CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 1038)

POWER ON

ANNUAL REPORT 2010

CKI is the largest publicly listed infrastructure company in Hong Kong with diversified investments in Energy Infrastructure, Transportation Infrastructure, Water Infrastructure and Infrastructure Related Business. Operating in Hong Kong, Mainland China, Australia, New Zealand, the United Kingdom, Canada and the Philippines, it is a leading player in the global infrastructure arena.

THE YEAR AT A GLANCE

Profit attributable to shareholders (HK$ million)	**5,028**
Earnings per share (HK$)	**2.23**
Dividends per share (HK$)	**1.33**

CONTENTS

* *Formerly known as HK Electric*

TEN-YEAR FINANCIAL SUMMARY

Consolidated Income Statement Summary
for the year ended 31st December

HK$ million	**2010**	2009	2008	2007	2006	2005	2004	2003	2002	2001
Group turnover	**2,814**	2,184	2,445	1,865	1,822	2,247	2,507	2,468	2,533	2,900
Share of turnover of jointly controlled entities	**1,337**	1,870	5,041	4,024	2,977	2,503	1,953	1,841	1,723	1,522
Profit attributable to shareholders	**5,028**	5,568	4,423	4,772	3,670	6,007	3,523	3,271	3,199	3,081
Dividends										
Interim dividend paid	**744**	724	670	609	564	541	496	485	485	473
Proposed final dividend	**2,254**	1,983	1,889	1,871	1,690	1,596	1,285	1,127	1,048	947
	2,998	2,707	2,559	2,480	2,254	2,137	1,781	1,612	1,533	1,420

Consolidated Statement of Financial Position Summary
as at 31st December

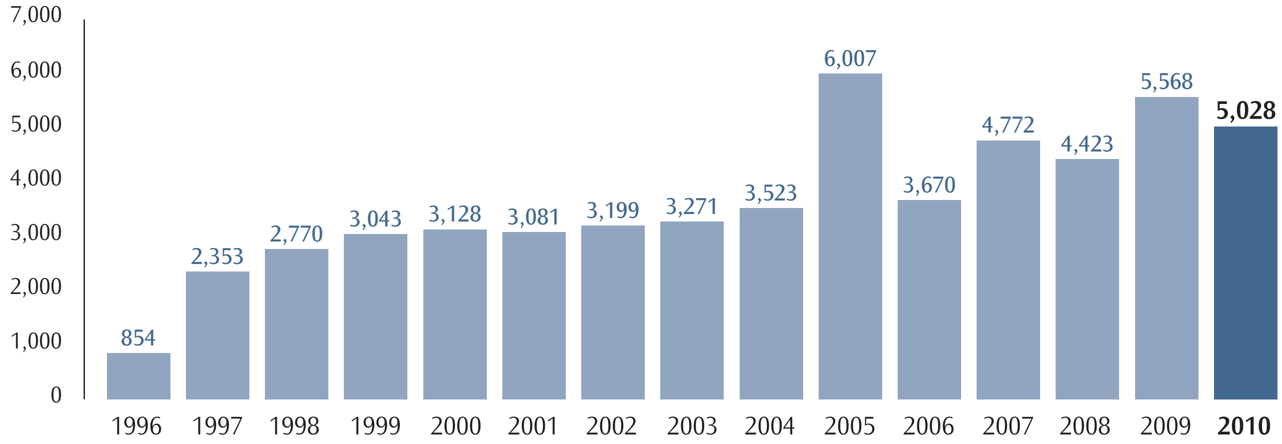
HK$ million	**2010**	2009	2008	2007	2006	2005	2004	2003	2002	2001
Property, plant and equipment	**1,276**	1,320	1,185	1,413	1,292	1,245	2,247	1,804	1,992	2,137
Investment properties	**186**	174	164	160	130	59	–	–	–	–
Interests in associates	**50,573**	33,259	29,067	30,389	29,382	26,911	25,261	23,334	22,012	17,863
Interests in jointly controlled entities	**707**	603	3,361	3,176	4,238	4,337	4,801	4,836	4,538	4,606
Interests in infrastructure project investments	**–**	–	477	377	490	579	1,855	1,948	2,465	3,469
Investments in securities	**4,824**	4,459	2,597	4,187	3,064	2,092	1,188	2,091	803	759
Derivative financial instruments	**209**	–	624	55	38	447	–	–	–	–
Goodwill	**151**	158	143	209	205	175	257	–	–	–
Pledged bank deposit	**–**	–	1,113	–	–	–	–	–	–	–
Deferred tax assets	**9**	7	11	5	–	–	–	–	–	–
Other non-current assets	**29**	1	–	19	13	9	14	36	43	43
Current assets	**6,296**	11,798	6,267	9,452	8,770	8,701	10,070	8,077	8,121	5,193
Total assets	**64,260**	51,779	45,009	49,442	47,622	44,555	45,693	42,126	39,974	34,070
Current liabilities	**(3,058)**	(3,172)	(2,887)	(4,802)	(5,648)	(1,221)	(1,314)	(2,009)	(2,939)	(4,726)
Non-current liabilities	**(7,515)**	(6,320)	(5,392)	(5,183)	(6,109)	(9,798)	(13,399)	(11,230)	(10,487)	(4,591)
Total liabilities	**(10,573)**	(9,492)	(8,279)	(9,985)	(11,757)	(11,019)	(14,713)	(13,239)	(13,426)	(9,317)
Perpetual capital securities	**(7,933)**	–	–	–	–	–	–	–	–	–
Non-controlling interests	**(81)**	(72)	(55)	(48)	(41)	(38)	(206)	(209)	(219)	(224)
Equity attributable to shareholders	**45,673**	42,215	36,675	39,409	35,824	33,498	30,774	28,678	26,329	24,529

Per Share Data

HK$	**2010**	2009	2008	2007	2006	2005	2004	2003	2002	2001
Earnings per share	**2.23**	2.47	1.96	2.12	1.63	2.66	1.56	1.45	1.42	1.37
Dividends per share	**1.330**	1.201	1.135	1.100	1.000	0.948	0.790	0.715	0.680	0.630
Shareholders' equity – net book value per share	**20.26**	18.73	16.27	17.48	15.89	14.86	13.65	12.72	11.68	10.88

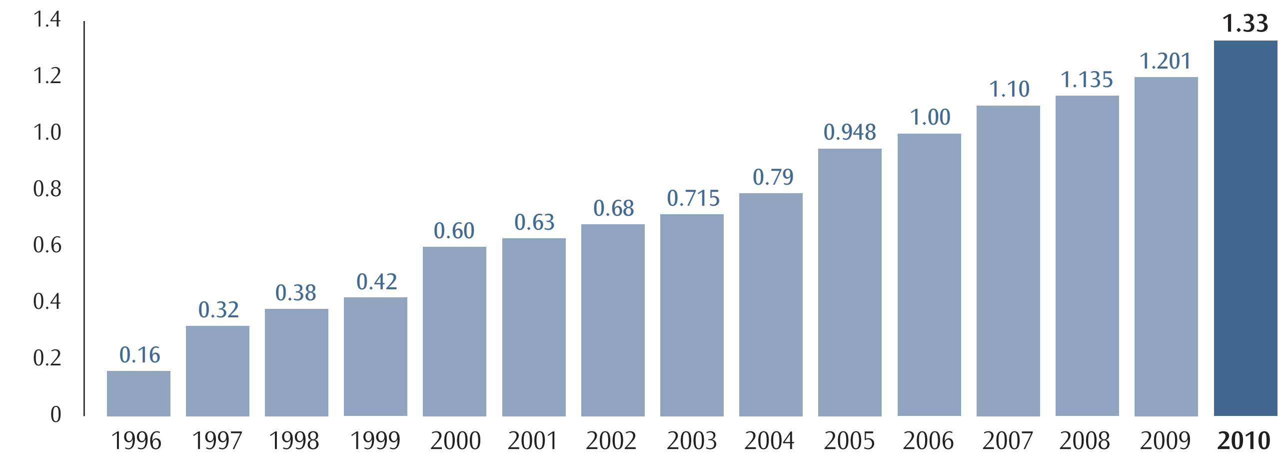
Profit Attributable to Shareholders since Listing

(HK$ million)



Dividends Per Share since Listing

(HK$)



CHAIRMAN'S LETTER

Following an active year of major acquisitions in 2010, the Group has cash on hand of over HK$5 billion and a net debt to equity ratio of 6 per cent. This provides the financial capacity and flexibility to fund new acquisitions.

POWERING INTO A NEW DECADE

	Year ended 31st December, 2010 HK$' million	Year ended 31st December, 2009 HK$' million
Profit contribution from:		
Power Assets (formerly known as HK Electric*)	**2,770**	2,578
United Kingdom portfolio	**1,183**	616
Australia portfolio	**1,026**	805
New Zealand portfolio	**96**	80
Canada portfolio	**113**	138
China portfolio	**374**	1,740
Materials business	**256**	146
Profit attributable to shareholders	**5,028**	5,568
Dividends per share	**HK$1.33**	HK$1.201

* *The name of Hongkong Electric Holdings Limited ("HK Electric") has been changed to Power Assets Holdings Limited ("Power Assets") in February 2011.*

2010 was a milestone year for Cheung Kong Infrastructure Holdings Limited ("CKI" or the "Group"). During the year, CKI reported strong organic growth from existing businesses, while significant acquisitions were made to strengthen the Group's global portfolio.

For the year ended 31st December, 2010, profit attributable to shareholders of HK$5,028 million was achieved. This good result can be attributed to the strong performance of our existing portfolio, as well as the 2 months of profit contribution from the electricity distribution networks in the United Kingdom which were acquired during the year.

While the profit attributable to shareholders for 2010 was lower than that reported for the previous year, the results for 2009 benefited from a one-off disposal gain of HK$1,314 million arising from the sale of Mainland China power assets to Power Assets Holdings Limited (formerly known as Hongkong Electric Holdings Limited ("HK Electric")) ("Power Assets"). After adjusting for this item, an increase of approximately 18 per cent would have been recorded this year.

The Board of Directors of CKI (the "Board") has recommended a final dividend of HK$1.00 per share. Together with the interim dividend of HK$0.33 per share, this will bring the total dividend for the year to HK$1.33, an 11 per cent increase over last year. This increase reflects the Group's continued trend of dividend growth since listing. The proposed dividend will be paid on 20th May, 2011 following approval at the 2011 Annual General Meeting to those shareholders whose names appear on the Register of Members of the Company on 18th May, 2011.

A YEAR OF ACQUISITIONS

2010 was a landmark year of business expansion for CKI as three strategic acquisitions were made.

1. New Cement Production Facilities in Mainland China

In March, CKI committed an investment of HK$700 million to develop new cement production facilities in Yunfu, Guangdong Province. The new plant will have a clinker production capacity of 4,500 tonnes per day.

Upon completion in 2012, the new cement production facilities will strengthen CKI's materials business in Mainland China and is poised to generate attractive returns.

2. First Foray into Electricity Generation in the United Kingdom

In May, CKI completed the acquisition of a stake in Seabank Power Limited ("Seabank Power"), which owns and operates Seabank Power Station near Bristol. The power station comprises two combined-cycle turbine generation units with an aggregate capacity of approximately 1,140 MW. CKI acquired 25 per cent of Seabank Power at a net consideration of approximately HK$1.18 billion (approximately GBP105.8 million). CKI also has a 9.7 per cent indirect stake in the company through Power Assets.

The acquisition will provide immediate and stable returns to the Group. In 2010, 7 months of profit contribution were recorded.

3. Major Acquisition of Electricity Distribution Networks in the United Kingdom

In October, CKI led a consortium in completing the acquisition of 100 per cent of EDF Energy PLC's ("EDF") regulated and non-regulated electricity network activities in the United Kingdom. The total consideration was approximately HK$70 billion (GBP5.775 billion). The consortium, which also comprises Power Assets, has renamed the business, UK Power Networks Holdings Limited ("UK Power Networks"), to own and manage these electricity network activities. CKI has a 40 per cent direct stake in the company and a 15.5 per cent indirect stake through Power Assets.

UK Power Networks comprises three of the 14 regional networks in the United Kingdom with a distribution area that covers London, South East England and the East of England. Together, these networks distribute approximately 28 per cent of the electrical power in the United Kingdom, making UK Power Networks the largest electricity distribution network owners in the United Kingdom.

The company also includes a non-regulated business comprising commercial contracts to own and operate the electricity distribution networks of a number of privately owned sites, such as the London Underground, Heathrow and Gatwick airports, as well as the Channel Tunnel Rail Link.

This major acquisition has delivered immediate profit contribution to CKI. In 2010, 2 months of profit contribution – amounting to HK$432 million – were reported by UK Power Networks. The scale of the business is expected to significantly enhance the revenue stream from CKI's United Kingdom portfolio in the future.

A YEAR OF ORGANIC GROWTH

Power Assets (formerly known as HK Electric)
In 2010, profit contribution from Power Assets was HK$2,770 million, an increase of 7 per cent over 2009. While the profit for Hong Kong operations in 2010 was slightly above that of 2009, the international operations outside of Hong Kong have grown 24 per cent.

Consistent with the past few years, Power Assets has continued to focus on its international businesses as a driver for growth. In 2010, significant expansion was undertaken together with CKI in the United Kingdom. Power Assets' acquisitions during the period under review included a 25 per cent stake in Seabank Power and a 40 per cent stake in UK Power Networks, the three electricity networks in the country formerly owned by EDF.

In February 2011, the name of Hongkong Electric Holdings Limited has been changed to Power Assets Holdings Limited to reflect the company's ongoing commitment to aggressively pursue international business and the prospective shift in the proportion of profit contribution generated from within Hong Kong to outside of Hong Kong.

Infrastructure Investments
United Kingdom
In 2010, profit contribution from the United Kingdom increased by a substantial 92 per cent to HK$1,183 million. This significant growth can be attributed to two major acquisitions during the year under review. Seabank Power delivered 7 months of profit contribution to CKI, while UK Power Networks reported 2 months profit post-completion.

CKI's gas distribution business, Northern Gas Networks, performed well during the year under review and continued to provide a stable income stream.

The Group's water businesses, comprising Cambridge Water and an interest in Southern Water, also recorded satisfactory results. A regulatory re-set has been agreed for the period 2010-2015, providing a high degree of certainty for future income.

Australia
Profit contribution from CKI's Australian businesses was HK$1,026 million for the year under review, representing an increase of 27 per cent over the previous year. This reflects good performance from the Group's investments in Australia.

In mid-2010, ETSA Utilities, the primary electricity distributor in South Australia, commenced a new regulatory re-set for the period from 2010-2015 which provides for a high degree of certainty for returns over the next five years.

The electricity distribution companies in Victoria, namely CitiPower and Powercor, also completed their regulatory re-set process, which commenced in January 2011.

The Group's investments in Envestra and Spark Infrastructure also continued to provide steady profit contributions.

New Zealand
In New Zealand, profit contribution from the Wellington Electricity distribution network was HK$96 million, an increase of 20 per cent over 2009.

Canada
The Group's business in Canada reported profit contribution of HK$113 million, a decrease of 18 per cent. Excluding a favourable non-recurring tax adjustment of HK$43 million in 2009, the operating performance of the power generating business would show an increase in profit contribution of approximately 19 per cent. In terms of operating performance, Stanley Power's portfolio of power plants in Ontario, Alberta and Saskatchewan continued to provide CKI with a solid income stream.

China
The China portfolio generated a steady income stream to CKI. Profit contribution of HK$374 million was recorded. Though this appears to be a decrease as compared to the previous year, the 2009 figures included a one-off gain from the divestment of three power plants and their operating earnings in the earlier part of the year. Excluding this impact, the China transportation portfolio achieved good growth.

Materials Business
In 2010, CKI's materials business achieved profit contribution of HK$256 million, a 75 per cent increase over the previous year. The increase in housing and infrastructure activities in Hong Kong and Mainland China spurred a growth in the demand for cement and concrete. Price and margins have correspondingly improved. This trend is expected to continue.

TREASURY ACTIVITIES STRENGTHEN FINANCIAL PLATFORM

US$1 billion perpetual capital securities were issued in September 2010, the first of their kind for a non-financial issuer in Asia. This has provided CKI with additional long-term funding for further expansion.

SUBSEQUENT EVENT

In February 2011, together with Power Assets, its partner in Stanley Power in Canada, CKI announced a transaction with Husky Oil Limited and TransAlta Cogeneration, L.P. to increase their effective joint stake in the Meridian Cogeneration Plant in Canada from 24.995 per cent to 100 per cent. The cost for CKI's additional shareholding was approximately HK$359 million (CAD45.7 million), and completion is expected to occur in April 2011. This increased investment will further enhance CKI's portfolio and income base in Canada.

POWER ON FOR THE FUTURE

As CKI steps into a new decade, it is apparent that our acquisition strategy has proven fruitful. We have made a number of successful acquisitions over the past few years and accumulated extensive experience in acquiring projects on a global scale.

The performance of our portfolio – in terms of both the countries and industries in which we operate – has been very strong. Steady performance and organic growth of our existing businesses are expected to continue.

The Group has maintained a strong balance sheet and financial position. We have continued to maintain our "A-" rating from Standard & Poor's, which we have held since shortly after listing in 1996. Following an active year of major acquisitions in 2010, the Group has cash on hand of over HK$5 billion and a net debt to equity ratio of 6 per cent. This provides the financial capacity and flexibility to fund new acquisitions.

Currently, we have a good deal flow and are vigorously pursuing other investment opportunities in different sectors around the world. A number of exciting new projects are now under study.

