from a jointly controlled entity		–	16
Disposal of a subsidiary	31(b)	–	541
Purchases of securities		(59)	(114)
Disposals of securities		–	404
Loan note repayment from stapled securities		32	11
Dividends received from associates		3,632	3,058
Interest received		238	230
Net cash from/(utilised in) investing activities		752	(6,506)
Net cash before financing activities		2,664	(4,884)
FINANCING ACTIVITIES			
New bank and other loans		11,004	7,441
Repayments of bank and other loans		(14,499)	(1,299)
Finance costs paid		(672)	(535)
Dividends paid		(3,760)	(3,108)
Interest paid on perpetual capital securities		(599)	(517)
Issue of new ordinary shares		4,604	3,411
Issue of perpetual capital securities		2,340	–
Direct costs for issue of perpetual capital securities		(49)	–
Net cash (utilised in)/from financing activities		(1,631)	5,393
Net increase in cash and cash equivalents		1,033	509
Cash and cash equivalents at 1st January		5,947	5,438
Cash and cash equivalents at 31st December	23	6,980	5,947

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, the United Kingdom, Australia, Canada and New Zealand.

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, 2012. 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 change in 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 the accounting periods beginning on or after 1st January, 2013. Except for the adoption of HKFRS 9 of which the Directors are assessing the impact on the results and financial position of the Group, the Directors anticipate that the adoption of the following new and revised HKFRSs will have no material impact on the results and financial position of the Group.

HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures
HKFRS 9	Financial Instruments
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKFRS 13	Fair Value Measurement
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (Revised 2011)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

3. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the 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, share of results of 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 and up to the effective dates of disposals, as appropriate.

(b) Goodwill

In relation to business combination that took place on or after 1st January, 2010, goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the subsidiaries, and the fair value of the Group's previously held equity interest in the subsidiaries (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill recognised prior to 1st January, 2010 was measured as 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. 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 that is 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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. After 1st January, 2010, 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. Acquisition-related costs are generally recognised in profit or loss as incurred.

Prior to 1st January, 2010, any costs directly attributable to business combination were included as part of the cost of the acquisition.

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 consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates/jointly controlled entities are carried in the consolidated statement of financial position at cost and 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 net investment in the associate/jointly controlled entity) are not recognised.

(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.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(e) Property, Plant and Equipment (Cont'd)

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:

Leasehold land	over the unexpired lease term
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 Properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are stated at its fair value at the end of the reporting period. 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) 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.

(h) 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 end of the reporting period, that is the proportion that contract costs incurred for work performed to date bears to the estimated total contract costs.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(i) Financial Instruments

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.

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.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(i) Financial Instruments (Cont'd)

Derivative financial instruments and hedge accounting (Cont'd)

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 loans 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 loans 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.

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.

Perpetual capital securities issued by the Group are classified as equity instruments and are initially recorded at the proceeds received.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(i) Financial Instruments (Cont'd)

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.

(j) 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.

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.

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.

(k) 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 the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(k) Foreign Currencies (Cont'd)

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 other comprehensive income and accumulated 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 at the end of the reporting period. 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 included in 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 end of the reporting period. Exchange differences arising are recognised in the exchange translation reserve.

(l) Taxation

Hong Kong Profits Tax is provided for at the prevailing tax 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 tax rates on the estimated assessable profits less available tax losses of the individual company concerned.

Deferred tax is provided for 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 for all deductible temporary differences 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(l) Taxation (Cont'd)

The carrying amount of deferred tax assets is reviewed at the end of the reporting period 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.

(m) 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.

(n) 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 consolidated statement of financial position 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.

(o) 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 an expense when employees have rendered service entitling them to the contributions.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(o) Employee Retirement Benefits (Cont'd)

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 other comprehensive income. 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 statement of financial position 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.

(p) Borrowing Costs

Borrowing costs are expensed in the consolidated 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. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include 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 26 per cent of the Group's borrowings (2011: 21 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 end of the reporting period are set out in note 19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Currency Risk (Cont'd)

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 end of the reporting period (2011: 83 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.

Sensitivity analysis

The following table indicates the approximate change in the Group's profit for the year and other comprehensive income 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 financial assets and liabilities and derivative financial instruments in existence at the end of the reporting period:

HK\$ million	2012		2011	
	Effect on profit for the year increase/ (decrease)	Effect on other comprehensive income increase/ (decrease)	Effect on profit for the year increase/ (decrease)	Effect on other comprehensive income increase/ (decrease)
Australian dollars	129	(288)	132	(156)
Pounds sterling	142	(2,567)	150	(1,943)
Japanese yen	(287)	–	(308)	–
Canadian dollars	26	(144)	14	(139)
New Zealand dollars	48	–	42	–

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 comprehensive income.

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

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

(a) Currency Risk (Cont'd)

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the next reporting period. In this respect, the management does not expect any significant movements in the pegged rate of 7.8 between 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 United States dollars against other currencies. The analysis was performed on the same basis for 2011.

(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 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.

Details of the Group's interest rate swaps and borrowings entered into by the Group at the end of the reporting period are set out in notes 19 and 24, respectively.

Sensitivity analysis

At 31st December, 2012, 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\$435 million (2011: decrease by HK\$13 million). Other comprehensive income would increase by HK\$420 million (2011: HK\$114 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 comprehensive income.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period 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 end of the next reporting period. The analysis was performed on the same basis for 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(c) Credit Risk

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

In respect of 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 the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Normally, the Group does not obtain collateral covering the outstanding balances.

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 end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. Except for the guarantees given by the Group as set out in note 34, 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 end of the reporting period is disclosed in note 34.

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 22.

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.

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

(d) Liquidity Risk (Cont'd)

The following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial assets and 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 end of the reporting period) and the earliest date the Group can be required to pay:

HK\$ million	2012						2011					
	Carrying amount	Total contractual cash outflows	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 cash outflows	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	9,051	10,170	282	282	9,606	–	11,318	11,529	11,529	–	–	–
Secured bank loans	28	34	3	3	9	19	29	39	3	3	6	27
Obligations under finance leases	59	64	25	24	15	–	79	89	26	23	40	–
Unsecured notes	1,975	2,686	52	52	158	2,424	3,042	5,192	106	106	319	4,661
Trade creditors	193	193	193	–	–	–	148	148	148	–	–	–
Amount due to a jointly controlled entity	3	3	3	–	–	–	32	32	32	–	–	–
Other payables and accruals	268	268	268	–	–	–	172	172	172	–	–	–
	11,577	13,418	826	361	9,788	2,443	14,820	17,201	12,016	132	365	4,688
Derivatives settled gross:												
Forward foreign exchange contracts held as net investment hedging instruments (note 19):												
– outflow		29,426	19,517	3,740	6,169	–		22,712	13,692	1,828	7,192	–
– inflow		(28,967)	(19,323)	(3,652)	(5,992)	–		(22,678)	(13,730)	(1,814)	(7,134)	–
		459	194	88	177	–		34	(38)	14	58	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(e) Other Price Risk

The Group is exposed to other price risk through its investments in securities as set out in note 18. 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.