I would like to take this opportunity to thank the Board, management and staff for their efforts and contributions, as well as our shareholders for their continued support.

LI TZAR KUOI, VICTOR

Chairman

Hong Kong, 2nd March, 2011

GROUP MANAGING DIRECTOR'S REPORT

H L Kam, Group Managing Director of CKI (centre, first row), with board members and senior management teams of CKI's businesses around the globe.

ACQUISITION STRATEGY POWERS GROWTH

As we embarked on a new decade in 2010, CKI has had a busy and fruitful year in our acquisition moves. Three acquisitions were made. Our United Kingdom portfolio was significantly enhanced and our future revenue stream greatly strengthened.

EXPANSION INTO ELECTRICITY IN THE UNITED KINGDOM

CKI's expansion into the electricity sector in the United Kingdom in 2010 was a milestone achievement.

Prior to the acquisitions of the past year, we had investments in gas distribution and water supply in this market. Elsewhere around the world – in Hong Kong, China, Australia, New Zealand and Canada – we have extensive experience in successfully operating electricity generation and distribution assets. Our expansion into electricity in the United Kingdom was a natural progression for CKI.

Seabank Power

Through the acquisition of Seabank Power in May 2010, CKI made our first foray into the United Kingdom's electricity sector. Together with Power Assets, CKI now jointly holds a 50% stake in Seabank Power, which comprises a combined cycle gas turbine power station, a gas compressor station and a gas pipeline with an electricity generating capacity of approximately 1,140 MW. Total consideration for the acquisition was approximately HK$2.5 billion (GBP211.7 million).

All of the electricity generated is sold under long-term contracts to a wholly owned subsidiary of Scottish and Southern Energy PLC, the company that owns the other 50% of Seabank Power.

Seabank Power has a proven operation track record and represents a well-managed and profitable infrastructure project. It provides CKI with a secure and steady income stream. Since the acquisition, Seabank Power has provided immediate profit contribution to the Group.

UK Power Networks

In one of the biggest global M&A deals of 2010, a consortium led by CKI and Power Assets acquired 100% of EDF Energy PLC's regulated and non-regulated network activities in the United Kingdom for a total consideration of approximately HK$70 billion (GBP5.775 billion). A new company, UK Power Networks, has been established to own and manage these assets and the Group now holds a 40% stake in it.

This investment has attracted a lot of attention from the international community. It represents one of the largest acquisitions since the onset of the global financial crisis. It is also quite possibly the largest European asset that has been purchased by an Asian company. For CKI, the consideration involved in the acquisition makes it our largest investment since listing.

UK Power Networks is responsible for over a quarter of the country's power supply. The company's coverage area includes London, one of the leading financial centres of the world, as well as South East England and East of England, two of the fastest growing economic regions in the country. The acquisition comprises regulated assets which serve eight million customers as well as non-regulated businesses with power links to the four airports, the London Underground, as well as the Channel Tunnel Rail Link.

Post-completion, UK Power Networks has already contributed two months of profit contribution to CKI. The investment is expected to generate double-digit returns.

Our investments in the United Kingdom now constitute the largest part of our global portfolio.

BREADTH OF MATERIALS BUSINESS FURTHER EXTENDED

During the year, we have expanded the scope of our materials business through strategic investments.

Yunfu Cement Plant

In March 2010, CKI committed to investing HK$700 million to develop new cement production facilities in Yunfu, Guangdong Province. The project includes the installation of a 9MW waste heat regeneration system, as well as the development of a more efficient pier. The new plant will be wholly owned by Green Island Cement and is expected to commission in the second half of 2012.

The new facilities will benefit from the synergies generated with Green Island Cement's existing cement and quarrying operations in the Yunfu area. Upon completion of the project, Green Island Cement will be able to provide vertically integrated cement production and distribution facilities. This will enhance its market position as one of the leading materials suppliers in the region.

The expansion will bring attractive returns to the Group and further extend CKI's materials business in the rapidly growing market of Mainland China.

SUCCESSFUL ACQUISITION STRATEGY POWERS LONG-TERM GROWTH

CKI has always maintained a prudent approach to risk management, with the aim to minimise risk without compromising profitability. The Group looks at both cash flow and accounting profit when studying a potential acquisition. We prefer existing projects that provide immediate returns over greenfield ones, which may suffer from time delays and cost overrun. As we prefer our investments to generate immediate profits, we target projects with a certainty of return and a strong recurrent cash flow.

At CKI, we are big believers in synergy and prefer acquisitions in countries where we already have existing investments. We also believe that we should capitalise on our strengths, which means that we invest in industries in which we already possess the technical know-how or work in business environments that we are already familiar with.

In the bidding process, it is crucial for CKI to adhere to our traditional stringent discipline. We do not approach bids with a "must-win" mentality. The Group focuses on the fundamentals of the project and prefers to be conservative on the approach. We always take the long-term view, looking for recurrent profit.

CONTINUE STRONG ACQUISITION MOMENTUM

The Group currently has cash on hand of over HK$5 billion and a net debt to equity ratio of 6%, which allows us the financial capacity and flexibility to fund new investment projects. We will continue to keep a close eye on the developments in the global infrastructure market, and look forward to continuing our strong acquisition momentum in the future.

H L KAM
Group Managing Director

Hong Kong, 2nd March, 2011

BUSINESS REVIEW

Investment in
POWER ASSETS*

Infrastructure Investment in
UNITED KINGDOM

Infrastructure Investment in
AUSTRALIA

Infrastructure Investment in
NEW ZEALAND

* *Formerly known as HK Electric*


Infrastructure Investment in
CANADA
Infrastructure Investment in
CHINA
Investment in
INFRASTRUCTURE RELATED BUSINESS

Investment in POWER ASSETS*

A supply reliability rating of over 99.999% was maintained.

CKI, the major shareholder of Power Assets, holds a 38.87% stake in the company. Through its subsidiary, The Hongkong Electric Company, Limited, Power Assets generates, transmits and distributes reliable electricity to more than 560,000 customers on Hong Kong Island and Lamma Island. In addition, Power Assets has a growing portfolio outside Hong Kong.

** Formerly known as HK Electric*

Previously known as Hongkong Electric Holdings Limited, the company changed its name in early 2011 to Power Assets Holdings Limited to reflect the increasingly diverse global investment portfolio of the company.

For the year ended 31 December 2010, Power Assets' audited profit was HK$7,194 million, representing a 7% increase over the previous year. This rise was attributed to the growth in earnings from operations outside of Hong Kong, which rose by 24% to HK$2,535 million. Earnings from the company's Hong Kong operations were HK$4,659 million, a marginal increase over 2009.

HONG KONG OPERATIONS

The performance of Power Assets' operations in Hong Kong was satisfactory. The total unit sales of electricity in 2010 were at the same level as in 2009, with the customer base growing slightly to 566,000. The number of customers from the domestic and commercial sectors recorded a small increase, while the number of industrial customers continued to decline.

HK Electric changed its name to Power Assets in early 2011.

A world-class supply reliability rating of over 99.999% was maintained, a record held since 1997.

The company has continued to adopt initiatives to reduce the dependence on coal and increase the use of natural gas. In 2010, units sent out from the gas-fired generating units increased from 20% to 33% of total electricity supply. This has enabled Power Assets to reduce carbon dioxide emissions by approximately 13% as compared with 2005.

The emission reduction programme at the Lamma Power Station was successfully completed during the year under review, resulting in a substantial reduction in the emission of sulphur dioxide, nitrogen oxides and respirable suspended particles. In addition, the largest solar power system in Hong Kong was commissioned at the Lamma Power Station. In the first six months of operation, this system generated 414,000 units of electricity while helping to reduce the emission of 345 tonnes of carbon dioxide. Progress has also been made in regards to the proposed offshore wind farm project of approximately 100 MW.

OPERATIONS OUTSIDE HONG KONG

During the year under review, strong results were delivered by operations outside of Hong Kong. In 2010, 35% of overall earnings were attributed to international investments.

Two significant acquisitions have extended the company's foothold in the United Kingdom electricity market.

During the year under review, a 25% stake was acquired in Seabank Power, an electricity-generating company located near Bristol. With two gas-fired combined-cycle gas turbine generating units, this company has an aggregate capacity of 1,140 MW. Following completion, this new acquisition contributed seven months of revenue during the period under review.

A very major acquisition involving a 40% stake in UK Power Networks was made. Its distribution networks cover London, the South East and the East of England,

Dali Wind Farm delivered its first full year of operation in 2010.

Jinwan Power Plant saw double-digit growth in units sold.

with customers totalling approximately eight million in the country. This acquisition brought in two months of earnings in 2010 and has strong future earnings contribution potential.

As for the existing portfolio, overall higher contribution has been recorded.

The Australian electricity businesses, comprising ETSA Utilities, CitiPower and Powercor, achieved strong growth during the year.

In the United Kingdom, Northern Gas Networks performed well. Earnings before interest, taxation, depreciation and amortisation were maintained at 2009 levels.

In New Zealand, Wellington Electricity recorded a satisfactory growth in profit contribution to the Group.

In Canada, Stanley Power, owned by Power Assets and CKI on a 50/50 basis, holds a 49.99% interest in TransAlta Cogeneration, L.P. During the year, Stanley Power's power plants in Ontario, Alberta and Saskatchewan continued to deliver satisfactory operating performance. In February 2011, Stanley Power proposed to increase its interest in the 220 MW Meridian Cogeneration Plant in Saskatchewan from 24.995% to 100%. This transaction is expected to be completed in April 2011.

In Mainland China, the Dali and Laoting Wind Farms delivered their first full year of operation in 2010 and sent out 38% more electricity than in 2009. The Jinwan Power Plant saw double-digit growth in units sold in 2010, while the output of Zhuhai Power Plant and Siping Cogeneration Plant was slightly lower than 2009.

The Ratchaburi Power Plant in Thailand reported a successful year of operation.

Infrastructure Investment in

UNITED KINGDOM

The senior management team of UK Power Networks.

In the United Kingdom, CKI's portfolio was substantially strengthened in 2010 following the acquisition of Seabank Power and three electricity distribution networks. Investments in the United Kingdom now comprise electricity, gas and water businesses.

UK POWER NETWORKS HOLDINGS LIMITED

In 2010, a consortium led by CKI and Power Assets acquired 100% of EDF Energy PLC's regulated and non-regulated network activities in the United Kingdom for a total consideration of approximately HK$70 billion (GBP5.775 billion). A new company, UK Power Networks, has been established to hold these assets and the Group now holds a 40% stake in it.

UK Power Networks owns, operates and manages three of the 14 regulated electricity distribution networks in the United Kingdom. The licensed distribution networks of UK Power Networks are in London, the South East and the East of England. These networks distribute approximately 28% of the electrical power in the country, serving approximately eight million customers and covering around 30,000 square kilometres.

UK Power Networks also operates a non-regulated business to distribute electricity to several privately owned sites. These electricity distribution networks cover a number of renowned UK businesses and landmarks, including four London airports, the London Underground, the Channel Tunnel Rail Link and the site for the 2012 London Olympic Games.

CKI holds a 40% stake in UK Power Networks.

CKI and Power Assets jointly acquired a 50% stake in Seabank Power.

Post-acquisition, UK Power Networks has generated two months of profit contribution for CKI in 2010.

SEABANK POWER LIMITED

During the period under review, CKI and Power Assets jointly acquired a 50% stake in Seabank Power, each with a 25% effective shareholding.

Seabank Power is an electricity-generating company located near Bristol. It owns and operates Seabank Power Station, which comprises two combined-cycle gas turbine generation units with an aggregate capacity of approximately 1,140 MW.

A long-term offtake contract is in place for Seabank Power to sell all electricity generated to SSE Energy Supply Ltd., a subsidiary of the other 50% shareholder of the company, Scottish and Southern Energy PLC.

Since acquisition, Seabank Power has provided seven months of stable earnings and immediate cashflow to CKI in 2010.

NORTHERN GAS NETWORKS LIMITED

Together with Power Assets, CKI jointly holds an 88.4% stake in Northern Gas Networks.

Operating the North of England Distribution Network, Northern Gas Networks is one of the eight gas distribution networks in the United Kingdom. The network spans 37,000 kilometres of gas distribution pipeline and delivers gas to over 2.6 million homes and businesses from the Scottish borders to South Yorkshire.

In 2010, Northern Gas Networks continued to deliver cost reductions and productivity improvements to ensure that it remains benchmarked as one of the most efficient gas distributors in the country.

The regulator, Ofgem, published the results of its initial analysis of Return on Regulatory Equity for 2008/09 and 2009/10. It showed Northern Gas Networks to be the best performing network amongst the eight gas distribution networks in the United Kingdom over these periods.

Northern Gas Networks is benchmarked as one of the most efficient gas distributors in the UK.

Cambridge Water delivered stable returns.

Northern Gas Networks also continued to deliver a strong performance in relation to customer service, with all key measures remaining in line with or improving from the previous year.

Despite prevailing economic conditions and difficult operational conditions due to adverse winter weather, Northern Gas Networks has achieved good revenue and profit growth in 2010. The current five-year regulatory period runs until March 2013.

CAMBRIDGE WATER PLC

Cambridge Water is 100% owned by CKI and has been supplying fresh, clean drinking water for more than 150 years. The company supplies excellent quality underground water – pumped from boreholes – to the historic university city of Cambridge and surrounding areas in the United Kingdom.

In 2010, Cambridge Water delivered stable returns and outperformed its financial targets for the sixth consecutive year under CKI's ownership. The company achieved a score of 100% for the quality of its water, environmental impact and security of its water supply. It was also rated as one of the top three performing water companies in the United Kingdom by the regulator, Ofwat, in its annual Service and Delivery report.

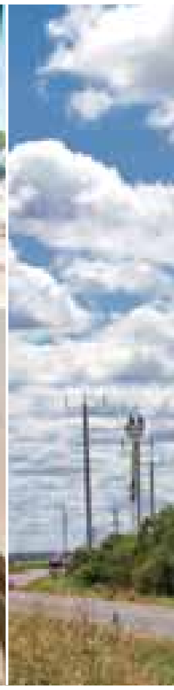
Additionally, Cambridge Water is engaged in the non-regulated business of bottling and selling natural mineral water, Iceni Water, sourced from its own aquifers.

This business is performing well, with Iceni Water now available at retailers and supermarkets nationally. It is also being exported to the Hong Kong market.

SOUTHERN WATER

CKI has a 4.75% strategic stake in Southern Water, a regulated business which supplies fresh, quality drinking water to more than one million households and recycles wastewater from nearly two million households across Sussex, Kent, Hampshire and the Isle of Wight.

Southern Water generated steady regulated revenues in 2010.



ETSA Utilities continued to meet all key financial targets.

CKI has a quality portfolio of energy investments in Australia. Together with Power Assets, the Group holds a majority stake in the electricity distribution businesses of ETSA Utilities, Powercor and CitiPower. CKI also holds interests in Spark Infrastructure, Envestra and AquaTower.

ETSA UTILITIES

In conjunction with Power Assets, CKI holds a 51% stake in ETSA Utilities, the primary electricity distributor of the state of South Australia.

ETSA Utilities manages a regulated electricity distribution network that serves more than 820,000 residential and business customers. The network has a route length of more than 87,000 kilometres and includes over 400 zone substations, 69,000 transformers and 723,000 poles.

In 2010, ETSA Utilities continued to meet all key financial targets. Regulated revenues exceeded targets partly due to higher network tariffs following the 2010-2015 regulatory reset outcome. The reset, which was determined by the Australian Energy Regulator in May 2010, secures stable returns for ETSA Utilities for the five-year duration through to 2015. Above budget sales were also attributed to favourable weather conditions during the year under review. In the unregulated electricity infrastructure construction and maintenance market, ETSA Utilities has maintained its strong market reputation and won new contracts.

◗ CitiPower and Powercor achieved a strong performance.

◗ The regulatory reset secures stable returns for ETSA Utilities.

With an ongoing focus on maintaining reliability and improving customer service performance, ETSA Utilities met all regulated service targets for timeliness, call centre performance and complaints handling. It was a finalist in the national Customer Service Institute Awards and won a State award for South Australia for Customer Response in the Large Business Division.

In terms of safety, ETSA Utilities has continued to be regarded as an industry leader. As at 31 December 2010, ETSA Utilities employees had worked 534 days in succession without a Lost Time Injury, a new record for the business. A number of environmental management initiatives were also successfully carried out in 2010.

CHEDHA HOLDINGS PTY LTD.

CKI, together with Power Assets, has a 51% shareholding in CHEDHA Holdings, the holding company of CitiPower and Powercor.

CitiPower supplies electricity to more than 310,000 customers in Melbourne's CBD and inner suburbs. It operates one of the most reliable urban and rural electricity networks in Australia.

Powercor is Victoria's largest electricity distributor, supplying electricity to regional and rural centres in central and western Victoria, and Melbourne's outer western suburbs. It services approximately 700,000 customers. Additionally, Powercor also operates a successful non-regulated business.

In 2010, a strong performance was achieved by CHEDHA Holdings on the back of higher revenue from various aspects of the regulated business. Unregulated revenue also increased during the year under review.

During the year, the Price Review process for the five years from 2011-2015 resulted in an acceptable final determination for CHEDHA Holdings. This helps to ensure the continued stability of future revenue.

Both CitiPower and Powercor improved their performances in managing customer complaints, as stated in the Energy and Water Ombudsman of Victoria report. In 2010, a number of awards were also received, such as the "Best Sustainability Report" from the Energy Supply Association of Australia and various Australian Service Excellence Awards from the Customer Service Institute of Australia, including

CitiPower supplies electricity in Melbourne's CBD and inner suburbs.