Sensitivity analysis

At 31st December, 2012, 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\$75 million (2011: HK\$75 million). Other comprehensive income would decrease by HK\$188 million (2011: HK\$144 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 comprehensive income.

The sensitivity analysis above has been determined assuming that the change in prices had occurred at the end of the reporting period 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 18). 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 end of the next reporting period. The analysis is performed on the same basis for 2011.

(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.

The Group's financial instruments are grouped into level 1 to 3 based on the degree to which the fair value is observable:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

(f) Fair Value (Cont'd)

The following table provides an analysis of the Group's financial instruments that are measured at fair value at the end of the reporting period:

Assets measured at fair value								
HK\$ million	Level 1		Level 2		Level 3		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Financial assets at fair value through profit or loss (note 18)								
Notes, listed overseas	1,341	1,341	–	–	–	–	1,341	1,341
Equity securities, unlisted	–	–	174	174	–	–	174	174
Available-for-sale financial assets (note 18)								
Stapled securities, listed overseas	1,531	1,222	–	–	–	–	1,531	1,222
Equity securities, listed overseas	2,329	1,670	–	–	–	–	2,329	1,670
Debt securities, unlisted	–	–	215	208	–	–	215	208
Equity securities, unlisted	–	–	36	27	–	–	36	27
Derivative financial instruments (note 19)								
Forward foreign exchange contracts	–	–	47	420	–	–	47	420
Total	5,201	4,233	472	829	–	–	5,673	5,062
Liabilities measured at fair value								
HK\$ million	Level 1		Level 2		Level 3		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Derivative financial instruments (note 19)								
Forward foreign exchange contracts	–	–	436	12	–	–	436	12
Interest rate swaps	–	–	248	201	–	–	248	201
Total	–	–	684	213	–	–	684	213

There were no transfers between level 1 and 2 during the year (2011: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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	2012	2011
Sales of infrastructure materials	2,082	1,743
Interest income from loans granted to associates	1,804	1,360
Distribution from investments in securities	183	206
Income from the supply of water	36	184
Group turnover	4,105	3,493
Share of turnover of jointly controlled entities	1,644	1,532
	5,749	5,025

6. OTHER INCOME

Other income includes the following:

HK\$ million	2012	2011
Bank and other interest income	237	234
Gain on disposal of a jointly controlled entity	2	–
Gain on disposal of an associate	–	145
Gain on disposal of a subsidiary (note 31(b))	–	96
Change in fair values of investment properties	32	20

7. OPERATING COSTS

HK\$ million	2012	2011
Staff costs including directors' emoluments	367	349
Depreciation of property, plant and equipment	54	69
Cost of inventories sold	1,945	1,721
Change in fair values of investments in securities	–	6
Change in fair values of derivative financial instruments	–	19
Other operating expenses	716	476
Total	3,082	2,640

8. FINANCE COSTS

HK\$ million	2012	2011
Interest and other finance costs on		
Bank borrowings wholly repayable within 5 years	480	319
Notes repayable after 5 years	65	105
Others	187	151
Total	732	575

9. PROFIT BEFORE TAXATION

HK\$ million	2012	2011
Profit before taxation is arrived at after (crediting)/charging:		
Contract revenue	(137)	(50)
Gain on disposal of property, plant and equipment	–	(4)
Operating lease rental for land and buildings	17	18
Directors' emoluments (note 32)	73	63
Auditor's remuneration	4	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. TAXATION

- (a) Taxation is provided for at the applicable tax rate on the estimated assessable profits less available tax losses. Deferred taxation is provided on temporary differences under the liability method using tax rates applicable to the Group's operations in different countries.

HK\$ million	2012	2011
Current taxation – outside Hong Kong	12	13
Deferred taxation (note 26)	(31)	(19)
Total	(19)	(6)

- (b) A subsidiary of the Company paid AUD58 million to the Australian Tax Office (“ATO”) being an amount equivalent to 50 per cent (which percentage is based on ATO Administrative Guidelines) of the tax in dispute, including interest and penalties, claimed by the ATO, pending the resolution of a dispute with the ATO regarding the deductibility of certain fees paid by that subsidiary for income tax purposes. The subsidiary is of the view that the fees are deductible and that no amount should be payable to the ATO and that the above amount paid is expected to be recovered from the ATO. The subsidiary has obtained legal advice and is poised to vigorously defend its position.

- (c) Reconciliation between tax credit and accounting profit at Hong Kong Profits Tax rate:

HK\$ million	2012	2011
Profit before taxation	10,056	8,266
Less: share of results of associates	(8,626)	(6,974)
share of results of jointly controlled entities	(411)	(423)
	1,019	869
Tax at 16.5% (2011: 16.5%)	168	143
Tax impact on:		
Different domestic rates of subsidiaries operating in other tax jurisdictions	(236)	(102)
Income not subject to tax	(136)	(149)
Expenses not deductible for tax purpose	165	99
Tax losses and other temporary differences not recognised	3	(4)
Others	17	7
Tax credit	(19)	(6)