AquaTower recorded a good performance.

"Victorian Large Business", "National Large Business (commendation)", and "Victorian Service Excellence in a Service Desk".

The roll out of Advanced Metering Infrastructure (Smart Meters) exceeded all Government Advanced Meter deployment targets, with 10% of meters installed by August 2010 – four months ahead of schedule.

Additionally, a number of key environmental and climate change initiatives were implemented in 2010.

SPARK INFRASTRUCTURE GROUP

CKI has an 8.5% interest in Spark Infrastructure, a leading Australian utility infrastructure group that is listed on the Australian Securities Exchange. CKI is also the joint manager of the fund, whose objective is to invest in regulated utility infrastructure assets with relatively low risk and stable cash flows.

Spark Infrastructure's portfolio comprises a 49% interest in three high quality Australian electricity distribution businesses – ETSA Utilities in South Australia and CitiPower and Powercor in Victoria.

Stable cash distributions were delivered to CKI by Spark Infrastructure in 2010.

ENVESTRA LIMITED

With an approximate shareholding of 19.3%, CKI has a strategic interest in one of Australia's largest natural gas distribution companies.

Serving over one million consumers in South Australia, Victoria, Queensland, New South Wales and the Northern Territory, Envestra owns about 21,000 kilometres of natural gas distribution networks and 1,000 kilometres of transmission pipelines.

In 2010, Envestra has provided CKI with steady cash returns.

AQUATOWER PTY LIMITED

CKI has a 49% stake in AquaTower, the exclusive potable water supplier for four regional towns in Victoria, serving approximately 25,000 people.

In 2010, AquaTower recorded a good performance and generated stable returns for CKI.

Infrastructure Investment in NEW ZEALAND

Wellington Electricity achieved an excellent result in terms of safety, reliability and customer service.

CKI holds a 50% stake in Wellington Electricity, which distributes electricity to the capital city of New Zealand.

WELLINGTON ELECTRICITY LINES LIMITED

Wellington Electricity is jointly owned by CKI and Power Assets, each with a 50% shareholding.

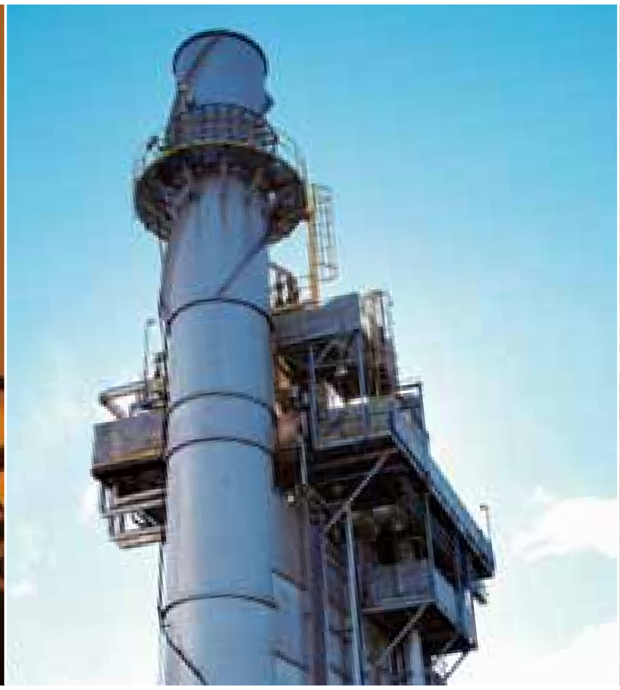
With the core business of electricity distribution, Wellington Electricity delivers power to about 160,000 homes and businesses in the Wellington, Porirua and Hutt Valley regions of New Zealand. Its network is largely underground, spanning some 4,500 kilometres.

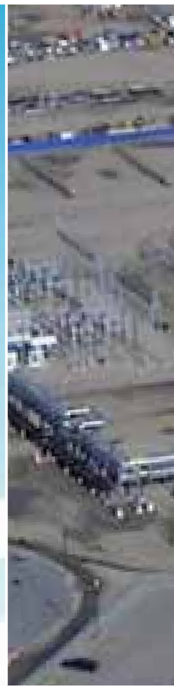
In 2010, the business has provided consistent profit contribution to CKI. An excellent result was achieved in terms of safety, reliability and customer service from its electricity distribution network.

Despite a weakened economy in New Zealand following the global financial crisis and recession in 2009, Wellington Electricity attained stable growth during the year under review.

The business is well-positioned to continue to provide customers with a high level of service, as well as to consider new opportunities for provision of further services to the New Zealand market.

Infrastructure Investment in CANADA





Stanley Power holds a 49.99% interest in TransAlta.

Through Stanley Power, CKI holds stakes in a number of electricity generating plants in Canada. In early 2011, the Group announced a transaction to increase its stake in the Meridian Cogeneration Plant in Saskatchewan.

STANLEY POWER INC.

CKI and Power Assets jointly own Stanley Power on a 50/50 basis.

Stanley Power holds a 49.99% interest in TransAlta Cogeneration, L.P. ("TransAlta"), which owns stakes in several electricity generation plants in Canada.

In early 2011, CKI and Power Assets announced a transaction to jointly increase its shareholding in one of these plants, the Meridian Cogeneration Plant in Saskatchewan, by acquiring an additional 75.005% interest from TransAlta and the other shareholder of the plant, Husky Oil Limited, a wholly owned subsidiary of Husky Energy Inc. ("Husky").

The Meridian Cogeneration Plant in Saskatchewan.

Stanley Power achieved a satisfactory operating performance.

The Meridian Cogeneration Plant is a natural gas-fired cogeneration plant with an installed capacity of 220 MW. It has entered into a long-term power purchase agreement with Saskatchewan Power Corporation (a provincial electricity company owned by the province of Saskatchewan) and a long-term steam supply contract with Husky – both lasting until 2025.

The cost for CKI's additional interest in the Meridian Cogeneration Plant was approximately HK$359 million (CAD45.7 million). Upon completion of this transaction, which is expected in the first half of 2011, CKI and Power Assets will together hold a 100% interest in the plant.

Post-completion, TransAlta will continue to own stakes in five other power generation plants, comprising four natural gas-fired cogeneration plants in Alberta and Ontario, and a coal-fired generation plant in Alberta. With long-term offtake contracts in place, these electricity generation plants provide CKI with a steady and reliable income stream.

In 2010, Stanley Power achieved a satisfactory operating performance in line with expectations.

Shantou Bay Bridge achieved double-digit growth in profitability.

CKI has a portfolio of toll road investments in Mainland China that spans over 400 kilometres in various provinces around the country.

SHANTOU BAY BRIDGE

CKI has a 30% interest in the Shantou Bay Bridge. A satisfactory increase of around 10% in toll revenue was recorded during the year. As a result of this improved revenue, as well as a reduction of operational expenses, profitability was enhanced by approximately 11% in 2010 as compared to the previous year.

SHEN-SHAN HIGHWAY (EASTERN SECTION)

Shen-Shan Highway, in which CKI has a 33.5% stake, achieved an excellent performance in 2010, with a 40% increase in profitability. Such strong results can be attributable to a 14% growth in toll revenue and a 27% reduction in finance expenses.

The two Changsha bridges recorded a net profit increase of 35%.
Shen-Shan Highway delivered excellent results in 2010.

Tangsha Tangle Road achieved an 80% growth in net profit distributable to shareholders.

TANGSHAN TANGLE ROAD

CKI has a 51% interest in Tangshan Tangle Road. In 2010, the project achieved another outstanding performance with an 80% growth in net profit distributable to shareholders. This increase can be attributed to the robust growth of economic activity and traffic flow in the area.

CHANGSHA WUJIALING AND WUYILU BRIDGES

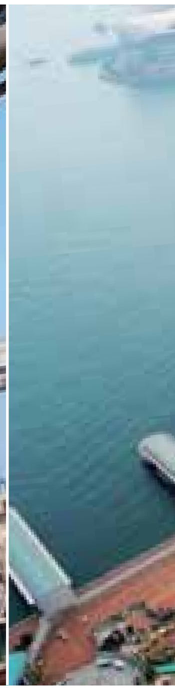
The Group has a 44.2% shareholding in the Changsha Wujialing and Wuyilu Bridges. A strong performance was achieved by this project in 2010 on the back of continuous growth in the number of new vehicles within Changsha City. Revenue increased by 25% as compared to the previous year, while net profit increased by 35%.

OTHER TOLL ROADS AND BRIDGES

CKI's other toll roads and bridges, comprising Jiangmen Chaolian Bridge, Jiangmen Jiangsha Highway, National Highway 107 (Zhumadian Sections) and Panyu Beidou Bridge, all delivered satisfactory performances in 2010 and generated stable cash returns for the Group.

Investment in INFRASTRUCTURE RELATED BUSINESS

Green Island Cement recorded a strong performance in 2010.



With cement, concrete and aggregates businesses, CKI is one of the leading infrastructure materials suppliers in Hong Kong. Significant growth has been recorded for the Group's materials operations during the year.

CKI's materials business achieved a strong performance in 2010, benefiting from increased construction activities and improved market conditions in Hong Kong. Profit contribution increased 75% to HK$256 million during 2010.

CEMENT

In 2010, fueled by a surge in housing and infrastructure activities, a strong performance was recorded by the Group's cement operations through Green Island Cement.

During the year, the company was awarded "Hong Kong Top Brand" by the Hong Kong Brand Development Council.

Pricing and margins were improved, and record sales and production were achieved by the Yunfu cement plant in Mainland China.

Increased construction projects have generated growing demand for Alliance's products.

The development of Green Island Cement's flagship cement production facility in Yunfu was announced at a signing ceremony.

An expansion initiative in Mainland China has made good progress. The development of a new flagship cement production facility in Yunfu with a daily production capacity of 4,500 tonnes has commenced and is expected to be commissioned in the second half of 2012. The new facility is expected to further improve the profitability of the Group's cement business.

Overall, the prospects for the Group's cement operations in Hong Kong and Mainland China are positive.

CONCRETE AND AGGREGATES

The Group carries out its concrete and aggregates businesses through Alliance Construction Materials Limited, a 50/50 joint venture between CKI and HeidelbergCement AG. In 2010, an increase was achieved in both volume and pricing for concrete and aggregates.

Through a separate joint venture, Alliance is also developing a new quarry in Huidong, Guangdong. The construction is progressing well with operations expected to commence in 2011. Upon completion, the new crushing plant aims to produce 2.5 million tonnes per annum at a production capacity of 750 tonnes per hour.

STRATEGIC INVESTMENT IN ENVIRO ENERGY INTERNATIONAL HOLDINGS LIMITED

In April 2010, Green Island Cement made a strategic investment in Enviro Energy International via a HK$176 million exchangeable note. Enviro Energy International invests in conventional petroleum production as well as unconventional natural gas exploration in Mainland China. It focuses on enhanced hydrocarbon extraction potential in its projects, including the utilisation of carbon dioxide.

FINANCIAL REVIEW

FINANCIAL RESOURCES, TREASURY ACTIVITIES AND GEARING RATIO

The Group's capital expenditure and investments were funded from cash on hand, internal cash generation, syndicated loans, notes issued and other project loans.

As at 31st December, 2010, total borrowings of the Group amounted to HK$8,487 million, which were all denominated in foreign currencies. Of the total borrowings, 15 per cent were repayable in 2011, 51 per cent were repayable between 2012 and 2015 and 34 per cent repayable beyond 2015. The Group's financing activities continue to be well received and fully supported by its bankers.

The Group adopts conservative treasury policies in cash and financial management. To achieve better risk control and minimise the cost of funds, the Group's treasury activities are centralised. Cash is generally placed in short-term deposits mostly denominated in U.S. dollars, Hong Kong dollars, Australian dollars or Pounds Sterling. The Group's liquidity and financing requirements are reviewed regularly. The Group will continue to maintain a strong capital structure when considering financing for new investments or maturity of bank loans.

As at 31st December, 2010, the Group has changed to a net debt position with a net debt to equity ratio of 6 per cent, which was based on its net debt of HK$3,049 million and total equity of HK$53,687 million, from the net cash position at the year end of 2009. This change was mainly due to the funds utilised for investments in two energy projects in the United Kingdom during the current year.

To minimise currency risk exposure in respect of its investments in other countries, the Group generally hedges those investments with the appropriate level of borrowings denominated in the local currencies of those countries. The Group also entered into certain interest rate and currency swaps to mitigate interest rate and other currency exposure risks. As at 31st December, 2010, the notional amounts of these derivative instruments amounted to HK$24,834 million.

CHARGE ON GROUP ASSETS

As at 31st December, 2010:

- the Group's obligations under finance leases totalling HK$97 million were secured by charges over the leased assets with carrying value of HK$275 million; and

- certain plant and machinery of the Group with carrying value of HK$52 million were pledged to secure bank borrowings totalling HK$30 million granted to the Group.

CONTINGENT LIABILITIES

As at 31st December, 2010, the Group was subject to the following contingent liabilities:

HK$ million	
Guarantee in respect of a bank loan drawn by an affiliated company	**1,214**
Other guarantees given in respect of an affiliated company	**431**
Sub-contractor warranties	**22**
Total	**1,667**

EMPLOYEES

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 1,045 employees. Employees' cost (excluding directors' emoluments) amounted to HK$269 million. The Group ensures that the pay levels of its employees are competitive and that its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

Preferential subscription of 2,978,000 new shares of the Company was given to those employees who had subscribed for shares of HK$1.00 each in the Company at HK$12.65 per share on the flotation of the Company in 1996. The Group does not have any share option scheme for employees.

BOARD AND KEY PERSONNEL

Executive Committee

Front *(from left to right)* Andrew Hunter, H L Kam, Victor Li, Edmond Ip
Back *(from left to right)* Joanna Chen, Pak Lam Lun, Lambert Leung, Dominic Chan, Ivan Chan, Victor Luk, Wendy Tong Barnes

DIRECTORS' BIOGRAPHICAL INFORMATION

LI Tzar Kuoi, Victor

aged 46, has been the Chairman of the Company since its incorporation in May 1996. He is the Chairman of the Remuneration Committee of the Company since March 2005. He is also the Managing Director and Deputy Chairman of Cheung Kong (Holdings) Limited, Deputy Chairman of Hutchison Whampoa Limited, the Chairman of CK Life Sciences Int'l., (Holdings) Inc., an Executive Director of Power Assets Holdings Limited (formerly known as Hongkong Electric Holdings Limited), Co-Chairman of Husky Energy Inc. and a Director of The Hongkong and Shanghai Banking Corporation Limited ("HSBC"). Except for HSBC, all the companies mentioned above are listed companies. Mr. Victor Li serves as a member of the Standing Committee of the 11th National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He is also a member of the Commission on Strategic Development and the Council for Sustainable Development of the Hong Kong Special Administrative Region ("HKSAR"), and Vice Chairman of the Hong Kong General Chamber of Commerce. Mr. Victor Li is also the Honorary Consul of Barbados in Hong Kong. He is a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"). He also holds directorships in certain companies controlled by certain substantial shareholders of the Company. He holds a Bachelor of Science degree in Civil Engineering, a Master of Science degree in Structural Engineering and an honorary degree, Doctor of Laws, honoris causa (LL.D.). Mr. Victor Li is a son of Mr. Li Ka-shing, a substantial shareholder of the Company within the meaning of Part XV of the SFO, and a nephew of Mr. Kam Hing Lam, the Group Managing Director of the Company.

KAM Hing Lam

aged 64, has been the Group Managing Director of the Company since its incorporation in May 1996. He has also been the Deputy Managing Director of Cheung Kong (Holdings) Limited since February 1993. He is also the President and Chief Executive Officer of CK Life Sciences Int'l., (Holdings) Inc., and an Executive Director of Hutchison Whampoa Limited and Power Assets Holdings Limited (formerly known as Hongkong Electric Holdings Limited). All the companies mentioned above are listed companies. Mr. Kam is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO. He also holds directorships in certain companies controlled by certain substantial shareholders of the Company. Mr. Kam is a member of the 11th Beijing Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He holds a Bachelor of Science degree in Engineering and a Master's degree in Business Administration. Mr. Kam is an uncle of Mr. Li Tzar Kuoi, Victor, the Chairman of the Company.

IP Tak Chuen, Edmond

aged 58, has been an Executive Director of the Company since its incorporation in May 1996 and Deputy Chairman of the Company since February 2003. He is also Deputy Managing Director of Cheung Kong (Holdings) Limited. In addition, he is the Senior Vice President and Chief Investment Officer of CK Life Sciences Int'l., (Holdings) Inc., a Non-executive Director of TOM Group Limited, ARA Asset Management Limited, AVIC International Holding (HK) Limited, Excel Technology International Holdings Limited, Ruinian International Limited and Shougang Concord International Enterprises Company Limited. All the companies mentioned above are listed companies. Mr. Ip is also a Non-executive Director of ARA Asset Management (Fortune) Limited, which manages Fortune Real Estate Investment Trust, a real estate investment trust listed on The Stock Exchange of Hong Kong Limited ("SEHK") and the Singapore Exchange Securities Trading Limited ("SGX-ST"), and a Director of ARA Trust Management (Suntec) Limited, which manages Suntec Real Estate Investment Trust, a real estate investment trust listed on SGX-ST. He is also a director of a substantial shareholder of the Company within the meaning of Part XV of the SFO. He also holds directorships in certain companies controlled by certain substantial shareholders of the Company. He holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration.

FOK Kin Ning, Canning

aged 59, has been an Executive Director and Deputy Chairman of the Company since March 1997. He is currently the Group Managing Director of Hutchison Whampoa Limited and a Non-executive Director of Cheung Kong (Holdings) Limited. In addition, Mr. Fok is the Chairman of Hutchison Harbour Ring Limited, Hutchison Telecommunications Hong Kong Holdings Limited, Hutchison Telecommunications (Australia) Limited, Hutchison Port Holdings Management Pte. Limited ("HPHM") as the trustee-manager of Hutchison Port Holdings Trust and Power Assets Holdings Limited (formerly known as Hongkong Electric Holdings Limited), Co-Chairman of Husky Energy Inc. and Alternate Director to Mrs. Chow Woo Mo Fong, Susan, a Non-executive Director of Hutchison Telecommunications Hong Kong Holdings Limited. Except for HPHM, all the companies/business trust mentioned above are listed in Hong Kong or overseas. Mr. Fok is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO. He also holds directorships in certain companies controlled by certain substantial shareholders of the Company. He holds a Bachelor of Arts degree and a Diploma in Financial Management, and is a member of The Institute of Chartered Accountants in Australia.

DIRECTORS' BIOGRAPHICAL INFORMATION (CONT'D)

Andrew John HUNTER

aged 52, has been an Executive Director of the Company since December 2006 and Deputy Managing Director of the Company since May 2010. He acted as the Chief Operating Officer of the Company from December 2006 to May 2010. Mr. Hunter is currently the Chief Financial Officer of Cheung Kong (Holdings) Limited, which is a substantial shareholder of the Company within the meaning of Part XV of the SFO. He is also an Executive Director of Power Assets Holdings Limited (formerly known as Hongkong Electric Holdings Limited) and a Non-executive Director of Spark Infrastructure Group. All the companies mentioned above are listed companies. He also holds directorships in certain companies controlled by certain substantial shareholders of the Company. Prior to the appointment to the board of Power Assets Holdings Limited in 1999, Mr. Hunter was the Finance Director of the Hutchison Property Group. He holds a Master of Arts degree and a Master's degree in Business Administration. He is a member of the Institute of Chartered Accountants of Scotland and of the Hong Kong Institute of Certified Public Accountants. He has over 28 years of experience in accounting and financial management.

CHAN Loi Shun

aged 48, has been an Executive Director of the Company since January 2011 and Chief Financial Officer of the Company since January 2006. He joined Hutchison Whampoa Limited, which is a substantial shareholder of the Company within the meaning of Part XV of the SFO, in January 1992 and has been with the Cheung Kong Group since May 1994. Mr. Chan is also an Alternate Director to Mr. Kam Hing Lam, an Executive Director of Power Assets Holdings Limited (formerly known as Hongkong Electric Holdings Limited). He is also a Director of Envestra Limited and a Non-executive Director of Spark Infrastructure Group. All the companies mentioned above are listed companies. Mr. Chan is a fellow of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants.

CHOW WOO Mo Fong, Susan

aged 57, has been an Executive Director of the Company since March 1997 and an Alternate Director to Mr. Fok Kin Ning, Canning, Deputy Chairman of the Company, and Mr. Frank John Sixt, an Executive Director of the Company, since May 2006. She is the Deputy Group Managing Director of Hutchison Whampoa Limited. She is also an Executive Director of Hutchison Harbour Ring Limited and Power Assets Holdings Limited (formerly known as Hongkong Electric Holdings Limited), a Non-executive Director of Hutchison Telecommunications Hong Kong Holdings Limited and TOM Group Limited, a Director of Hutchison Telecommunications (Australia) Limited, and an Alternate Director of Hutchison Port Holdings Management Pte. Limited ("HPHM") as the trustee-manager of Hutchison Port Holdings Trust, Hutchison Telecommunications (Australia) Limited and Power Assets Holdings Limited. Except for HPHM, all the companies/business trust mentioned above are listed in Hong Kong or overseas. She is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO. She also holds directorships in certain companies controlled by certain substantial shareholders of the Company. She is a solicitor and holds a Bachelor's degree in Business Administration.

Frank John SIXT

aged 59, has been an Executive Director of the Company since its incorporation in May 1996. He is a Non-executive Director of Cheung Kong (Holdings) Limited and the Group Finance Director of Hutchison Whampoa Limited. He is also the Non-executive Chairman of TOM Group Limited, an Executive Director of Power Assets Holdings Limited (formerly known as Hongkong Electric Holdings Limited), a Non-executive Director of Hutchison Telecommunications Hong Kong Holdings Limited and Hutchison Port Holdings Management Pte. Limited ("HPHM") as the trustee-manager of Hutchison Port Holdings Trust, a Director of Hutchison Telecommunications (Australia) Limited and Husky Energy Inc., and an Alternate Director of Hutchison Telecommunications (Australia) Limited. Except for HPHM, all the companies/business trust mentioned above are listed in Hong Kong or overseas. Mr. Sixt is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO. He also holds directorships in certain companies controlled by certain substantial shareholders of the Company. He holds a Master's degree in Arts and a Bachelor's degree in Civil Law, and is a member of the Bar and of the Law Society of the Provinces of Quebec and Ontario, Canada.

TSO Kai Sum

aged 79, has been an Executive Director of the Company since March 1997. He is also the Group Managing Director of Power Assets Holdings Limited (formerly known as Hongkong Electric Holdings Limited), a listed company. He also holds directorships in certain companies controlled by a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Tso initially worked with the Power Assets Group from 1966 to 1981, holding the positions of Chief Project Engineer of The Hongkong Electric Company, Limited and Executive Director of Associated Technical Services Limited. In 1981, he joined International City Holdings Limited as an Executive Director. In 1987, he joined the Hutchison Whampoa Group as the Group Managing Director of Hutchison Whampoa Properties. In 1997, he re-joined the Power Assets Group as Group Managing Director. Mr. Tso holds a Bachelor of Science degree in Civil Engineering and is also a Chartered Engineer. He is a member of the Institute of Civil Engineers and the Institute of Structural Engineers in the United Kingdom.

CHEONG Ying Chew, Henry

aged 63, has been an Independent Non-executive Director of the Company since its incorporation in May 1996. He has been a member of the Audit Committee of the Company since December 1998 and acted as the Chairman of the Audit Committee from December 1998 to December 2006. Mr. Cheong is also a member of the Remuneration Committee of the Company. He is also an Independent Non-executive Director of Cheung Kong (Holdings) Limited, Hutchison Telecommunications Hong Kong Holdings Limited, TOM Group Limited, CNNC International Limited, Creative Energy Solutions Holdings Limited, Excel Technology International Holdings Limited, New World Department Store China Limited and SPG Land (Holdings) Limited, and an Independent Director of BTS Group Holdings Public Company Limited. Mr. Cheong is an Executive Director and Deputy Chairman of Worldsec Limited. He is also an Alternate Director to Dr. Wong Yick Ming, Rosanna, an Independent Non-executive Director of Hutchison Telecommunications Hong Kong Holdings Limited. All the companies mentioned above are listed companies. He is also a director of a substantial shareholder of the Company within the meaning of Part XV of the SFO. He also holds directorship in a company controlled by a substantial shareholder of the Company. Mr. Cheong is a member of the Securities and Futures Appeals Tribunal and a member of the Advisory Committee of the Securities and Futures Commission, and was previously a member of the Disciplinary Panel (Panel A) of the Hong Kong Institute of Certified Public Accountants. He holds a Bachelor of Science degree in Mathematics and a Master of Science degree in Operational Research and Management.

DIRECTORS' BIOGRAPHICAL INFORMATION (CONT'D)

KWOK Eva Lee

aged 68, has been an Independent Non-executive Director of the Company since September 2004. She is also an Independent Non-executive Director of CK Life Sciences Int'l., (Holdings) Inc. and a Director of Li Ka Shing (Canada) Foundation ("LKS Canada Foundation"). She currently serves as Chair and Chief Executive Officer of Amara Holdings Inc. ("Amara"). Mrs. Kwok also acts as an Independent Director for Husky Energy Inc. Mrs. Kwok currently sits on the Compensation Committee and Corporate Governance Committee of Husky Energy Inc., the Audit Committee and the Remuneration Committee of CK Life Sciences Int'l., (Holdings) Inc., and the Audit Committee of the Company. Except for LKS Canada Foundation and Amara, all the companies mentioned above are listed companies. In addition, she was an Independent Director of Bank of Montreal, a listed company, and previously sat on the Audit Committee and Pension Fund Society of the Bank of Montreal, the Nominating and Governance Committee of Shoppers Drug Mart Corporation, the Independent Committee of Directors and Human Resources Committee of Telesystems International Wireless (TIW) Inc., the Independent Committee of Directors and the Corporate Governance Committee of Fletcher Challenge Canada Ltd., the Audit and Corporate Governance Committees of Clarica Life Insurance Company and the Corporate Governance Committee of Air Canada.

SNG Sow-mei alias POON Sow Mei

aged 69, has been an Independent Non-executive Director and a member of the Audit Committee of the Company since September 2004. She is an Independent Non-executive Director of Hutchison Port Holdings Management Pte. Limited as the trustee-manager of Hutchison Port Holdings Trust, a business trust listed on SGX-ST, an Independent Non-executive Director of ARA Asset Management (Fortune) Limited, which manages Fortune Real Estate Investment Trust, a real estate investment trust listed on SEHK and SGX-ST, an Independent Director of ARA Trust Management (Suntec) Limited, which manages Suntec Real Estate Investment Trust, a real estate investment trust listed on SGX-ST, an Independent Non-executive Director of ARA Asset Management (Prosperity) Limited, which manages Prosperity Real Estate Investment Trust, a real estate investment trust listed on SEHK and a Director of INFA Systems Ltd. Mrs. Sng is also a member of the Audit Committee of Hutchison Port Holdings Management Pte. Limited, ARA Asset Management (Fortune) Limited, ARA Trust Management (Suntec) Limited and ARA Asset Management (Prosperity) Limited. Since 2001, Mrs. Sng has been the Senior Consultant (International Business) of Singapore Technologies Electronics Ltd. Concurrently, she is an Advisor of InfoWave Pte Ltd. Prior to her appointment with Singapore Technologies Pte Ltd. where Mrs. Sng was the Director, Special Projects (North East Asia) in 2000 and a Consultant in 2001, Mrs. Sng was the Managing Director of CapitaLand Hong Kong Ltd. for investments in Hong Kong and the region including Japan and Taiwan. In Hong Kong from 1983 to 1997, Mrs. Sng was the Centre Director and then as Regional Director of the Singapore Economic Development Board and Trade Development Board respectively. Mrs. Sng was Singapore's Trade Commissioner in Hong Kong from 1990 to 1997. Mrs. Sng holds a Bachelor of Arts degree from the Nanyang University in Singapore and has wide experience in various fields of industrial investment, business development, strategic and financial management, especially in property investment and management. In 1996, Mrs. Sng was conferred the title of PPA(P) – Pingat Pentadbiran Awam (Perak), the Singapore Public Administration Medal (Silver) by the Republic of Singapore.

Colin Stevens RUSSEL

aged 70, has been an Independent Non-executive Director and a member of the Remuneration Committee of the Company since January 2005. He has been a member of the Audit Committee of the Company since January 2005 and the Chairman of the Audit Committee of the Company since January 2007. He is also an Independent Non-executive Director of CK Life Sciences Int'l., (Holdings) Inc. and ARA Asset Management Limited, and a Non-executive Director of Husky Energy Inc. All the companies mentioned above are listed companies. Mr. Russel is the founder and Managing Director of Emerging Markets Advisory Services Ltd., a company which provides advisory services to organisations on business strategy and planning, market development, competitive positioning and risk management. He is also Managing Director of EMAS (HK) Limited. He was the Canadian Ambassador to Venezuela, Consul General for Canada in Hong Kong, Director for China of the Department of Foreign Affairs, Ottawa, Director for East Asia Trade in Ottawa, Senior Trade Commissioner for Canada in Hong Kong, Director for Japan Trade in Ottawa, and was in the Trade Commissioner Service for Canada in Spain, Hong Kong, Morocco, the Philippines, London and India. He was Project Manager for RCA Ltd in Liberia, Nigeria, Mexico and India and electronic equipment development engineer in Canada with RCA Ltd and in Britain with Associated Electrical Industries. Mr. Russel is a Professional Engineer and Qualified Commercial Mediator. He received his Master's degree in Business Administration and a degree in electronics engineering from McGill University, Canada.

LAN Hong Tsung, David

aged 70, has been an Independent Non-executive Director and a member of the Audit Committee of the Company since February 2005. He is also an Independent Non-executive Director of Hutchison Telecommunications Hong Kong Holdings Limited, Hutchison Harbour Ring Limited and SJM Holdings Limited, all being listed companies. Mr. Lan is also an Independent Non-executive Director of ARA Asset Management (Fortune) Limited, which manages Fortune Real Estate Investment Trust, a real estate investment trust listed on SEHK and SGX-ST, and of ARA Asset Management (Prosperity) Limited, which manages Prosperity Real Estate Investment Trust, a real estate investment trust listed on SEHK. He is currently the Chairman of David H T Lan Consultants Ltd. and holds directorship at Nanyang Commercial Bank Ltd. He is also a Senior Advisor of Mitsui & Co. (H.K.) Ltd. He also holds directorships in certain companies controlled by a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Lan was the Secretary for Home Affairs of the HKSAR Government until his retirement in July 2000. He had served as civil servant in various capacities for 39 years. He was awarded the Gold Bauhinia Star Medal (GBS) on 1st July, 2000. In January 2003, he was appointed National Committee Member of the Chinese People's Political Consultative Conference of the People's Republic of China. Mr. Lan is a Chartered Secretary and a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He received his Bachelor of Arts degree from the University of London and completed the Advanced Management Program (AMP) of the Harvard Business School, Boston. He was also awarded Fellow, Queen Elizabeth House (Oxford).

LEE Pui Ling, Angelina

aged 62, acted as an Independent Non-executive Director of the Company from May 1996 to September 2004 and has been a Non-executive Director of the Company since September 2004. She is a practising solicitor, has a Bachelor of Laws degree and is a Fellow of the Institute of Chartered Accountants in England and Wales. She is active in public service and is a Non-executive Director of the Securities and Futures Commission, a Member of the Takeovers and Mergers Panel and Takeovers Appeal Committee, and a Non-executive Director of the Mandatory Provident Fund Management Board. She is also a Non-executive Director of TOM Group Limited and Henderson Land Development Company Limited, and an Independent Non-executive Director of Great Eagle Holdings Limited. All the companies mentioned above are listed companies.

DIRECTORS' BIOGRAPHICAL INFORMATION (CONT'D)

Barrie COOK

aged 68, acted as an Executive Director of the Company from 2000 to September 2003 and has been a Non-executive Director of the Company since October 2003. He is the Honorary Chairman of the Hong Kong Construction Materials Association. Mr. Cook is a past Chairman of the East Asian Cement Forum, the Hong Kong Cement Association and the Waste Reduction Committee of the HKSAR Government. He was previously a member of the Advisory Council on the Environment and the Council for Sustainable Development of the HKSAR Government, and was the Convenor of the Hong Kong Business Coalition on the Environment. Mr. Cook was very active in community affairs through his work with the Hong Kong General Chamber of Commerce. Mr. Cook holds a bachelor of Science Degree in Civil Engineering, and he is a Chartered Civil Engineer of the United Kingdom and a Fellow of the Chartered Management Institute of the United Kingdom.

George Colin MAGNUS

aged 75, acted as an Executive Director and Deputy Chairman of the Company from May 1996 to October 2005 and has been a Non-executive Director of the Company since November 2005. He is also a Non-executive Director of Cheung Kong (Holdings) Limited, Hutchison Whampoa Limited and Power Assets Holdings Limited (formerly known as Hongkong Electric Holdings Limited), and a Director of Husky Energy Inc. All the companies mentioned above are listed companies. He is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO. He holds a Master's degree in Economics.

MAN Ka Keung, Simon

aged 53, has been an Alternate Director to Mr. Ip Tak Chuen, Edmond, Deputy Chairman of the Company, since February 2008. He joined the Cheung Kong Group in December 1987 and has been the Chief Manager of the Accounts Department of Cheung Kong (Holdings) Limited, which is a listed company and a substantial shareholder of the Company within the meaning of Part XV of the SFO, since January 1996. He also holds directorships in certain companies controlled by certain substantial shareholders of the Company. He is also Director, Corporate Strategy Unit of Cheung Kong (Holdings) Limited. He has over 30 years of experience in accounting, auditing, tax and finance. He holds a Bachelor's degree in Economics and is an associate member of The Institute of Chartered Accountants in Australia.

Eirene YEUNG

aged 50, Alternate Director to Mr. Kam Hing Lam, the Group Managing Director of the Company, and the Company Secretary of the Company. She is also Director, Corporate Strategy Unit and Company Secretary of Cheung Kong (Holdings) Limited, a listed company and a substantial shareholder of the Company within the meaning of Part XV of the SFO, and the Company Secretary of CK Life Sciences Int'l., (Holdings) Inc., a listed company. Ms. Yeung is a Non-executive Director of ARA Asset Management (Fortune) Limited as the manager of Fortune Real Estate Investment Trust (listed in Hong Kong and Singapore). She also holds directorships in certain companies controlled by certain substantial shareholders of the Company. Ms. Yeung joined the Cheung Kong Group in August 1994. She is a solicitor of the High Court of the HKSAR and of the Supreme Court of Judicature in England and Wales. She is also a fellow member of The Hong Kong Institute of Directors, The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

KEY PERSONNEL'S BIOGRAPHICAL INFORMATION

CHAN Kee Ham, Ivan

aged 48, Chief Planning and Investment Officer, has been with the Cheung Kong Group since September 1999. He has over 24 years of experience in investment, banking and finance. He holds a Bachelor's degree in Science, a Bachelor's degree in Chinese Law and a Master's degree in Business Administration.