11. PROFIT FOR THE YEAR AND SEGMENT INFORMATION

for the year ended 31st December

	Infrastructure Investments																				
	Investment in Power Assets*:		United Kingdom				Australia		Mainland China		Canada and New Zealand		Sub-total		Infrastructure related business		Unallocated items		Consolidated		
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	
HK\$ million																					
Group turnover#	-	-	1,094	776	705	729	-	-	224	245	2,023	1,750	2,082	1,743	-	-	-	-	4,105	3,493	
Share of turnover of jointly controlled entities	-	-	-	-	-	-	662	625	-	-	662	625	982	907	-	-	-	-	1,644	1,532	
	-	-	1,094	776	705	729	662	625	224	245	2,685	2,375	3,064	2,650	-	-	-	-	5,749	5,025	
Group turnover	-	-	1,094	776	705	729	-	-	224	245	2,023	1,750	2,082	1,743	-	-	-	-	4,105	3,493	
Bank and other interest income	-	-	-	10	-	-	-	-	-	-	-	10	82	84	-	-	155	140	237	234	
Gain on disposal of a jointly controlled entity	-	-	-	-	-	-	-	-	-	-	-	-	2	-	-	-	-	2	-	-	
Gain on disposal of an associate	-	-	-	-	-	145	-	-	-	-	-	145	-	-	-	-	-	-	-	145	
Gain on disposal of a subsidiary	-	-	-	96	-	-	-	-	-	-	-	96	-	-	-	-	-	-	-	96	
Other income	-	-	-	28	-	-	139	106	-	-	139	134	56	88	-	-	5	4	200	226	
Change in fair values of investments in securities and derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(25)	-	(25)	
Depreciation	-	-	(5)	(22)	-	-	-	-	-	-	(5)	(22)	(49)	(47)	-	-	-	-	(54)	(69)	
Other operating expenses	-	-	(39)	(211)	-	-	(2)	(2)	-	-	(41)	(213)	(2,070)	(1,716)	(917)	(617)	(554)	(3,028)	(2,346)		
Finance costs	-	-	(2)	(18)	-	-	-	-	-	-	(2)	(18)	(3)	(3)	(727)	(554)	(119)	(732)	(575)		
Exchange gain/(loss)	-	-	-	-	-	-	-	-	-	-	-	-	2	9	287	(119)	289	(289)	(110)		
Share of results of associates and jointly controlled entities	3,757	3,503	4,391	3,060	441	432	286	283	(52)	(16)	5,066	3,759	214	135	-	-	-	9,037	7,397		
Profit/(Loss) before taxation	3,757	3,503	5,439	3,719	1,146	1,306	423	387	172	229	7,180	5,641	316	293	(1,197)	(1,171)	(1,171)	10,056	8,266		
Taxation	-	-	46	16	-	-	(28)	(9)	-	-	18	7	1	(1)	-	-	-	19	6		
Profit/(Loss) for the year	3,757	3,503	5,485	3,735	1,146	1,306	395	378	172	229	7,198	5,648	317	292	(1,197)	(1,171)	(1,171)	10,075	8,272		
Attributable to:																					
Shareholders of the Company	3,757	3,503	5,485	3,735	1,146	1,306	395	378	172	229	7,198	5,648	324	282	(1,852)	(1,688)	(1,688)	9,427	7,745		
Owners of perpetual capital securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	655	517	-	655	517		
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(7)	10	-	-	-	(7)	10		
	3,757	3,503	5,485	3,735	1,146	1,306	395	378	172	229	7,198	5,648	317	292	(1,197)	(1,171)	(1,171)	10,075	8,272		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

for the year ended 31st December

HK\$ million	Infrastructure Investments																			
	Investment in Power Assets*		United Kingdom				Australia		Mainland China		Canada and New Zealand		Sub-total		Infrastructure related business		Unallocated items		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	
Other information																				
Expenditure for segment non-current assets:																				
– Additions to property, plant and equipment	–	–	–	29	–	–	–	–	–	–	–	–	29	–	–	–	–	–	–	353
– Acquisitions of associates	–	–	2,468	10,866	38	–	–	–	–	126	–	–	10,866	–	–	–	–	–	–	2,632
– Disposal of a jointly controlled entity	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(4)
– Disposal of an associate	–	–	–	–	–	6	–	–	–	–	–	6	–	–	–	–	–	–	–	6
– Disposal of a subsidiary	–	–	–	(461)	–	–	–	–	–	–	–	(461)	–	–	–	–	–	–	–	(461)
as at 31st December																				
Assets																				
Interests in associates and jointly controlled entities	24,918	22,876	35,946	29,690	7,855	7,344	790	695	2,618	2,594	47,209	40,323	288	247	–	–	–	–	72,415	63,446
Property, plant and equipment and investment properties [§]	–	–	96	98	–	–	–	–	–	–	96	98	1,618	951	1	2	–	–	1,715	1,051
Other segment assets	–	–	818	792	3,860	2,892	–	25	–	1	4,678	3,710	1,478	1,736	–	–	–	–	6,156	5,446
Unallocated corporate assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–	8,256	6,880	–	–	8,256	6,880
Total assets	24,918	22,876	36,860	30,580	11,715	10,236	790	720	2,618	2,595	51,983	44,131	3,384	2,934	8,257	6,882	88,542	88,542	76,823	76,823
Liabilities																				
Segment liabilities	–	–	64	66	199	113	40	49	1	4	304	232	665	540	–	–	–	–	969	772
Unallocated corporate liabilities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	14,192	16,279	–	–	14,192	16,279
Total liabilities	–	–	64	66	199	113	40	49	1	4	304	232	665	540	14,192	16,279	15,161	15,161	17,051	17,051

Notes:

Sales of infrastructure materials comprise of sales in Hong Kong of HK\$1,625 million (2011: HK\$1,199 million), sales in Mainland China of HK\$454 million (2011: HK\$541 million) and sales in other region of HK\$3 million (2011: HK\$3 million).

§ The carrying value of HK\$520 million (2011: HK\$496 million) and HK\$1,098 million (2011: HK\$455 million) of the property, plant and equipment and investment properties of infrastructure related business are located in Hong Kong and Mainland China respectively.

* During the year, the Group has a 38.87 per cent (2011: 38.87 per cent) equity interest in Power Assets Holdings Limited (“Power Assets”), which is listed on Hong Kong Stock Exchange.

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

Segment profit attributable to shareholders of the Company represents the profit earned by each segment after the profit attributable to owners of perpetual capital securities and non-controlling interests without allocation of gains or losses from treasury activities, corporate overheads and other expenses of the Group's head office.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than financial assets of the Group's head office; and
- all liabilities are allocated to reportable segments other than financial and other liabilities of the Group's head office.

12. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of the Company of HK\$9,427 million (2011: HK\$7,745 million) and on the weighted average of 2,398,559,625 shares (2011: 2,290,788,027 shares) in issue during the year.

The shares issued in connection with the issue of perpetual capital securities in February 2012 (note 29) were excluded from the calculation of earnings per share since these shares are disregarded for the purpose of determining the number of shares held by the public.

13. DIVIDENDS

(a)	HK\$ million	2012	2011
	Interim dividend paid of HK\$0.40 (2011: HK\$0.365) per share	976	854
	Proposed final dividend of HK\$1.26 (2011: HK\$1.165) per share	3,074	2,724
	Total	4,050	3,578

During the year, dividends of HK\$4,050 million (2011: HK\$3,578 million) are stated after elimination of HK\$93 million (2011: nil) paid/proposed for the shares issued in connection with the issue of perpetual capital securities in February 2012 (note 29).