CHEN Tsien Hua, Joanna

aged 48, Head of Business Development, joined Hutchison Whampoa Limited in August 1992, and has been with the Company since July 1996. She holds a Bachelor's degree in Social Sciences and a Master's degree in Business Administration.

Donald William JOHNSTON

aged 68, Executive Director of Anderson Asia (Holdings) Limited, Green Island Cement (Holdings) Limited and Green Island International Limited, has been with the Cheung Kong Group since 1988. He holds a Master's degree in Business Administration and a Bachelor's degree in Civil Engineering and is a Chartered Professional Engineer. He is a member of the Institute of Engineers (Australia) and a fellow of the Institute of Quarrying.

LEUNG Ying Wah, Lambert

aged 64, Chief Executive Officer of Cheung Kong Infrastructure Materials. He is a fellow of the Association of Chartered Certified Accountants, a fellow of the Hong Kong Institute of Certified Public Accountants, a fellow of the Institute of Quarrying (UK) and the past chairman of the Institute of Quarrying, Hong Kong Branch.

LUK Sai Hong, Victor

aged 47, Group General Counsel, has been with the Cheung Kong Group since July 1998. He has over 20 years of experience in the legal field. He holds a Bachelor's degree in Social Science. He was admitted as solicitor of the Supreme Court in England in 1992 and was admitted as solicitor in Hong Kong in 1993. He is a solicitor of the High Court of the HKSAR and is a member of The Law Society of Hong Kong.

LUN Pak Lam

aged 53, Head of China Infrastructure, joined Hutchison Whampoa Limited and Cheung Kong (Holdings) Limited in May 1993 and June 1994 respectively and has been with the Company since July 1996. He holds a Bachelor's and a Master's degree in Engineering and a Master of Finance degree in Investment Management.

Duncan Nicholas MACRAE

aged 40, Head of International Business, joined the Cheung Kong Group in February 2011. He has over 17 years of experience in infrastructure investment field. He holds a Bachelor's and a Master's degree in Philosophy, Politics & Economics.

KEY PERSONNEL'S BIOGRAPHICAL INFORMATION (CONT'D)

TONG BARNES Wai Che, Wendy

aged 50, Chief Corporate Affairs Officer, joined the Cheung Kong Group in March 1999. She is also the Chief Corporate Affairs Officer of Cheung Kong (Holdings) Limited and CK Life Sciences Int'l., (Holdings) Inc. She has over 26 years of experience in public relations, marketing communications and corporate affairs. She holds a Bachelor's degree in Business Administration.

TSANG Pak Chung, Eddy

aged 53, Executive Director of Green Island Cement (Holdings) Limited, Green Island International Limited and Anderson Asia (Holdings) Limited, joined the Cheung Kong Group in January 2005. He is a member of each of the Institute of Chartered Accountants in Australia, the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Secretaries and Administrators. He holds a Master's degree in Commerce and a Bachelor's degree in Economics.

YIP Cheung, Lawrence

aged 47, Head of Internal Audit, has been with the Cheung Kong Group since November 1997. He has over 20 years of experience in auditing. He holds a Master's degree in Business Administration. He is a fellow of the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants and an associate of the Institute of Chartered Accountants in England and Wales.

REPORT OF THE DIRECTORS

The Directors are pleased to present shareholders with the annual report together with the audited financial statements of the Group for the year ended 31st December, 2010.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

Results of the Group for the year ended 31st December, 2010 are set out in the consolidated income statement on page 57.

The Directors recommend the payment of a final dividend of HK$1.00 per share which, together with the interim dividend of HK$0.33 per share paid on 10th September, 2010, makes the total dividend of HK$1.33 per share for the year.

PROPERTY, PLANT AND EQUIPMENT

Movements in the Group's property, plant and equipment during the year are set out in note 15 to the consolidated financial statements on pages 85 to 86.

RESERVES

Details of changes in the reserves of the Group are set out in the consolidated statement of changes in equity on page 60.

GROUP FINANCIAL SUMMARY

Results, assets and liabilities of the Group for the last ten years are summarised on pages 2 and 3.

PROPERTIES

Particulars of major properties held by the Group are set out in Appendix 3 on page 122.

DIRECTORS

The Directors of the Company in office at the date of this report are listed on page 158 and their biographical information is set out on pages 32 to 38.

On 1st January, 2011, Mr. Chan Loi Shun was appointed as Executive Director of the Company. The Company's Bye-laws provide that any Director appointed by the Board of Directors of the Company (the "Board") as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Accordingly, Mr. Chan being the Director so appointed, shall hold office until the forthcoming annual general meeting and, being eligible, offer himself for re-election.

Further, in accordance with the Company's Bye-laws, the Directors of the Company (including Non-executive Directors) shall be subject to retirement by rotation at each annual general meeting. Accordingly, Mrs. Kwok Eva Lee, Mrs. Sng Sow-mei alias Poon Sow Mei, Mr. Colin Stevens Russel, Mr. Lan Hong Tsung, David, Mrs. Lee Pui Ling, Angelina and Mr. George Colin Magnus will retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS (CONT'D)

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st December, 2010, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

(1) Long Positions in Shares

			Number of Ordinary Shares					
Name of Company	Name of Director	Capacity	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	Approximate % of Shareholding
Company	Li Tzar Kuoi, Victor	Beneficiary of trusts	–	–	–	1,912,109,945 (Note 1)	1,912,109,945	84.82%
	Kam Hing Lam	Beneficial owner	100,000	–	–	–	100,000	0.004%
Hutchison Whampoa Limited	Li Tzar Kuoi, Victor	Interest of controlled corporations & beneficiary of trusts	–	–	1,086,770 (Note 3)	2,141,698,773 (Note 2)	2,142,785,543	50.26%
	Kam Hing Lam	Beneficial owner & interest of child or spouse	60,000	40,000	–	–	100,000	0.002%
	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	6,010,875 (Note 5)	–	6,010,875	0.14%
	Chow Woo Mo Fong, Susan	Beneficial owner	150,000	–	–	–	150,000	0.003%
	Frank John Sixt	Beneficial owner	200,000	–	–	–	200,000	0.005%
	Lan Hong Tsung, David	Beneficial owner	20,000	–	–	–	20,000	0.0004%
	Lee Pui Ling, Angelina	Beneficial owner	38,500	–	–	–	38,500	0.0009%
	George Colin Magnus	Beneficial owner, interest of child or spouse & founder & beneficiary of a discretionary trust	40,000	9,900	–	950,100 (Note 6)	1,000,000	0.02%
	Man Ka Keung, Simon	Beneficial owner & interest of child or spouse	2,770 (Note 7)	2,770 (Note 7)	–	–	2,770	0.00006%

Name of Company	Name of Director	Capacity	Number of Ordinary Shares: Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	Approximate % of Shareholding
Power Assets Holdings Limited (formerly known as Hongkong Electric Holdings Limited)	Li Tzar Kuoi, Victor	Interest of child or spouse & beneficiary of trusts	–	151,000	–	829,599,612 (Note 4)	829,750,612	38.87%
	Kam Hing Lam	Interest of child or spouse	–	100,000	–	–	100,000	0.004%
	Lee Pui Ling, Angelina	Beneficial owner	8,800	–	–	–	8,800	0.0004%
Hutchison Harbour Ring Limited	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	5,000,000 (Note 5)	–	5,000,000	0.05%
Hutchison Telecommunications (Australia) Limited	Fok Kin Ning, Canning	Beneficial owner & interest of controlled corporation	4,100,000	–	1,000,000 (Note 5)	–	5,100,000	0.037%
	Frank John Sixt	Beneficial owner	1,000,000	–	–	–	1,000,000	0.007%
Hutchison Telecommunications Hong Kong Holdings Limited	Li Tzar Kuoi, Victor	Interest of controlled corporations & beneficiary of trusts	–	–	2,519,250 (Note 3)	3,185,136,120 (Note 8)	3,187,655,370	66.19%
	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	1,202,380 (Note 5)	–	1,202,380	0.025%
	Chow Woo Mo Fong, Susan	Beneficial owner	250,000	–	–	–	250,000	0.005%
	George Colin Magnus	Beneficial owner & interest of child or spouse	13,201	132	–	–	13,333	0.0003%

(2) Long Positions in Underlying Shares

Name of Company	Name of Director	Capacity	Number of Underlying Shares: Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
Hutchison Telecommunications Hong Kong Holdings Limited	Frank John Sixt	Beneficial owner	255,000 (Note 9)	–	–	–	255,000

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONT'D)

(3) Long Positions in Debentures

Name of Company	Name of Director	Capacity	Amount of Debentures				
			Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
Hutchison Whampoa International (03/13) Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation	–	–	US$10,208,000 6.5% Notes due 2013 (Note 3)	–	US$10,208,000 6.5% Notes due 2013
	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	US$1,216,000 6.5% Notes due 2013 (Note 5)	–	US$1,216,000 6.5% Notes due 2013
	Man Ka Keung, Simon	Beneficial owner & interest of child or spouse	US$100,000 6.5% Notes due 2013 (Note 7)	US$100,000 6.5% Notes due 2013 (Note 7)	–	–	US$100,000 6.5% Notes due 2013
Hutchison Whampoa International (03/33) Limited	Man Ka Keung, Simon	Beneficial owner & interest of child or spouse	US$200,000 6.25% Notes due 2014 (Note 7)	US$200,000 6.25% Notes due 2014 (Note 7)	–	–	US$200,000 6.25% Notes due 2014
Hutchison Whampoa Finance (CI) Limited	Man Ka Keung, Simon	Beneficial owner & interest of child or spouse	US$100,000 7.45% Notes due 2017 (Note 7)	US$100,000 7.45% Notes due 2017 (Note 7)	–	–	US$100,000 7.45% Notes due 2017
Hutchison Whampoa International (09) Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation	–	–	US$45,792,000 7.625% Notes due 2019 (Note 3)	–	US$45,792,000 7.625% Notes due 2019
Hutchison Whampoa International (09/19) Limited	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	US$4,000,000 5.75% Notes due 2019 (Note 5)	–	US$4,000,000 5.75% Notes due 2019

Name of Company	Name of Director	Capacity	Amount of Debentures: Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
Hutchison Whampoa International (10) Limited	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	US$5,000,000 Subordinated Guaranteed Perpetual Capital Securities (Note 5)	–	US$5,000,000 Subordinated Guaranteed Perpetual Capital Securities
	Frank John Sixt	Beneficial owner	US$1,000,000 Subordinated Guaranteed Perpetual Capital Securities	–	–	–	US$1,000,000 Subordinated Guaranteed Perpetual Capital Securities
PHBS Limited	Sng Sow-mei alias Poon Sow Mei	Beneficial owner & interest of child or spouse	US$1,000,000 Perpetual Capital Securities (Note 10)	US$1,000,000 Perpetual Capital Securities (Note 10)	–	–	US$1,000,000 Perpetual Capital Securities

Notes:

1. The 1,912,109,945 shares in the Company comprise 1,906,681,945 shares held by a subsidiary of Hutchison Whampoa Limited ("HWL") and 5,428,000 shares held by Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of The Li Ka-Shing Unity Trust ("UT1").

   The discretionary beneficiaries of each of The Li Ka-Shing Unity Discretionary Trust ("DT1") and another discretionary trust ("DT2") are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard. Each of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1", which is the trustee of DT1) and Li Ka-Shing Unity Trustcorp Limited ("TDT2", which is the trustee of DT2) holds units in UT1 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. TUT1 as trustee of UT1 and its related companies in which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings ("TUT1 related companies") hold more than one-third of the issued share capital of Cheung Kong (Holdings) Limited ("CKH"). Certain subsidiaries of CKH in turn together hold more than one-third of the issued share capital of HWL.

   The entire issued share capital of TUT1 and of the trustees of DT1 and DT2 are owned by Li Ka-Shing Unity Holdings Limited ("Unity Holdco"). Each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Unity Holdco. TUT1 is only interested in the shares of CKH by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of CKH independently without any reference to Unity Holdco or any of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard as a holder of the shares of Unity Holdco as aforesaid.

   By virtue of the above and as a discretionary beneficiary of each of DT1 and DT2 and as a director of CKH, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the shares of CKH held by TUT1 as trustee of UT1 and TUT1 related companies, the shares of HWL held by the subsidiaries of CKH and the shares of the Company held by each of the subsidiary of HWL and TUT1 as trustee of UT1 under the SFO as a Director of the Company. Although Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Unity Holdco and is a discretionary beneficiary of each of DT1 and DT2, he is not a director of CKH and has no duty of disclosure in relation to the shares of CKH held by TUT1 as trustee of UT1 and TUT1 related companies under the SFO.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONT'D)

Notes (Cont'd):

2. The 2,141,698,773 shares in HWL comprise:

   (a) 2,130,202,773 shares held by certain subsidiaries of CKH. By virtue of the interests in shares of CKH in relation to which Mr. Li Tzar Kuoi, Victor has a duty of disclosure under the SFO in the issued share capital of CKH as described in Note 1 above and as a Director of the Company, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said shares of HWL under the SFO; and

   (b) 11,496,000 shares held by Li Ka-Shing Castle Trustee Company Limited ("TUT3") as trustee of The Li Ka-Shing Castle Trust ("UT3"). The discretionary beneficiaries of each of the two discretionary trusts ("DT3" and "DT4") are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard. Each of the trustees of DT3 and DT4 holds units in UT3 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust.

   The entire issued share capital of TUT3 and the trustees of DT3 and DT4 are owned by Li Ka-Shing Castle Holdings Limited ("Castle Holdco"). Each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Castle Holdco. TUT3 is only interested in the shares of HWL by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of HWL independently without any reference to Castle Holdco or any of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard as a holder of the shares of Castle Holdco as aforesaid.

   By virtue of the above and as a discretionary beneficiary of each of DT3 and DT4 and as a director of HWL, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said shares of HWL held by TUT3 as trustee of UT3 under the SFO as a Director of the Company. Although Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Castle Holdco and is a discretionary beneficiary of each of DT3 and DT4, he is not a Director of the Company and has no duty of disclosure in relation to the shares of HWL held by TUT3 as trustee of UT3 under the SFO.

3. Such interests are held by certain companies of which Mr. Li Tzar Kuoi, Victor is interested in the entire issued share capital.

4. By virtue of being a Director of the Company and his deemed interest in those shares of the Company as described in Note 1 above, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to those shares of Power Assets Holdings Limited held through the Company under the SFO.

5. These interests are held by a company which is equally owned by Mr. Fok Kin Ning, Canning and his wife.

6. Such interests are indirectly held by a trust of which Mr. George Colin Magnus is the settlor and a discretionary beneficiary.

7. Such interests are jointly held by Mr. Man Ka Keung, Simon and his wife.

8. Such shares of Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH") comprise:

   (a) 3,184,982,840 ordinary shares of which 52,092,587 ordinary shares and 3,132,890,253 ordinary shares are held by certain wholly-owned subsidiaries of CKH and HWL respectively. By virtue of the interests in the shares of CKH and HWL in relation to which Mr. Li Tzar Kuoi, Victor has a duty of disclosure under the SFO in the issued share capital of CKH and HWL as described in Notes 1 and 2 above and as a Director of the Company, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said shares of HTHKH under the SFO; and

   (b) 153,280 ordinary shares held by TUT3 as trustee of UT3. Mr. Li Tzar Kuoi, Victor as a Director of the Company, by virtue of being a discretionary beneficiary of each of DT3 and DT4 and his deemed interests in TUT3 as trustee of UT3 as described in Note 2(b) above, is taken to have a duty of disclosure in relation to the said shares of HTHKH under the SFO.

9. Such underlying shares are derived from the 17,000 American Depositary Shares (each representing 15 ordinary shares) in HTHKH beneficially owned by Mr. Frank John Sixt.

10. Such interests are jointly held by Mrs. Sng Sow-mei alias Poon Sow Mei and her husband.

Mr. Li Tzar Kuoi, Victor, by virtue of being a Director of the Company and his interests in the share capital of the Company as a discretionary beneficiary of certain discretionary trusts as described in Note 1 above, is deemed to be interested in those securities of subsidiaries and associated companies of the Company held through the Company and in those securities of the subsidiaries of HWL held through HWL under the SFO.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 31st December, 2010, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

No contracts of significance to which the Company or its subsidiary was a party and in which a Director of the Company had a material interest, whether directly or indirectly, during the year ended 31st December, 2010.

At no time during the year was the Company or subsidiary a party to any arrangements which enabled any Director of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate.