(b)	HK\$ million	2012	2011
	Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$1.165 (2011: HK\$1.00) per share	2,784	2,254

Final dividend in respect of the previous financial year, approved and paid during the year, is stated after elimination of HK\$66 million (2011: nil) for the shares issued in connection with the issue of perpetual capital securities in February 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. PROPERTY, PLANT AND EQUIPMENT

HK\$ million	Medium term leasehold land in Hong Kong	Medium term leasehold land outside Hong Kong	Freehold land outside Hong Kong	Buildings	Mains, pipes, other plant and machinery	Furniture, fixtures and others	Total
Cost							
At 1st January, 2011	393	48	2	633	2,620	39	3,735
Additions	–	–	–	–	347	6	353
Disposals							
– through disposal of a subsidiary	–	–	(2)	–	(1,147)	–	(1,149)
– others	–	–	–	–	(9)	(1)	(10)
Exchange translation differences	–	3	–	14	102	1	120
At 31st December, 2011	393	51	–	647	1,913	45	3,049
Additions	–	63	–	–	611	6	680
Disposals	–	–	–	–	(14)	(1)	(15)
Exchange translation differences	–	–	–	2	11	1	14
At 31st December, 2012	393	114	–	649	2,521	51	3,728
Accumulated depreciation and impairment loss							
At 1st January, 2011	149	36	–	602	1,642	30	2,459
Charge for the year	8	1	–	4	53	3	69
Disposals							
– through disposal of a subsidiary	–	–	–	–	(384)	–	(384)
– others	–	–	–	–	(4)	(1)	(5)
Exchange translation differences	–	2	–	14	48	1	65
At 31st December, 2011	157	39	–	620	1,355	33	2,204
Charge for the year	9	2	–	3	36	4	54
Disposals	–	–	–	–	(14)	(1)	(15)
Exchange translation differences	–	–	–	2	5	1	8
At 31st December, 2012	166	41	–	625	1,382	37	2,251
Carrying value							
At 31st December, 2012	227	73	–	24	1,139	14	1,477
At 31st December, 2011	236	12	–	27	558	12	845

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

The carrying value of the Group's mains, pipes, other plant and machinery includes an amount of HK\$58 million (2011: HK\$73 million) in respect of assets held under finance leases, and another amount of HK\$83 million (2011: HK\$66 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 (2011: 8.5 per cent) per annum. No impairment loss has been recognised for the property, plant and equipment during the year.

15. INVESTMENT PROPERTIES

HK\$ million

Medium term leases in Hong Kong, at fair value	
At 1st January, 2011	186
Change in fair values	20
At 31st December, 2011	206
Change in fair values	32
At 31st December, 2012	238

The fair values of the Group's investment properties at 31st December, 2012 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. The valuation was arrived at by reference to comparable market transactions and by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. INTERESTS IN ASSOCIATES

HK\$ million	2012	2011
Investment costs		
– Listed in Hong Kong	8,687	8,687
– Unlisted	21,891	20,482
Share of post-acquisition reserves	22,370	16,501
	52,948	45,670
Amounts due by unlisted associates (note 35)	18,389	16,834
	71,337	62,504
Market value of investment in a listed associate	54,754	47,660

Included in the amounts due by unlisted associates are subordinated loans of HK\$10,552 million (2011: HK\$15,345 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, 2012 based on value in use calculation.

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

HK\$ million	2012	2011
Total assets	464,875	399,021
Total liabilities	(338,323)	(288,601)
Net assets	126,552	110,420
Total turnover	87,205	64,165
Total profit for the year	19,885	15,303
Shared by the Group:		
Net assets of the associates	52,948	45,670
Profit of the associates for the year	8,626	6,974
Other comprehensive expense of the associates for the year, net of tax	(84)	(2,796)

Particulars of the principal associates are set out in Appendix 2 on pages 123 and 124.

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES

HK\$ million	2012	2011
Investment costs	925	925
Share of post-acquisition reserves	(39)	(169)
	886	756
Impairment losses	(245)	(245)
	641	511
Shareholders' loans to jointly controlled entities (note 35)	437	431
	1,078	942

The Directors reviewed certain jointly controlled entities' operations and financial positions as at 31st December, 2012 based on value in use calculation. A discount rate of 9 per cent (2011: 9 per cent) per annum was applied on projected cash flows for value in use calculation.

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

HK\$ million	2012	2011
Total assets	4,694	4,811
Total liabilities	(2,174)	(2,767)
Net assets	2,520	2,044
Total turnover	3,955	3,708
Total profit for the year	1,030	1,053
Shared by the Group:		
Net assets of the jointly controlled entities	886	756
Profit of jointly controlled entities for the year	411	423

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. INVESTMENTS IN SECURITIES

HK\$ million	2012	2011
Financial assets at fair value through profit or loss*		
Notes, listed overseas	1,341	1,341
Equity securities, unlisted	174	174
Available-for-sale financial assets		
Stapled securities, listed overseas, at fair value	1,531	1,222
Equity securities, listed overseas, at fair value	2,329	1,670
Equity securities, unlisted, at cost	573	555
Debt securities, unlisted, at fair value	215	208
Equity securities, unlisted, at fair value	36	27
Total	6,199	5,197

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

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, listed notes nor the unlisted notes are past due nor impaired, which are issued by corporate entities with credit ratings ranging from A- to BBB-.

19. DERIVATIVE FINANCIAL INSTRUMENTS

HK\$ million	2012		2011	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	47	(436)	420	(12)
Interest rate swaps	–	(248)	–	(201)
	47	(684)	420	(213)
Portion classified as:				
Non-current	–	(486)	158	(201)
Current	47	(198)	262	(12)
	47	(684)	420	(213)

19. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

Currency Derivatives

During the current year, the Group utilised currency derivatives to hedge 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.

The following contracts are outstanding as at the end of the reporting period and the major terms of these contracts are as follows:

As at 31st December, 2012

Notional amount	Maturity
Sell AUD 328.0 million*	2013
Sell CAD 184.2 million*	2013
Sell GBP 1,224.7 million*	2013
Sell GBP 297.1 million*	2014
Sell GBP 390.0 million*	2015
Sell GBP 100.0 million*	2017

As at 31st December, 2011

Notional amount	Maturity
Sell AUD 172.5 million*	2012
Sell CAD 184.2 million*	2012
Sell GBP 897.6 million*	2012
Sell GBP 150.0 million*	2013
Sell GBP 200.0 million*	2014
Sell GBP 390.0 million*	2015

* designated as hedging instrument in accordance with HKAS 39

The fair values of the above currency derivatives that are designated and effective as net investment hedges totalling HK\$389 million (net liabilities to the Group) (2011: HK\$408 million (net assets to the Group)) have been deferred in equity at 31st December, 2012.