None of the Directors of the Company has any service contract with the Company or any of its subsidiaries.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 31st December, 2010, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long Positions of Substantial Shareholders in the Shares of the Company

Name	Capacity	Number of Ordinary Shares	Total	Approximate % of Shareholding
Hutchison Infrastructure Holdings Limited	Beneficial owner	1,906,681,945 (Note i)	1,906,681,945	84.58%
Hutchison International Limited	Interest of controlled corporation	1,906,681,945 (Note ii)	1,906,681,945	84.58%
Hutchison Whampoa Limited	Interest of controlled corporations	1,906,681,945 (Note ii)	1,906,681,945	84.58%
Cheung Kong (Holdings) Limited	Interest of controlled corporations	1,906,681,945 (Note iii)	1,906,681,945	84.58%
Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust	Trustee	1,912,109,945 (Note iv)	1,912,109,945	84.82%
Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust	Trustee & beneficiary of a trust	1,912,109,945 (Note v)	1,912,109,945	84.82%
Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust	Trustee & beneficiary of a trust	1,912,109,945 (Note v)	1,912,109,945	84.82%
Li Ka-shing	Founder of discretionary trusts	1,912,109,945 (Note v)	1,912,109,945	84.82%

Notes:

i. 1,906,681,945 shares of the Company are held by Hutchison Infrastructure Holdings Limited, a subsidiary of HWL. Its interests are duplicated in the interests of HWL in the Company described in Note ii below.

ii. HWL is deemed to be interested in the 1,906,681,945 shares of the Company referred to in Note i above as it holds more than one-third of the issued share capital of Hutchison International Limited, which holds more than one-third of the issued share capital of Hutchison Infrastructure Holdings Limited.

iii. CKH is deemed to be interested in the 1,906,681,945 shares of the Company referred to in Note ii above as certain subsidiaries of CKH hold more than one-third of the issued share capital of HWL.

iv. TUT1 as trustee of UT1 is deemed to be interested in those shares of the Company described in Note iii above as TUT1 as trustee of UT1 and TUT1 related companies hold more than one-third of the issued share capital of CKH and TUT1 as trustee of UT1 holds 5,428,000 shares of the Company.

v. By virtue of the SFO, each of Mr. Li Ka-shing, being the settlor and may being regarded as a founder of each DT1 and DT2 for the purpose of the SFO, TDT1 as trustee of DT1 and TDT2 as trustee of DT2 is deemed to be interested in the same block of shares TUT1 as trustee of UT1 is deemed to be interested in as referred to in Note iv above as all issued and outstanding units in UT1 are held by TDT1 as trustee of DT1 and by TDT2 as trustee of DT2. More than one-third of the issued share capital of TUT1 and of the trustees of the said discretionary trusts are owned by Unity Holdco. Mr. Li Ka-shing owns one-third of the issued share capital of Unity Holdco.

Save as disclosed above, as at 31st December, 2010, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

The following transactions of the Group constituted continuing connected transactions ("Continuing Connected Transactions") under the Listing Rules during the financial year ended 31st December, 2010:

(a) A sponsors/shareholders' undertaking has been provided by each of CKH and HWL in relation to the loan facilities for the Zhuhai Power Plant. Pursuant to the sponsors/shareholders' undertaking, each of CKH and HWL shall be severally liable for 50 per cent of certain obligations of the foreign party to the PRC project company undertaking the Zhuhai Power Plant (the "Zhuhai Foreign Party"). The Zhuhai Foreign Party, which is an indirect wholly-owned subsidiary of the Company before the disposal to Power Assets Holdings Limited ("Power Assets") which was completed on 2nd April, 2009, has a 45 per cent interest in the PRC project company. Pursuant to a deed of counter-indemnity ("Counter-indemnity") dated 12th July, 1996 given by the Company in favour of CKH and HWL which constitutes a continuing connected transaction of the Company, the Company has agreed with each of CKH and HWL to meet all future funding obligations of each of them which may be required under such sponsors/shareholders' undertaking and to counter-indemnify each of CKH and HWL in respect of any sum provided by each of them and generally in respect of each of their liabilities and obligations under such sponsors/shareholders' undertaking.

    The obligations and liabilities of the Company under the Counter-indemnity have been indemnified by Power Assets pursuant to another deed of counter-indemnity entered into between the parties on 2nd April, 2009 as a result of the disposal of an entity which holds the interest in the Zhuhai Power Plant by the Company to Power Assets.

(b) On 18th November, 2008, the Company had entered into a tenancy agreement to renew the previous tenancy agreement with Turbo Top Limited ("Turbo Top"), which is a connected person of the Company by virtue of its being a wholly-owned subsidiary of HWL, a substantial shareholder of the Company, in respect of the lease of Office Unit 1202, 12th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong with a lettable floor area of approximately 10,079 square feet as the principal business office of the Group in Hong Kong for a term of three years commencing from 1st September, 2008 to 31st August, 2011 at a monthly rental of HK$806,320, exclusive of Government rates and other charges. The aggregate rent and service charges payable under the tenancy agreement are subject to the annual caps of HK$4,000,000 for the period from 1st September, 2008 to 31st December, 2008, HK$11,000,000 for the year ended 31st December, 2009, HK$12,000,000 for the year ended 31st December, 2010, and HK$8,000,000 for the period from 1st January, 2011 to 31st August, 2011 taking into account of the possible adjustment on the monthly service charges of HK$85,671.50. During the year, HK$10,703,898 has been paid/payable by the Company to Turbo Top pursuant to the aforesaid tenancy agreement.

CONTINUING CONNECTED TRANSACTIONS (CONT'D)

(c) On 3rd April, 2009, the Company had entered into a master agreement with HWL (the "2009 Master Agreement") pursuant to which the Company or its subsidiaries may acquire such bonds, notes, commercial paper or other similar debt instruments as are or to be issued by HWL or any of its subsidiaries (the "Connected Issuers") (the "2009 Connected Debt Securities") in the secondary markets from independent third parties from time to time during the 12-month period commencing on 14th May, 2009, being the date of the 2009 annual general meeting of the Company at which the continuing connected transaction approval for the 2009 Master Agreement ("2009 CCT Approval") was granted. The Connected Issuers are connected persons of the Company by virtue of being either a substantial shareholder of the Company or an associate thereof.

The consideration for the 2009 Connected Debt Securities was on normal commercial terms determined with reference to market prices quoted on financial data providers. The cap applicable to the transactions contemplated under the 2009 Master Agreement was subject to (I) the aggregate gross purchase price of 2009 Connected Debt Securities of a particular issue to be acquired, after deducting any net sale proceeds of 2009 Connected Debt Securities sold, by the Group ("2009 Net Connected Debt Securities Position") during the period from the obtaining of the 2009 CCT Approval until the earlier of: (i) the conclusion of the next annual general meeting of the Company; and (ii) the date on which the authority set out in the 2009 CCT Approval is revoked or varied by an ordinary resolution of the shareholders in general meeting of the Company ("2009 Relevant Period") shall not exceed 20 per cent of the aggregate value of the subject issue and all outstanding 2009 Connected Debt Securities of the same issuer with the same maturity or shorter maturities; and (II) the 2009 Net Connected Debt Securities Position at any time during the 2009 Relevant Period shall not exceed: (a) HK$2.2 billion or (b) 20 per cent of the aggregate net liquid assets of the Group, being the aggregate value of the cash, deposits and marketable securities (including for the avoidance of doubt any 2009 Connected Debt Securities held at the time all valued at their respective fair market values as at such date) held by the Group which was accounted for and consolidated in the accounts of the Company less the aggregate value of any such assets which are subject to pledges or other encumbrances, which were accounted for and consolidated in the accounts of the Company as at 31st December, 2008, or if different, 20 per cent of the Company's "unaudited consolidated net liquid assets" as at the last day of the immediately preceding calendar quarter, being the reference date, whichever is the lower.

During the year, the Company and its subsidiaries had not acquired any 2009 Connected Debt Securities in the secondary markets pursuant to the 2009 Master Agreement. As at 31st May, 2010, the market value of the connected debt securities held by the Company and its subsidiaries was HK$1,468,480,213.

(d) In order to continue the transactions underlying the 2009 Master Agreement following its expiration on 13th May, 2010, on 31st March, 2010, the Company had entered into a master agreement with HWL (the "2010 Master Agreement") pursuant to which the Company or its subsidiaries may acquire such bonds, notes, commercial paper or other similar debt instruments as are or to be issued by the Connected Issuers (the "2010 Connected Debt Securities") in the secondary markets from independent third parties from time to time during the 12-month period commencing on 6th May, 2010, being the date of the 2010 annual general meeting of the Company at which the continuing connected transaction approval for the 2010 Master Agreement ("2010 CCT Approval") was granted. The Connected Issuers are connected persons of the Company by virtue of being either a substantial shareholder of the Company or an associate thereof.

The consideration for the 2010 Connected Debt Securities was on normal commercial terms determined with reference to market prices quoted on financial data providers. The cap applicable to the transactions contemplated under the 2010 Master Agreement was subject to (I) the aggregate gross purchase price of 2010 Connected Debt Securities of a particular issue held and proposed to be acquired by the Group during the period from the obtaining of the 2010 CCT Approval until the earlier of: (i) the conclusion of the next annual general meeting of the Company; and (ii) the date on which the authority set out in the 2010 CCT Approval is revoked or varied by an ordinary resolution of the shareholders in general meeting of the Company ("2010 Relevant Period") pursuant to the 2010 CCT Approval sought shall not exceed 20 per cent of the aggregate value of the subject issue and all outstanding 2010 Connected Debt Securities of the same issuer with the same maturity or shorter maturities; and (II) (i) the aggregate gross purchase price paid in respect of the 2010 Connected Debt Securities held by the Group at the commencement of the 2010 Relevant Period, if any; (ii) the aggregate gross purchase price paid in respect of the 2010 Connected Debt Securities acquired by the Group prior to such date during the 2010 Relevant Period, if any; and (iii) the aggregate gross purchase price in respect of the 2010 Connected Debt Securities of a particular issue proposed to be acquired by the Group on such date, less (iv) the aggregate net sale proceeds in respect of 2010 Connected Debt Securities sold by the Group prior to such date during the 2010 Relevant Period, at any time during the 2010 Relevant Period shall not exceed: (a) HK$2.5 billion or (b) 20 per cent of the aggregate net liquid assets of the Group, being the aggregate value of the cash, deposits and marketable securities (including for the avoidance of doubt any 2010 Connected Debt Securities held at the time all valued at their respective fair market values as at such date) held by the Group which was accounted for and consolidated in the accounts of the Company less the aggregate value of any such assets which are subject to pledges or other encumbrances, which were accounted for and consolidated in the accounts of the Company as at 31st December, 2009, or if different, 20 per cent of the Company's "unaudited consolidated net liquid assets" as at the last day of the immediately preceding calendar quarter, being the reference date, whichever is the lower.

During the year, the Company and its subsidiaries had not acquired any 2010 Connected Debt Securities in the secondary markets pursuant to the 2010 Master Agreement. As at 31st December, 2010, the market value of the connected debt securities held by the Company and its subsidiaries was HK$1,467,004,502.

On 12th August, 1996, the Stock Exchange granted conditional waivers to the Company from strict compliance with the disclosure and shareholders' approval requirements under the Listing Rules in respect of the above transaction in paragraph (a) on, inter alia, a condition that brief details of the transaction shall be disclosed in the Company's subsequent annual report for financial years in which the transaction is subsisting. An announcement ("Announcement I") in respect of the above transaction in paragraph (b) was published on 18th November, 2008 in accordance with the Listing Rules. An announcement ("Announcement II") and a circular in respect of the above transaction in paragraph (c) were published on 3rd April, 2009 and 7th April, 2009 respectively, and the approval of which had been obtained from the independent shareholders of the Company at the Company's annual general meeting held on 14th May, 2009 in accordance with the Listing Rules. An announcement ("Announcement III") and a circular in respect of the above transaction in paragraph (d) were published on 31st March, 2010 and 7th April, 2010 respectively, and the approval of which had been obtained from the independent shareholders of the Company at the Company's annual general meeting held on 6th May, 2010 in accordance with the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS (CONT'D)

The Continuing Connected Transactions have been reviewed by the Independent Non-executive Directors. The Independent Non-executive Directors have confirmed that for the year 2010 the Continuing Connected Transactions have been entered into (i) in the ordinary and usual course of business of the Company; (ii) either on normal commercial terms or on terms no less favourable to the Company than terms available to (or from) independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the Company has engaged the auditor of the Company to report the Continuing Connected Transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported to the Board of Directors and confirmed that for the year 2010 the Continuing Connected Transactions (i) have received the approval of the Board of Directors of the Company; and (ii) have been entered into in accordance with the relevant agreements governing the transactions; and (iii) the Continuing Connected Transactions in paragraphs (b) to (d) above have not exceeded the relevant caps as disclosed in the Announcement I, Announcement II and Announcement III respectively.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, 37.8 per cent of the Group's sales were attributable to the Group's five largest customers with the largest customer accounting for 14.4 per cent of the Group's sales. The Group's purchases attributable to the Group's five largest suppliers were less than 30 per cent of the Group's purchases.

For the year ended 31st December, 2010, Alliance Construction Materials Limited, of which the Company is interested in 50 per cent of the issued share capital and Mr. Ip Tak Chuen, Edmond, Director of the Company, acts as a Director, was one of the Group's five largest customers. Save as disclosed above, none of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5 per cent of the Company's issued share capital) has any interest in the Group's five largest customers.

COMPETING BUSINESS INTERESTS OF DIRECTORS

During the year, the interests of Directors in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group (the "Competing Business") as required to be disclosed pursuant to the Listing Rules were as follows:

(a) Core Business Activities of the Group

(1) Development, investment and operation of energy infrastructure;
(2) Development, investment and operation of transportation infrastructure;
(3) Development, investment and operation of water infrastructure;
(4) Development, investment and operation and commercialisation of infrastructure related business;
(5) Investment holding and project management;
(6) Securities investment; and
(7) Information technology, e-commerce and new technology.

(b) Interests in Competing Business

Name of Director	Name of Company	Nature of Interest	Competing Business (Note)
Li Tzar Kuoi, Victor	Cheung Kong (Holdings) Limited	Managing Director and Deputy Chairman	(5), (6) & (7)
	Hutchison Whampoa Limited	Deputy Chairman	(1), (3), (5), (6) & (7)
	Power Assets Holdings Limited	Executive Director	(1), (5), (6) & (7)
	CK Life Sciences Int'l., (Holdings) Inc.	Chairman	(3), (6) & (7)
Kam Hing Lam	Cheung Kong (Holdings) Limited	Deputy Managing Director	(5), (6) & (7)
	Hutchison Whampoa Limited	Executive Director	(1), (3), (5), (6) & (7)
	Power Assets Holdings Limited	Executive Director	(1), (5), (6) & (7)
	CK Life Sciences Int'l., (Holdings) Inc.	President and Chief Executive Officer	(3), (6) & (7)
	Spark Infrastructure Group	Non-executive Director *(resigned on 25th May, 2010)*	(1) & (5)
Ip Tak Chuen, Edmond	Cheung Kong (Holdings) Limited	Deputy Managing Director	(5), (6) & (7)
	CK Life Sciences Int'l., (Holdings) Inc.	Senior Vice President and Chief Investment Officer	(3), (6) & (7)
	TOM Group Limited	Non-executive Director	(5), (6) & (7)
	AVIC International Holding (HK) Limited	Non-executive Director	(1), (5) & (6)
	Excel Technology International Holdings Limited	Non-executive Director	(5), (6) & (7)
	Shougang Concord International Enterprises Company Limited	Non-executive Director	(5) & (6)
	ARA Asset Management Limited	Non-executive Director	(5) & (6)
Fok Kin Ning, Canning	Cheung Kong (Holdings) Limited	Non-executive Director	(5), (6) & (7)
	Hutchison Whampoa Limited	Group Managing Director	(1), (3), (5), (6) & (7)
	Power Assets Holdings Limited	Chairman	(1), (5), (6) & (7)
	Hutchison Harbour Ring Limited	Chairman	(7)
	Hutchison Telecommunications International Limited *(whose shares were withdrawn from listing on 25th May, 2010)*	Chairman *(resigned on 26th May, 2010)*	(7)
	Hutchison Telecommunications Hong Kong Holdings Limited	Chairman and Alternate Director	(7)
Andrew John Hunter	Power Assets Holdings Limited	Executive Director	(1), (5), (6) & (7)
	Spark Infrastructure Group	Non-executive Director	(1) & (5)
Chow Woo Mo Fong, Susan	Hutchison Whampoa Limited	Deputy Group Managing Director	(1), (3), (5), (6) & (7)
	Power Assets Holdings Limited	Executive Director and Alternate Director	(1), (5), (6) & (7)
	TOM Group Limited	Non-executive Director	(5), (6) & (7)
	Hutchison Harbour Ring Limited	Executive Director	(7)
	Hutchison Telecommunications International Limited *(whose shares were withdrawn from listing on 25th May, 2010)*	Non-executive Director and Alternate Director *(resigned and ceased on 26th May, 2010)*	(7)
	Hutchison Telecommunications Hong Kong Holdings Limited	Non-executive Director	(7)

COMPETING BUSINESS INTERESTS OF DIRECTORS (CONT'D)

(b) Interests in Competing Business (Cont'd)

Name of Director	Name of Company	Nature of Interest	Competing Business (Note)
Frank John Sixt	Cheung Kong (Holdings) Limited	Non-executive Director	(5), (6) & (7)
	Hutchison Whampoa Limited	Group Finance Director	(1), (3), (5), (6) & (7)
	Power Assets Holdings Limited	Executive Director	(1), (5), (6) & (7)
	TOM Group Limited	Non-executive Chairman	(5), (6) & (7)
	Hutchison Telecommunications International Limited *(whose shares were withdrawn from listing on 25th May, 2010)*	Non-executive Director *(resigned on 26th May, 2010)*	(7)
	Hutchison Telecommunications Hong Kong Holdings Limited	Non-executive Director	(7)
Tso Kai Sum	Power Assets Holdings Limited	Group Managing Director	(1), (5), (6) & (7)
Lee Pui Ling, Angelina	TOM Group Limited	Non-executive Director	(5), (6) & (7)
George Colin Magnus	Cheung Kong (Holdings) Limited	Non-executive Director	(5), (6) & (7)
	Hutchison Whampoa Limited	Non-executive Director	(1), (3), (5), (6) & (7)
	Power Assets Holdings Limited	Non-executive Director	(1), (5), (6) & (7)

Note: Such businesses may be made through subsidiaries, associated companies or by way of other forms of investments.