None of above currency derivatives is designated and effective as cash flow hedges at 31st December, 2012 and 31st December, 2011.

Change in fair value of currency derivative not designated for hedging amounted to HK\$19 million (net loss) had been debited to the consolidated income statement for the year ended 31st December, 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. 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, 2012 and the major terms of these contracts are as follows:

As at 31st December, 2012

HK\$ million	Floating interest rate	Weighted average fixed interest rate	Notional principal amount
Contracts maturing in 2015	BBSW*	5.66%	4,123
Contracts maturing in 2022	LIBOR*	1.89%	7,554

As at 31st December, 2011

HK\$ million	Floating interest rate	Weighted average fixed interest rate	Notional principal amount
Contracts maturing in 2015	BBSW*	5.66%	3,996

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

The fair values of the above interest rate swaps that are designated and effective as cash flow hedges totalling HK\$248 million (net liabilities to the Group) (2011: HK\$201 million (net liabilities to the Group)) have been deferred in equity at 31st December, 2012.

20. GOODWILL

HK\$ million	2012	2011
At 1st January	–	151
Disposal of a subsidiary	–	(164)
Exchange difference	–	13
At 31st December	–	–

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 in prior years. The Group sold its entire legal and beneficial interest in the issued share capital of Cambridge Water during 2011. Accordingly, the attributable amount of goodwill was included in the determination of the gain on disposal of a subsidiary.

21. INVENTORIES

HK\$ million	2012	2011
Raw materials	88	105
Work-in-progress	17	20
Stores, spare parts and supplies	19	14
Finished goods	26	84
Total	150	223

22. DEBTORS AND PREPAYMENTS

HK\$ million	2012	2011
Trade debtors	352	310
Prepayments, deposits and other receivables	662	214
Total	1,014	524

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. DEBTORS AND PREPAYMENTS (CONT'D)

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

HK\$ million	2012	2011
Current	196	174
Less than 1 month past due	122	90
1 to 3 months past due	35	51
More than 3 months but less than 12 months past due	18	11
More than 12 months past due	16	20
Amount past due	191	172
Allowance for doubtful debts	(35)	(36)
Total after allowance	352	310

Trade with customers is carried out largely on credit, except for new customers and customers with unsatisfactory payment records, where payment in advance is normally required. 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	2012	2011
At 1st January	36	55
Impairment loss recognised	6	–
Impairment loss written back	(7)	(10)
Uncollective amounts written off	–	(1)
Released upon disposal of a subsidiary	–	(10)
Exchange translation differences	–	2
At 31st December	35	36

22. DEBTORS AND PREPAYMENTS (CONT'D)

At 31st December, 2012, gross trade debtors' balances totalling HK\$35 million (2011: HK\$36 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\$35 million (2011: HK\$36 million) was recognised at 31st December, 2012. 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	2012	2011
Neither past due nor impaired	192	168
Less than 1 month past due	122	90
1 to 3 months past due	30	50
More than 3 months but less than 12 months past due	6	–
More than 12 months past due	2	2
Amount past due	160	142
Total	352	310

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.

23. BANK BALANCES AND DEPOSITS

Bank balances and deposits carry effective interest rate at 2.44 per cent (2011: 2.66 per cent) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. BANK AND OTHER LOANS

HK\$ million	2012	2011
Unsecured bank loans repayable:		
Within 1 year	–	11,318
In the 2nd year	–	–
In the 3rd to 5th year, inclusive	9,051	–
	9,051	11,318
Obligations under finance leases repayable:		
Within 1 year	22	22
In the 2nd year	22	20
In the 3rd to 5th year, inclusive	15	37
	59	79
Unsecured notes, repayable after 5 years	1,975	3,042
Secured bank loans repayable:		
Within 1 year (note 14)	2	2
In the 2nd year (note 14)	2	2
In the 3rd to 5th year, inclusive (note 14)	7	7
After 5 years (note 14)	17	18
	28	29
Total	11,113	14,468
Portion classified as:		
Current liabilities	24	11,342
Non-current liabilities	11,089	3,126
Total	11,113	14,468

24. 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		RMB		HK\$		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Bank loans	4,131	4,004	3,805	7,343	1,143	–	–	–	–	–	9,079	11,347
Finance leases	–	–	10	14	–	–	49	65	–	–	59	79
Notes	–	–	–	–	1,715	3,042	–	–	260	–	1,975	3,042
Total	4,131	4,004	3,815	7,357	2,858	3,042	49	65	260	–	11,113	14,468

The average effective interest rates of the Group's bank loans and finance leases are 3.33 per cent (2011: 4.45 per cent) per annum and 5.70 per cent (2011: 3.54 per cent) per annum, respectively.

The Group's notes of HK\$1,975 million (2011: HK\$3,042 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, London Interbank Offered Rate or British Bankers Association Interest Settlement Rate for Yen deposit plus an average margin less than 2 per cent.

Fixed rate notes, other loans and finance leases carried interest at 1.75 per cent to 6.74 per cent (2011: 3.5 per cent to 6.74 per cent) per annum.

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

HK\$ million	2012	2011
Minimum lease payments:		
Within 1 year	25	26
In the 2nd year	24	23
In the 3rd to 5th year, inclusive	15	40
	64	89
Less: Future finance charges	(5)	(10)
Present value of lease payments	59	79
Less: Amount due for settlement within 12 months	(22)	(22)
Amount due for settlement after 12 months	37	57

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. BANK AND OTHER LOANS (CONT'D)

At 31st December, 2012, the remaining weighted average lease term was 2.7 years (2011: 4.5 years). All leases are denominated in GBP or RMB 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 14).

25. CREDITORS AND ACCRUALS

HK\$ million	2012	2011
Trade creditors	193	148
Other payables and accruals	2,779	1,938
Total	2,972	2,086

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

HK\$ million	2012	2011
Current	157	106
1 month	24	24
2 to 3 months	2	11
Over 3 months	10	7
Total	193	148

26. DEFERRED TAX ASSETS/LIABILITIES

HK\$ million	2012	2011
Deferred tax assets	22	15
Deferred tax liabilities	(282)	(187)
Total	(260)	(172)

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

The following are the major deferred tax (assets)/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, 2011	201	(9)	48	5	245
Charge/(Credit) to profit for the year	1	(29)	–	9	(19)
Charge to other comprehensive income for the year	–	–	63	–	63
Exchange translation differences	10	–	2	1	13
Disposal of a subsidiary	(158)	–	–	–	(158)
Others	9	24	–	(5)	28
At 31st December, 2011	63	(14)	113	10	172
(Credit)/Charge to profit for the year	(1)	(46)	–	16	(31)
Charge to other comprehensive income for the year	–	–	82	–	82
Exchange translation differences	2	(1)	4	–	5
Others	–	39	–	(7)	32
At 31st December, 2012	64	(22)	199	19	260

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\$1,388 million (2011: HK\$1,402 million) at 31st December, 2012. 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	2012	2011
Within 1 year	4	4
In the 2nd year	8	4
In the 3rd to 5th year, inclusive	31	13
No expiry date	1,345	1,381
Total	1,388	1,402

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. RETIREMENT PLANS

(a) Defined Contribution Retirement Plans

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

Contributions to the defined contribution plans in Hong Kong 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\$25,000 (HK\$20,000 prior to June 2012).

Contribution to the defined contribution plans in the United Kingdom are made by either the employer only at 10 per cent of the employees' monthly basic salaries or by both the employer and employees each at 6 to 12 per cent of the employees' monthly basic salaries.

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\$16 million (2011: HK\$16 million). No forfeited contributions and earnings for the year under the defined contribution plans were used to reduce the existing level of contributions (2011: nil). At 31st December, 2012, there were no forfeited contributions and earnings available to the Group to reduce its contributions to the defined contribution plans in future years (2011: nil).

27. 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, 2012, by Mr. Joseph Yip of Towers Watson 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:

	2012	2011
Discount rate at 31st December	0.40% per annum	1.20% per annum
Expected rate of salary increase	4.00% per annum	4.00% per annum
Expected return on plan assets	6.00% per annum	6.00% 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	2012	2011
Current service cost	2	2
Interest cost	1	2
Expected return on plan assets	(4)	(4)
Net amount credited to the consolidated income statement	(1)	–

The actual return on plan assets for the year ended 31st December, 2012 was a gain of HK\$4 million (2011: loss of HK\$2 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. RETIREMENT PLANS (CONT'D)

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

The amount included in the consolidated statement of financial position at 31st December, 2012 arising from the Group's obligations in respect of its defined benefit plan in Hong Kong is as follows:

HK\$ million	2012	2011
Present value of defined benefit obligations	85	76
Fair value of plan assets	(72)	(66)
Employee retirement benefit liabilities classified as other non-current liabilities included in the consolidated statement of financial position	13	10

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

HK\$ million	2012	2011
At 1st January	76	66
Current service cost	2	2
Interest cost	1	2
Actual benefits paid	–	(2)
Actual employee contributions	1	1
Actuarial loss on obligation	5	7
At 31st December	85	76

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

HK\$ million	2012	2011
At 1st January	66	68
Expected return	4	4
Actuarial loss on plan assets	–	(6)
Actual company contributions	1	1
Actual employee contributions	1	1
Actual benefits paid	–	(2)
At 31st December	72	66

27. RETIREMENT PLANS (CONT'D)

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

Major categories of the plan assets at the end of the reporting period are analysed as follows:

As at 31st December	2012	2011
Equity instruments	52%	49%
Debt instruments	48%	51%
Total	100%	100%

The expected rate of return on assets was 6 per cent per annum at 31st December, 2011. This rate was 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	2012	2011
Present value of defined benefit obligations	85	76
Fair value of the plan assets	(72)	(66)
Deficit	13	10
Experience adjustment on plan assets	–	(6)

The Group recognised actuarial loss amounting to HK\$5 million (2011: HK\$13 million) for the year ended 31st December, 2012 directly in the consolidated statement of comprehensive income. The cumulative amount of actuarial losses recognised directly in the consolidated statement of comprehensive income amounted to HK\$20 million (2011: HK\$15 million) as at 31st December, 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. RETIREMENT PLANS (CONT'D)

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

Another actuarial valuation was completed at 1st January, 2013 by Ms. Phoebe W. Y. Shair of Towers Watson Hong Kong Limited, who is 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 5 per cent per annum, and the average annual salary increases at 4 per cent per annum. The actuarial valuation showed that the fair value of the plan assets attributable to the Group at 31st December, 2012 represented 108 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, 2016 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.

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

Cambridge Water, a wholly-owned subsidiary of the Group (disposed of during 2011), operated a defined benefit retirement plan in the United Kingdom.

The amounts in respect of defined benefit plan recognised in the consolidated financial statements during 2011 were as follows:

HK\$ million	2011
Net amount credited to consolidated income statement	(1)
Actuarial loss recognised in the consolidated statement of comprehensive income	30

28. SHARE CAPITAL

	Number of Shares		Amount	
	2012	2011	2012 HK\$ million	2011 HK\$ million
Authorised:				
Ordinary shares of HK\$1 each	4,000,000,000	4,000,000,000	4,000	4,000
Issued and fully paid:				
At 1st January	2,338,709,945	2,254,209,945	2,339	2,254
Issue of new shares in connection with the issue of perpetual capital securities (note 29)	56,234,455	–	56	–
Issue of new shares via share placement exercises	100,901,000	84,500,000	101	85
At 31st December	2,495,845,400	2,338,709,945	2,496	2,339

On 19th March, 2012 and 23rd March, 2012, Hutchison Infrastructure Holdings Limited (“HIHL”), a controlling shareholder of the Company, sold 50,901,000 existing shares of the Company via a share placement exercise at a price of HK\$45.75 per share, and has subscribed for 50,901,000 new shares of the Company at a price which is equivalent to the placing price less the costs and expenses incurred in connection with the placing and subscription, respectively. On 30th July, 2012 and 3rd August, 2012, HIHL sold 50,000,000 existing shares of the Company via a share placement exercise at a price of HK\$46.15 per share, and has subscribed for 50,000,000 new shares of the Company at a price which is equivalent to the placing price less the costs and expense incurred in connection with the placing and subscription, respectively. The total net proceeds from these two subscriptions were approximately HK\$4,604 million. Accordingly, the Company’s share capital and share premium were increased by HK\$101 million and HK\$4,503 million, respectively. The new shares issued rank pari passu in all aspects with the existing shares of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. PERPETUAL CAPITAL SECURITIES

On 29th September, 2010, the Group issued US\$1,000 million 6.625 per cent guaranteed perpetual capital securities at an issue price of 100 per cent. The perpetual capital securities were issued for general corporate funding purposes. Interest payments on the perpetual capital securities are paid semi-annually in arrears from 29th March, 2011 and may be deferred at the discretion of the Group. The perpetual capital securities have no fixed maturity and are redeemable at the Group's option on or after 29th September, 2015 at their principal amounts together with any accrued, unpaid or deferred interest payments. While any interest payments are unpaid or deferred, the Company will not declare, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank.