Save as disclosed above, none of the Directors is interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with businesses of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws and there are no restrictions against such rights under the laws of Bermuda.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31st December, 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

As announced by the Company on 8th January, 1997 and 17th February, 1997, the Stock Exchange granted a waiver from strict compliance with Rule 8.08 of the Listing Rules to the Company on 9th January, 1997 subject to approximately not less than 15.2 per cent of the issued share capital of the Company being held in public hands. Based on information available and within the knowledge of the Directors, the obligation has been complied with.

DONATIONS

Donations made by the Group during the year amounted to HK$779,000.

DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

The following information is disclosed in accordance with Rules 13.21 and 13.22 of Chapter 13 of the Listing Rules:

(1) The Group has entered into a syndicated term loan facility agreement of A$510 million with the Company acting as the guarantor, of which the whole amount was drawn as at 31st December, 2010. The facility will mature in August 2012. Under the provision of the loan agreement, it is an event of default if HWL ceases to own (directly or indirectly) at least 30 per cent of the issued share capital of the Company. The obligation has been complied with.

(2) As at 31st December, 2010, the Group's financial assistance to certain affiliated companies exceeded the assets ratio of 8 per cent. A combined balance sheet of the affiliated companies as at 31st December, 2010 is set out below:

HK$ million	
Non-current assets	185,992
Current assets	10,792
Current liabilities	(27,702)
Non-current liabilities	(135,776)
Net assets	33,306
Share capital	23,947
Reserves	9,290
Non-controlling interests	69
Total Equity	33,306

As at 31st December, 2010, the consolidated attributable interest of the Group in these affiliated companies amounted to HK$24,993 million.

AUDIT COMMITTEE

The Group's annual report for the year ended 31st December, 2010 has been reviewed by the audit committee of the Company ("Audit Committee"). Information on the work of Audit Committee and its composition are set out in the Corporate Governance Report (Code Provision C.3) on pages 135 to 137.

AUDITOR

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

On behalf of the Board

Li Tzar Kuoi, Victor

Chairman

Hong Kong, 2nd March, 2011

Deloitte.
德勤

TO THE MEMBERS OF CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Cheung Kong Infrastructure Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 57 to 121, which comprise the consolidated statement of financial position as at 31st December 2010, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

2nd March, 2011

CONSOLIDATED INCOME STATEMENT

for the year ended 31st December

HK$ million	Notes	2010	2009
Group turnover	6	**2,814**	2,184
Share of turnover of jointly controlled entities	6	**1,337**	1,870
		4,151	4,054
Group turnover	6	**2,814**	2,184
Other income	7	**531**	385
Operating costs	8	**(2,223)**	(2,078)
Finance costs	9	**(450)**	(423)
Exchange gain		**136**	337
Gain on disposal of a subsidiary		**–**	1,314
Share of results of associates		**4,034**	3,398
Share of results of jointly controlled entities		**333**	455
Profit before taxation	10	**5,175**	5,572
Taxation	11	**(8)**	(2)
Profit for the year	12	**5,167**	5,570
Attributable to:			
Shareholders of the Company		**5,028**	5,568
Owners of perpetual capital securities		**133**	–
Non-controlling interests		**6**	2
		5,167	5,570
Earnings per share	13	**HK$2.23**	HK$2.47

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31st December

HK$ million	2010	2009
Profit for the year	**5,167**	5,570
Other comprehensive income		
(Loss)/Gain from fair value changes of available-for-sale financial assets	**(113)**	387
Gain/(Loss) from fair value changes of derivatives designated as effective cash flow hedges	**32**	(37)
Gain/(Loss) from fair value changes of derivatives designated as effective net investment hedges	**71**	(740)
Actuarial gains/(losses) of defined benefit retirement schemes	**48**	(4)
Exchange differences on translation of financial statements of foreign operations	**468**	1,609
Share of other comprehensive income of associates	**954**	1,681
Reserve released upon disposal of a subsidiary	**–**	(12)
Income tax relating to components of other comprehensive income	**(173)**	(284)
Other comprehensive income for the year	**1,287**	2,600
Total comprehensive income for the year	**6,454**	8,170
Attributable to:		
Shareholders of the Company	**6,312**	8,153
Owners of perpetual capital securities	**133**	–
Non-controlling interests	**9**	17
	6,454	8,170

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK$ million	Notes	31/12/2010	Restated 31/12/2009	Restated 31/12/2008
Property, plant and equipment	15	**1,276**	1,320	1,185
Investment properties	16	**186**	174	164
Interests in associates	17	**50,573**	33,259	29,067
Interests in jointly controlled entities	18	**707**	603	3,361
Interests in infrastructure project investments	19	**–**	–	477
Investments in securities	20	**4,824**	4,459	2,597
Derivative financial instruments	21	**209**	–	624
Goodwill	22	**151**	158	143
Pledged bank deposit	23	**–**	–	1,113
Deferred tax assets	28	**9**	7	11
Other non-current assets	29(b) and (c)	**29**	1	–
Total non-current assets		**57,964**	39,981	38,742
Inventories	24	**143**	170	140
Interests in infrastructure project investments	19	**–**	–	152
Derivative financial instruments	21	**186**	414	304
Debtors and prepayments	25	**529**	478	1,303
Pledged bank deposit	23	**–**	1,430	–
Bank balances and deposits	23	**5,438**	9,306	4,368
Total current assets		**6,296**	11,798	6,267
Bank and other loans	26	**1,228**	1,809	1,628
Derivative financial instruments	21	**53**	29	1
Creditors and accruals	27	**1,670**	1,238	1,149
Taxation		**107**	96	109
Total current liabilities		**3,058**	3,172	2,887
Net current assets		**3,238**	8,626	3,380
Total assets less current liabilities		**61,202**	48,607	42,122
Bank and other loans	26	**7,259**	6,062	5,115
Derivative financial instruments	21	**2**	–	50
Deferred tax liabilities	28	**254**	224	201
Other non-current liabilities	29(b) and (c)	**–**	34	26
Total non-current liabilities		**7,515**	6,320	5,392
Net assets		**53,687**	42,287	36,730
Representing:				
Share capital	30	**2,254**	2,254	2,254
Reserves		**43,419**	39,961	34,421
Equity attributable to shareholders of the Company		**45,673**	42,215	36,675
Perpetual capital securities	31	**7,933**	–	–
Non-controlling interests		**81**	72	55
Total equity		**53,687**	42,287	36,730

LI TZAR KUOI, VICTOR
Director

IP TAK CHUEN, EDMOND
Director

2nd March, 2011

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December

	Attributable to shareholders of the Company											
HK$ million	Share capital	Share premium	Contributed surplus	Property revaluation reserve	Investment revaluation reserve	Hedging reserve	Exchange translation reserve	Retained profits	Sub-total	Perpetual capital securities	Non-controlling interests	Total
At 1st January, 2009	2,254	3,836	6,062	68	(44)	(427)	(890)	25,816	36,675	–	55	36,730
Profit for the year	–	–	–	–	–	–	–	5,568	5,568	–	2	5,570
Gain from fair value changes of available-for-sale financial assets	–	–	–	–	387	–	–	–	387	–	–	387
Loss from fair value changes of derivatives designated as effective cash flow hedges	–	–	–	–	–	(37)	–	–	(37)	–	–	(37)
Loss from fair value changes of derivatives designated as effective net investment hedges	–	–	–	–	–	–	(740)	–	(740)	–	–	(740)
Actuarial losses of defined benefit retirement schemes	–	–	–	–	–	–	–	(4)	(4)	–	–	(4)
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	1,594	–	1,594	–	15	1,609
Share of other comprehensive income of associates	–	–	–	–	–	634	452	595	1,681	–	–	1,681
Reserve released upon disposal of a subsidiary	–	–	–	–	–	–	(12)	–	(12)	–	–	(12)
Income tax relating to components of other comprehensive income	–	–	–	–	(33)	(200)	–	(51)	(284)	–	–	(284)
Total comprehensive income for the year	–	–	–	–	354	397	1,294	6,108	8,153	–	17	8,170
Final dividend for the year 2008 paid	–	–	–	–	–	–	–	(1,889)	(1,889)	–	–	(1,889)
Interim dividend paid	–	–	–	–	–	–	–	(724)	(724)	–	–	(724)
At 31st December, 2009	2,254	3,836	6,062	68	310	(30)	404	29,311	42,215	–	72	42,287
Profit for the year	–	–	–	–	–	–	–	5,028	5,028	133	6	5,167
Loss from fair value changes of available-for-sale financial assets	–	–	–	–	(113)	–	–	–	(113)	–	–	(113)
Gain from fair value changes of derivatives designated as effective cash flow hedges	–	–	–	–	–	32	–	–	32	–	–	32
Gain from fair value changes of derivatives designated as effective net investment hedges	–	–	–	–	–	–	71	–	71	–	–	71
Actuarial gains of defined benefit retirement schemes	–	–	–	–	–	–	–	48	48	–	–	48
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	465	–	465	–	3	468
Share of other comprehensive income of associates	–	–	–	–	–	357	209	388	954	–	–	954
Income tax relating to components of other comprehensive income	–	–	–	–	(11)	(103)	–	(59)	(173)	–	–	(173)
Total comprehensive income for the year	–	–	–	–	(124)	286	745	5,405	6,312	133	9	6,454
Final dividend for the year 2009 paid	–	–	–	–	–	–	–	(1,983)	(1,983)	–	–	(1,983)
Interim dividend paid	–	–	–	–	–	–	–	(744)	(744)	–	–	(744)
Issue of perpetual capital securities	–	–	–	–	–	–	–	–	–	7,800	–	7,800
Direct costs for issue of perpetual capital securities	–	–	–	–	–	–	–	(127)	(127)	–	–	(127)
At 31st December, 2010	**2,254**	**3,836**	**6,062**	**68**	**186**	**256**	**1,149**	**31,862**	**45,673**	**7,933**	**81**	**53,687**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31st December

HK$ million	Notes	2010	2009
OPERATING ACTIVITIES			
Cash from operations	33	**1,810**	1,626
Income taxes recovered/(paid)		**19**	(8)
Net cash from operating activities		**1,829**	1,618
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(71)**	(139)
Deposits paid for property, plant and equipment		**(70)**	–
Disposals of property, plant and equipment		**10**	1
Acquisitions of associates		**(14,974)**	(525)
Disposal of interests in an associate		**1,188**	–
Return of capital from an associate		**1**	150
Advances to associates		**(5)**	(8)
Repayment from associates		**2**	–
Advances to jointly controlled entities		**(3)**	(15)
Repayment from a jointly controlled entity		**16**	4
Disposal of a subsidiary		**–**	5,467
Purchases of securities		**(283)**	(1,600)
Disposals of securities		**16**	386
Loan note repayments of stapled securities		**–**	23
Dividends received from associates		**2,385**	2,271
Interest received		**279**	237
Net cash (utilised in)/from investing activities		**(11,509)**	6,252
Net cash before financing activities		**(9,680)**	7,870
FINANCING ACTIVITIES			
New bank and other loans		**1,692**	2,064
Repayments of bank and other loans		**(1,722)**	(1,972)
Pledged bank deposit released		**1,334**	–
Finance costs paid		**(441)**	(411)
Dividends paid		**(2,727)**	(2,613)
Issue of perpetual capital securities		**7,800**	–
Direct costs for issue of perpetual capital securities		**(124)**	–
Net cash from/(utilised in) financing activities		**5,812**	(2,932)
Net (decrease)/increase in cash and cash equivalents		**(3,868)**	4,938
Cash and cash equivalents at 1st January		**9,306**	4,368
Cash and cash equivalents at 31st December	23	**5,438**	9,306

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

2. CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective to the Group for accounting periods beginning on or after 1st January, 2010. The adoption of those HKFRSs has no material impact on the Group's results and financial position for the current or prior years except for the adoption of HKAS 17 (Amendment) "Leases".

The adoption of HKAS 17 (Amendment) "Leases" has resulted in a change in accounting policy for the classification of leasehold land of the Group. Previously, the Group's interests in leasehold land were accounted for as prepaid operating leases which were amortised and recognised in the consolidated income statement over the unexpired lease terms using the straight-line method. As substantially all risks and rewards of the leasehold land are considered having been transferred to the Group based on HKAS 17 (Amendment), the Group's interests in leasehold land are now accounted for as assets held under finance leases and are stated at cost less accumulated depreciation. The amendment has been applied retrospectively to unexpired leases since 1st January, 2010 on the basis of information existing at the inception of the leases. The amendment does not apply to the leasehold land disposed of by the Group in prior years.

Effect of change in accounting policy on consolidated statement of financial position:

	Effect of adopting HKAS 17 (Amendment)		
HK$ million	**31/12/2010**	31/12/2009	31/12/2008
Increase/(decrease) in:			
Property, plant and equipment	**256**	272	281
Leasehold land	**(256)**	(272)	(281)

2. CHANGES IN ACCOUNTING POLICIES (CONT'D)

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, 2011. Except for the adoption of HKFRS 9 from which the Directors are assessing the impact on the results and financial position of the Group, the Directors anticipate that the adoption of other new and revised HKFRSs will have no material impact on the results and financial position of the Group.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets
HKFRS 9	Financial Instruments
HK (IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

3. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on Hong Kong Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as explained in the principal accounting policies set out below.

(a) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the year together with the Group's interests in associates and jointly controlled entities on the basis set out in (d) below.

The results of subsidiaries, 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.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(b) Goodwill (Cont'd)

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 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.

(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.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(d) Associates and Jointly Controlled Entities (Cont'd)

The results and assets and liabilities of associates/jointly controlled entities are incorporated in the Group's financial statements using the equity method of accounting. Under the equity method, investments in associates/jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates/jointly controlled entities, less impairment in the values of individual investments.

Losses of an associate/jointly controlled entity in excess of the Group's interest in that associate/jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's investment in the associate/jointly controlled entity) are not recognised.

(e) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation of property, plant and equipment is provided to write off their depreciable amounts over their estimated useful lives using the straight-line method, at the following rates per annum:

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 Property

Investment property, which is property held to earn rentals and/or for capital appreciation, is 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.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(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.

(i) Financial Instruments

Interests in infrastructure project investments

Investments in joint ventures are classified as infrastructure project investments, where the Group's return is predetermined in accordance with the provisions of the relevant agreements and the venturers' share of net assets are not in proportion to their capital contribution ratios but are as defined in the contracts and in respect of which the Group is not entitled to share the assets at the end of the investment periods.

The Group's interests in the infrastructure project investments, classified as loans and receivables in accordance with HKAS 39, are stated at amortised cost using effective interest method. The carrying amount of such interests is reduced to recognise any identified impairment losses of individual investments.

Investments in securities

The Group's investments in securities are classified as either available-for-sale financial assets, which are measured at fair value or at cost when the fair value cannot be measured reliably, or financial assets at fair value through profit or loss which are measured at fair value.

The Group designates the securities intended to be held for long term strategic purposes as available-for-sale financial assets. Gains and losses arising from changes in fair values of these assets are dealt with as movements in investment revaluation reserve, until the assets are disposed of or are determined to be impaired, at which time the cumulative gains or losses previously recognised in the reserve is included in the consolidated income statement for the period. When a significant or prolonged decline in the fair value of an available-for-sale financial asset has been identified, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the consolidated income statement even though the financial asset has not been disposed of. Impairment losses recognised in the consolidated income statement for equity or stapled securities classified as available-for-sale financial assets are not subsequently reversed in the consolidated income statement.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(i) Financial Instruments (Cont'd)

Investments in securities (Cont'd)

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.

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.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(i) Financial Instruments (Cont'd)

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.

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.

Return from infrastructure project investments

Return from infrastructure project investments is accrued on a time basis, by reference to the carrying amount and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the infrastructure project to that project's net carrying amount at initial recognition.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(j) Revenue Recognition (Cont'd)

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.

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.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(k) Foreign Currencies (Cont'd)

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 transferred to the Group's exchange translation reserve. Such translation differences are recognised in the consolidated income statement in the year in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the 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 rate on the estimated assessable profits less available tax relief for losses brought forward of each individual company comprising the Group. Overseas tax is provided for at the applicable local rates on the estimated assessable profits less available tax losses of the individual company concerned.

Deferred tax is provided 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 to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at 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.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(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 and when employees have rendered service entitling them to the contributions.

The cost of providing retirement benefits under the Group's defined benefit retirement plans is determined using the projected unit credit method, with actuarial valuations being carried out annually. Actuarial gains and losses of defined benefit retirement plans are recognised immediately in full in the period in which they occur, outside profit or loss, in 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. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumption concerning the future, and other key sources of estimation uncertainty at 31st December, 2010, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is impairment of property, plant and equipment. Property, plant and equipment are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value. The carrying value of property, plant and equipment as at 31st December, 2010 is HK$1,276 million (2009: HK$1,320 million).

5. 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 34 per cent of the Group's borrowings (2009: 34 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 21.

The Group is also exposed to currency risk arising from bank deposits denominated in foreign currencies, which accounted for 96 per cent of the Group's bank balances and deposits at the end of the reporting period (2009: 96 per cent). Those bank balances and deposits are mainly denominated in United States dollars, Australian dollars, Pounds sterling, Canadian dollars and New Zealand dollars. The management maintains the portfolio of bank deposits denominated in different currencies and the exposure to currency risk is kept to an appropriate level.