On 27th February, 2012, The Bank of New York Mellon (Luxembourg) S.A. (the "Fiduciary") issued US\$300 million perpetual capital securities which are listed on the Luxembourg Stock Exchange at an issue price of 100 per cent. Interest is payable semi-annually in arrear based on a fixed rate, which is 7.0 per cent per annum. Payments of interest by the Fiduciary are conditional and may be deferred at the discretion of the Company. The perpetual capital securities have no fixed maturity and are redeemable in whole, but not in part, at the Company's option on 27th February, 2014 or any interest payment date falling thereafter at their principal amounts together with any accrued, unpaid or deferred interest payments. While any interest payments are unpaid or deferred, the Company will not declare, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank.

On 28th February, 2012, the Company issued 56,234,455 new ordinary shares to the Fiduciary for a consideration of approximately US\$295.4 million (equivalent to approximately HK\$2,291 million). The shares were issued in connection with the issue of the above perpetual capital securities issued in February 2012. The Company considered these shares as treasury shares.

30. 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 24, bank balances and deposits, equity attributable to shareholders of the Company, comprising issued share capital and reserves, and perpetual capital securities as detailed in the consolidated statement of changes in equity.

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 net total capital ratio of 5 per cent (2011: 12 per cent) as at 31st December, 2012. The management targets to maintain a solid capital position to pursue more new investment opportunities. The Group's overall strategy remains unchanged from 2011.

The net debt to net total capital ratio at 31st December, 2012 and 2011 was as follows:

HK\$ million	2012	2011
Total debts	11,113	14,468
Bank balances and deposits	(6,980)	(5,947)
Net debt	4,133	8,521
Net total capital	77,514	68,293
Net debt to net total capital ratio	5%	12%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash from Operations

HK\$ million	2012	2011
Profit before taxation	10,056	8,266
Share of results of associates	(8,626)	(6,974)
Share of results of jointly controlled entities	(411)	(423)
Interest income from loans granted to associates	(1,804)	(1,360)
Interest income from banks	(152)	(138)
Interest income from investments in securities	(150)	(188)
Finance costs	732	575
Depreciation of property, plant and equipment	54	69
Change in fair values of investment properties	(32)	(20)
Gain on disposal of property, plant and equipment	–	(4)
Gain on disposal of a subsidiary	–	(96)
Gain on disposal of an associate	–	(145)
Gain on disposal of a jointly controlled entity	(2)	–
Change in fair values of investments in securities	–	6
Change in fair values of derivative financial instruments	–	19
Dividend from investments in securities	(118)	(114)
Pension costs of defined benefit retirement plans	–	(1)
Unrealised exchange (gain)/loss	(183)	210
Returns received from jointly controlled entities	281	191
Distribution received from investment in securities	183	206
Interest received from associates	1,861	1,304
Contributions to defined benefit retirement plans	(1)	(1)
Net cash paid at close of derivative financial instruments	(160)	(24)
Others	(67)	–
Operating cash flows before changes in working capital	1,461	1,358
Decrease/(Increase) in inventories	73	(82)
Increase in debtors and prepayments	(492)	(176)
Increase in creditors and accruals	825	448
Exchange translation differences	6	50
Cash from operations	1,873	1,598

31. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

(b) Disposal of a Subsidiary during the year 2011

HK\$ million	2011
Net assets disposed of:	
Property, plant and equipment	765
Goodwill	164
Bank balances and deposits	47
Debtors and prepayments	112
Inventories	2
Creditors and accruals	(131)
Bank and other loans	(323)
Taxation	(23)
Deferred tax liabilities	(158)
Defined benefit obligations	6
	461
Release of exchange translation reserve	31
	492
Gain on disposal of a subsidiary (note 6)	96
Total consideration	588
Satisfied by:	
Cash	588
Analysis of the net cash flow arising from the disposal:	
HK\$ million	2011
Cash consideration	588
Bank balances and deposits disposed of	(47)
Net cash inflow arising from the disposal	541

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. 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 Other		Bonuses	Provident	Inducement or	Total Emoluments 2012	Total Emoluments 2011
	Fees	Benefits		Fund Contributions	Compensation Fees		
Li Tzar Kuoi, Victor ⁽¹⁾	0.075	–	21.780	–	–	21.855	18.974
Kam Hing Lam ⁽¹⁾	0.075	4.200	9.312	–	–	13.587	11.706
Ip Tak Chuen, Edmond	0.075	1.800	9.032	–	–	10.907	9.741
Fok Kin Ning, Canning ⁽¹⁾	0.075	–	–	–	–	0.075	0.075
Andrew John Hunter ⁽¹⁾	0.075	9.121	8.049	0.912	–	18.157	15.087
Chan Loi Shun, Dominic ^(1 and 2)	0.075	4.014	2.164	0.400	–	6.653	6.243
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 ⁽³⁾	0.180	–	–	–	–	0.180	0.180
Kwok Eva Lee ⁽³⁾	0.155	–	–	–	–	0.155	0.155
Sng Sow-Mei ⁽³⁾	0.155	–	–	–	–	0.155	0.155
Colin Stevens Russel ⁽³⁾	0.180	–	–	–	–	0.180	0.180
Lan Hong Tsung, David ⁽³⁾	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
Total for the year 2012	1.725	19.135	50.337	1.312	–	72.509	
Total for the year 2011	1.725	17.811	42.386	1.179	–		63.101

Notes:

- (1) During the 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 (2011: HK\$70,000), Mr. Fok Kin Ning, Canning received director's fees of HK\$120,000 (2011: HK\$120,000), Mr. Chan Loi Shun, Dominic received director's fees of HK\$40,929 (2011: Nil) from Power Assets. Except for HK\$70,000 (2011: HK\$70,000) received by Mr. George Colin Magnus, the directors' fees totalling HK\$580,929 (2011: HK\$540,000) were then paid back to the Company.

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

Notes (Cont'd):

- (2) During the current year, part of the directors' emoluments in the sum of HK\$1,000,000 (2011: Nil) received by Mr. Chan Loi Shun, Dominic from Power Assets were paid back to the Company.
- (3) INED, ACM and RCM – During the year, Mr. Cheong Ying Chew, Henry, Mrs. Kwok Eva Lee, Mr. Lan Hong Tsung, David, Mr. Colin Stevens Russel and Mrs. 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 were HK\$825,000 (2011: HK\$825,000).

Of the 5 individuals with the highest emoluments in the Group, all (2011: all) are directors whose emoluments are disclosed above.

33. 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	
	2012	2011	2012	2011
Investment in an associate	–	–	245	–
Plant and machinery	156	695	296	254
Total	156	695	541	254

- (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	2012	2011
Within 1 year	11	11
In the 2nd to 5th year, inclusive	8	19
Total	19	30

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. CONTINGENT LIABILITIES

HK\$ million	2012	2011
Guarantees given in respect of associates	979	1,144
Sub-contractor warranties	9	11
Total	988	1,155

35. MATERIAL RELATED PARTY TRANSACTIONS

During the year, the Group advanced HK\$3 million (2011: HK\$5 million) to its unlisted associates. The Group received repayments totalling HK\$220 million (2011: HK\$164 million) from unlisted associates. The total outstanding loan balances as at 31st December, 2012 amounted to HK\$18,389 million (2011: HK\$16,834 million), of which HK\$1,229 million (2011: HK\$29 million) bore interest with reference to Australian Bank Bill Swap Reference Rate or London Interbank Offered Rate and HK\$16,691 million (2011: HK\$16,253 million) at fixed rates ranging from 9.95 per cent to 12.25 per cent (2011: from 9.95 per cent to 12.25 per cent) per annum and HK\$469 million (2011: HK\$552 million) was interest-free. The average effective interest rate of the loan granted to associates is 10.53 per cent (2011: 10.97 per cent) per annum. As stated in note 5, interest from loans granted to associates during the year amounted to HK\$1,804 million (2011: HK\$1,360 million). Except for a loan of HK\$94 million (2011: HK\$94 million) which was repayable within nine years (2011: ten years), the loans had no fixed terms of repayment.

During the year, the Group advanced HK\$6 million (2011: HK\$5 million) to its jointly controlled entities and received loan repayments of HK\$16 million in 2011 from its jointly controlled entities. The total outstanding loan balances as at 31st December, 2012 amounted to HK\$437 million (2011: HK\$431 million), of which HK\$251 million (2011: HK\$251 million) bore interest with reference to Hong Kong dollar prime rate, and HK\$186 million (2011: HK\$180 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\$312 million (2011: HK\$297 million) and HK\$20 million (2011: HK\$13 million), respectively.

The emoluments of key management have been presented in note 32 above.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

as at 31st December

HK\$ million	2012	2011
Total assets	40,876	34,040
Total liabilities	(81)	(57)
Net assets	40,795	33,983
Representing:		
Share capital	2,496	2,339
Reserves	38,299	31,644
Total equity	40,795	33,983

Of the Group's profit attributable to shareholders of the Company for the current year, HK\$3,765 million (2011: HK\$3,118 million) has been dealt with in the financial statements of the Company.

Total distributable reserves of the Company amounted to HK\$24,399 million as at 31st December, 2012 (2011: HK\$24,482 million).

37. EVENT AFTER THE REPORTING PERIOD

In January 2013, the Group entered into a share sale agreement which agreed to acquire the entire issued share capital of Barra Topco II Limited ("Barra Topco") for a consideration of NZ\$490 million (approximately HK\$3.18 billion). Barra Topco is the holding company of Enviro Waste Services Limited, which is a diversified, vertically integrated waste management business that has national coverage across New Zealand. The acquisition is subject to approval from the New Zealand Overseas Investment Office. Completion is expected to take place in the second quarter of 2013.

38. COMPARATIVE FIGURES

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

39. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements set out on pages 67 to 124 were approved by the Board of Directors on 7th March, 2013.

PRINCIPAL SUBSIDIARIES

APPENDIX 1

The table below shows the subsidiaries as at 31st December, 2012 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	HK\$0.5	100	Investment holding
	65,780,000 non-voting deferred	HK\$0.5	–	
Anderson Asphalt Limited	300,000 ordinary	HK\$100	100	Production and laying of asphalt and investment holding
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
Capellini 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
Export Success International Limited	1 ordinary	US\$1	100	Financing
Incorporated and operating in Australia				
Cheung Kong Infrastructure Finance (Australia) Pty Ltd	58,405,539 ordinary	A\$1	100	Financing

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

PRINCIPAL ASSOCIATES

APPENDIX 2

The table below shows the associates as at 31st December, 2012 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				
Power Assets Holdings Limited (note 1)	2,134,261,654 ordinary	HK\$1	39	Electricity generation and distribution
Incorporated and operating in the United Kingdom				
UK Power Networks Holdings Limited	6,000,000 A ordinary	£1	40	Electricity distribution
	4,000,000 B ordinary	£1		
	360,000,000 A preference	£1		
	240,000,000 B preference	£1		
Northumbrian Water Group Limited	518,623,845 ordinary	£0.10	40	Water supply, sewerage and waste water businesses
Northern Gas Networks Holdings Limited	571,670,979 ordinary	£1	47	Gas distribution
	1 special	£1		
Wales & West Gas Networks (Holdings) Limited	290,272,506 ordinary	£1	30	Gas distribution
Electricity First Limited	4 ordinary	£1	50	Electricity generation
Incorporated and operating in Australia				
SA Power Networks 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 Canada				
Stanley Power Inc.	139,000,000 ordinary	C\$1	50	Electricity generation
Incorporated and operating in New Zealand				
Wellington Electricity Distribution Network Limited	117,000,100 ordinary	NZ\$1	50	Electricity distribution

PRINCIPAL ASSOCIATES

APPENDIX 2 (CONT'D)

Notes:

1. The associate is listed on Hong Kong Stock Exchange.
2. SA Power Networks Partnership (formerly known as ETSA Utilities Partnership), an unincorporated body, is formed by the following companies:

CKI Utilities Development Limited
PAI Utilities Development Limited
Spark Infrastructure SA (No.1) Pty Ltd
Spark Infrastructure SA (No.2) Pty Ltd
Spark Infrastructure SA (No.3) Pty Ltd

CKI Utilities Development Limited and PAI Utilities Development Limited, both of which are associates of the Group, together own a 51 per cent interest in SA Power Networks 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 the following companies (“the CitiPower Group”):

CitiPower 1 Pty Ltd
CitiPower Pty
The CitiPower Trust

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

SCHEDULE OF MAJOR PROPERTIES

APPENDIX 3

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