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

(a) Currency Risk (Cont'd)

Sensitivity analysis

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

HK$ million	**2010** Effect on profit for the year increase/ (decrease)	**2010** Effect on other comprehensive income increase/ (decrease)	2009 Effect on profit for the year increase/ (decrease)	2009 Effect on other comprehensive income increase/ (decrease)
Australian dollars	**229**	**140**	242	123
Pounds sterling	**37**	**16**	3	(43)
Japanese yen	**(290)**	**–**	(266)	–
Canadian dollars	**14**	**(2)**	21	(1)
New Zealand dollars	**28**	**84**	8	80

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 items and derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the 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 the United States dollars and Hong Kong dollars. It is also assumed that such pegged rate would be materially unaffected by any changes in movement in value of the United States dollars against other currencies. The analysis was performed on the same basis for 2009.

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

(b) Interest Rate Risk

The Group's interest rate risk relates primarily to floating rate borrowings and deposits. In relation to these floating rate borrowings, the management aims at keeping borrowings at fixed rates at appropriate level by entering into interest rate swaps. In order to achieve this result, the Group entered into interest rate swaps to hedge against certain exposures to changes in interest rates of the borrowings. The management adopts a policy of ensuring that all the material net borrowings of the Group are effectively on a fixed rate basis, either through the contractual terms of the loan facilities agreements or through the use of interest rate swaps. For this purpose, the "net borrowings" represent interest-bearing borrowings less cash deposits (if any) financed by the aforesaid borrowings.

Details of the Group's interest rate swaps and borrowings entered into by the Group at the end of the reporting period are set out in notes 21 and 26, respectively.

Sensitivity analysis

At 31st December, 2010, 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$43 million (2009: HK$96 million). Other comprehensive income would increase by HK$140 million (2009: HK$3 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 2009.

5. 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 36, 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 36.

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 25.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

(d) Liquidity Risk

The Group's treasury activities are centralised to achieve better risk control and minimise the cost of funds. Cash is generally placed in short-term deposits mostly denominated in United States dollars, Hong Kong dollars, Australian dollars, Pounds sterling, Canadian dollars and New Zealand dollars. The management aims to maintain a balance between continuity of adequate funding and the flexibility through the use of bank and other borrowings. The Group's liquidity and financing requirements are reviewed regularly to mitigate the effects of fluctuations in cash flows. The management will consider new financing while maintaining appropriate gearing for new investments and refinancing of existing debts.

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

(d) Liquidity Risk (Cont'd)

The following table details the remaining contractual maturities at the 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:

	2010						2009					
HK$ million	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Carrying amount	Total contractual undiscounted cash flows	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	5,482	5,940	1,458	4,107	365	10	3,649	3,969	495	1,357	2,106	11
Secured bank loan	30	39	3	3	6	27	1,463	1,509	1,460	3	9	37
Obligations under finance leases	97	113	29	23	61	–	113	132	27	25	66	14
Unsecured notes	2,878	5,013	101	101	302	4,509	2,646	4,704	93	93	278	4,240
Trade creditors	154	154	154	–	–	–	143	143	143	–	–	–
Amount due to a jointly controlled entity	3	3	3	–	–	–	–	–	–	–	–	–
Other payables and accruals	213	213	213	–	–	–	240	240	240	–	–	–
	8,857	11,475	1,961	4,234	734	4,546	8,254	10,697	2,458	1,478	2,459	4,302
Derivatives settled gross:												
Forward foreign exchange contracts held as net investment hedging instruments (note 21):												
– outflow	20,446	20,563	11,669	–	8,894	–	7,009	6,960	6,960	–	–	–
– inflow	(20,773)	(20,773)	(11,825)	–	(8,948)	–	(7,413)	(7,416)	(7,416)	–	–	–
	(327)	(210)	(156)	–	(54)	–	(404)	(456)	(456)	–	–	–

5. 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 20. 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, 2010, 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$96 million (2009: HK$97 million). Other comprehensive income would decrease by HK$109 million (2009: HK$91 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 20). 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 2009.

(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.

Effective from 1st January, 2009, the Group has adopted HKFRS 7 (Amendment) "Improving Disclosures about Financial Instruments" for the financial instruments that are measured in the consolidated statement of financial position at fair value. These 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).

5. 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	Level 1		Level 2		Level 3		Total	
HK$ million	2010	2009	2010	2009	2010	2009	2010	2009
Financial assets at fair value through profit or loss (note 20)								
Notes, listed overseas	1,341	1,341	–	–	–	–	1,341	1,341
Notes, unlisted	–	–	–	15	–	–	–	15
Equity securities, unlisted	–	–	174	174	–	–	174	174
Others, unlisted	–	–	410	416	–	–	410	416
Available-for-sale financial assets (note 20)								
Stapled securities, listed overseas	994	830	–	–	–	–	994	830
Equity securities, listed overseas	1,120	872	–	–	–	–	1,120	872
Debt securities, unlisted	–	–	205	213	–	–	205	213
Equity securities, unlisted	–	–	33	32	–	–	33	32
Derivative financial instruments (note 21)								
Forward foreign exchange contracts	–	–	380	414	–	–	380	414
Interest rate swaps	–	–	15	–	–	–	15	–
Total	3,455	3,043	1,217	1,264	–	–	4,672	4,307

Liabilities measured at fair value	Level 1		Level 2		Level 3		Total	
HK$ million	2010	2009	2010	2009	2010	2009	2010	2009
Derivative financial instruments (note 21)								
Forward foreign exchange contacts	–	–	53	10	–	–	53	10
Interest rate swaps	–	–	2	19	–	–	2	19
Total	–	–	55	29	–	–	55	29

There were no transfers between level 1 and 2 during the year (2009: nil).

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

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

In addition, the Group presents its proportionate share of turnover of jointly controlled entities. Turnover of associates is not included.

The Group turnover and share of turnover of jointly controlled entities for the current year is analysed as follows:

HK$ million	**2010**	2009
Sales of infrastructure materials	**1,508**	1,132
Income from the supply of water	**260**	251
Return from infrastructure project investments	**–**	27
Interest income from loans granted to associates	**842**	614
Distribution from investments in securities	**204**	160
Group turnover	**2,814**	2,184
Share of turnover of jointly controlled entities	**1,337**	1,870
	4,151	4,054

7. OTHER INCOME

Other income includes the following:

HK$ million	**2010**	2009
Bank and other interest income	**271**	268
Change in fair values of investment properties	**12**	10
Loss on disposal of securities	**–**	(6)

8. OPERATING COSTS

HK$ million	2010	2009
Staff costs including directors' emoluments	314	308
Depreciation of property, plant and equipment	79	64
Raw materials and consumables used	813	493
Changes in inventories of finished goods and work-in-progress	47	(44)
Change in fair values of investments in securities	5	(54)
Change in fair values of derivative financial instruments	(13)	33
Other operating expenses	978	1,278
Total	**2,223**	2,078

9. FINANCE COSTS

HK$ million	2010	2009
Interest and other finance costs on		
Bank borrowings wholly repayable within 5 years	353	334
Notes repayable after 5 years	97	89
Total	**450**	423

10. PROFIT BEFORE TAXATION

HK$ million	2010	2009
Profit before taxation is arrived at after (crediting)/charging:		
Contract revenue	(26)	(98)
Operating lease rental for land and buildings	17	17
Directors' emoluments (note 34)	45	40
Auditor's remuneration	5	6
Share of tax of associates	956	655
Share of tax of jointly controlled entities	78	86

11. TAXATION

Overseas tax 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	2010	2009
Current taxation – overseas tax	5	4
Deferred taxation (note 28)	3	(2)
Total	**8**	2

Reconciliation between tax charge and accounting profit at Hong Kong Profits Tax rate:

HK$ million	2010	2009
Profit before taxation	5,175	5,572
Less: share of results of associates	(4,034)	(3,398)
share of results of jointly controlled entities	(333)	(455)
	808	1,719
Tax at 16.5% (2009: 16.5%)	133	284
Tax impact on:		
Different domestic rates of subsidiaries operating in other tax jurisdictions	(79)	(93)
Income not subject to tax	(129)	(284)
Expenses not deductible for tax purpose	96	97
Tax losses and other temporary differences not recognised	(15)	(2)
Others	2	–
Tax charge	**8**	2

12. PROFIT FOR THE YEAR AND SEGMENT INFORMATION

for the year ended 31st December

	Investment in Power Assets*		Infrastructure Investments: Australia		Infrastructure Investments: United Kingdom		Infrastructure Investments: Mainland China		Infrastructure Investments: Canada and New Zealand		Infrastructure Investments: Sub-total		Infrastructure related business		Unallocated items		Consolidated	
HK$ million	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Group turnover #	–	–	645	535	412	276	–	27	249	214	1,306	1,052	1,508	1,132	–	–	2,814	2,184
Share of turnover of jointly controlled entities	–	–	–	–	–	–	543	1,226	–	–	543	1,226	794	644	–	–	1,337	1,870
	–	–	645	535	412	276	543	1,253	249	214	1,849	2,278	2,302	1,776	–	–	4,151	4,054
Group turnover	–	–	645	535	412	276	–	27	249	214	1,306	1,052	1,508	1,132	–	–	2,814	2,184
Loss on disposal of securities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(6)	–	(6)
Bank and other interest income	–	–	–	–	11	16	–	–	–	–	11	16	70	70	190	182	271	268
Other income	–	–	–	–	62	35	136	29	–	–	198	64	57	54	5	5	260	123
Change in fair values of investments in securities and derivative financial instruments	–	–	–	–	–	–	–	–	–	–	–	–	1	34	7	(13)	8	21
Depreciation and amortisation	–	–	–	–	(34)	(34)	–	–	–	–	(34)	(34)	(45)	(30)	–	–	(79)	(64)
Other operating expenses	–	–	–	–	(157)	(197)	(3)	(16)	–	–	(160)	(213)	(1,409)	(1,166)	(583)	(656)	(2,152)	(2,035)
Finance costs	–	–	–	–	(37)	(40)	–	–	–	–	(37)	(40)	(4)	(1)	(409)	(382)	(450)	(423)
Gain on disposal of a subsidiary	–	–	–	–	–	–	–	1,314	–	–	–	1,314	–	–	–	–	–	1,314
Exchange gain	–	–	–	–	–	–	–	–	–	–	–	–	3	2	133	335	136	337
Share of results of associates and jointly controlled entities	2,770	2,578	381	270	927	554	249	395	(40)	4	1,517	1,223	80	52	–	–	4,367	3,853
Profit/(Loss) before taxation	2,770	2,578	1,026	805	1,184	610	382	1,749	209	218	2,801	3,382	261	147	(657)	(535)	5,175	5,572
Taxation	–	–	–	–	(1)	6	(8)	(9)	–	–	(9)	(3)	1	1	–	–	(8)	(2)
Profit/(Loss) for the year	2,770	2,578	1,026	805	1,183	616	374	1,740	209	218	2,792	3,379	262	148	(657)	(535)	5,167	5,570
Attributable to:																		
Shareholders of the Company	2,770	2,578	1,026	805	1,183	616	374	1,740	209	218	2,792	3,379	256	146	(790)	(535)	5,028	5,568
Owners of perpetual capital securities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	133	–	133	–
Non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	6	2	–	–	6	2
	2,770	2,578	1,026	805	1,183	616	374	1,740	209	218	2,792	3,379	262	148	(657)	(535)	5,167	5,570

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

for the year ended 31st December

	Investment in Power Assets*		Infrastructure Investments: Australia		United Kingdom		Mainland China		Canada and New Zealand		Sub-total		Infrastructure related business		Unallocated items		Consolidated	
HK$ million	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Other information																		
Expenditure for segment non-current assets:																		
– Addition to property, plant and equipment	–	–	–	–	44	24	–	–	–	–	44	24	25	115	2	–	71	139
– Acquisitions of associates	–	–	–	–	15,083	525	–	–	–	–	15,083	525	–	–	–	–	15,083	525
– Disposal of interests in an associate	–	–	–	–	(1,188)	–	–	–	–	–	(1,188)	–	–	–	–	–	(1,188)	–
as at 31st December																		
Assets																		
Interests in associates and jointly controlled entities	22,171	20,544	7,626	6,315	17,793	3,457	499	403	2,983	2,943	28,901	13,118	208	200	–	–	51,280	33,862
Property, plant and equipment and investment properties §	–	–	–	–	814	836	–	–	–	–	814	836	646	658	2	–	1,462	1,494
Other segment assets	–	–	2,118	1,709	2,359	2,323	3	6	2	2	4,482	4,040	1,357	1,481	–	–	5,839	5,521
Unallocated corporate assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–	5,679	10,902	5,679	10,902
Total assets	22,171	20,544	9,744	8,024	20,966	6,616	502	409	2,985	2,945	34,197	17,994	2,211	2,339	5,681	10,902	64,260	51,779
Liabilities																		
Segment liabilities	–	–	48	33	1,831	1,931	13	18	9	12	1,901	1,994	538	545	–	–	2,439	2,539
Unallocated corporate liabilities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	8,134	6,953	8,134	6,953
Total liabilities	–	–	48	33	1,831	1,931	13	18	9	12	1,901	1,994	538	545	8,134	6,953	10,573	9,492

Notes:

\# Sales of infrastructure materials comprise of sales in Hong Kong of HK$1,042 million (2009: HK$810 million), sales in Mainland China of HK$464 million (2009: HK$320 million) and sales in other region of HK$2 million (2009: HK$2 million).

§ The carrying value of HK$480 million (2009: HK$488 million) and HK$166 million (2009: HK$170 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 (2009: 38.87 per cent) equity interest in Power Assets Holdings Limited ("Power Assets") (formerly known as Hongkong Electric Holdings Limited), which is listed on Hong Kong Stock Exchange.

12. 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 (previously referred to as "minority 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.

13. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of the Company of HK$5,028 million (2009: HK$5,568 million) and on 2,254,209,945 shares (2009: 2,254,209,945 shares) in issue during the year.

14. DIVIDENDS

HK$ million	**2010**	2009
Interim dividend paid of HK$0.33 (2009: HK$0.321) per share	**744**	724
Proposed final dividend of HK$1 (2009: HK$0.88) per share	**2,254**	1,983
Total	**2,998**	2,707

15. 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, 2009, as previously reported	–	–	2	622	2,403	35	3,062
Prior year adjustment	400	46	–	–	–	–	446
At 1st January, 2009, as restated	400	46	2	622	2,403	35	3,508
Additions	–	–	–	–	135	4	139
Disposals	–	–	–	–	(29)	(4)	(33)
Exchange translation differences	–	1	–	3	87	–	91
At 31st December, 2009	400	47	2	625	2,596	35	3,705
Additions	–	–	–	1	66	4	71
Disposals	(7)	–	–	–	(16)	(1)	(24)
Exchange translation differences	–	1	–	7	(26)	1	(17)
At 31st December, 2010	393	48	2	633	2,620	39	3,735
Accumulated depreciation and impairment loss							
At 1st January, 2009, as previously reported	–	–	–	585	1,544	29	2,158
Prior year adjustment	131	34	–	–	–	–	165
At 1st January, 2009, as restated	131	34	–	585	1,544	29	2,323
Charge for the year	9	–	–	4	49	2	64
Disposals	–	–	–	–	(28)	(4)	(32)
Exchange translation differences	–	1	–	2	27	–	30
At 31st December, 2009	140	35	–	591	1,592	27	2,385
Charge for the year	9	1	–	4	62	3	79
Disposals	–	–	–	–	(13)	(1)	(14)
Exchange translation differences	–	–	–	7	1	1	9
At 31st December, 2010	149	36	–	602	1,642	30	2,459
Carrying value							
At 31st December, 2010	**244**	**12**	**2**	**31**	**978**	**9**	**1,276**
At 31st December, 2009	260	12	2	34	1,004	8	1,320
At 31st December, 2008	269	12	2	37	859	6	1,185

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

The carrying value of the Group's mains, pipes, other plant and machinery includes an amount of HK$275 million (31st December 2009 and 31st December 2008: HK$267 million and HK$193 million respectively) in respect of assets held under finance leases, and another amount of HK$52 million (31st December 2009 and 31st December 2008: HK$54 million and HK$50 million respectively) 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 (31st December 2009 and 31st December 2008: 8.5 per cent) per annum. No impairment loss has been recognised for the property, plant and equipment during the year.

16. INVESTMENT PROPERTIES

HK$ million	
Medium term leases in Hong Kong, at fair value	
At 1st January, 2009	164
Change in fair values	10
At 31st December, 2009	174
Change in fair values	12
At 31st December, 2010	**186**

The fair values of the Group's investment properties at 31st December, 2010 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 market evidence of transaction prices for similar properties in the same locations and conditions.

17. INTERESTS IN ASSOCIATES

HK$ million	31/12/2010	31/12/2009	31/12/2008
Investment costs			
– Listed in Hong Kong	**8,687**	8,687	8,687
– Unlisted	**14,914**	5,655	6,592
Share of post-acquisition reserves	**15,246**	12,604	9,357
	38,847	26,946	24,636
Impairment losses	**–**	–	(857)
	38,847	26,946	23,779
Amounts due by unlisted associates	**11,726**	6,313	5,288
	50,573	33,259	29,067
Market value of investment in a listed associate	**40,650**	35,009	36,046

Included in the amounts due by unlisted associates are subordinated loans of HK$10,321 million (31st December 2009 and 31st December 2008: HK$4,840 million and HK$3,800 million respectively). 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, 2010 based on value in use calculation.

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

HK$ million	2010	2009
Total assets	**305,148**	183,338
Total liabilities	**(208,164)**	(115,592)
Net assets	**96,984**	67,746
Total turnover	**37,793**	29,024
Total profit for the year	**9,894**	8,405
Shared by the Group:		
Net assets of the associates	**38,847**	26,946
Profit of the associates for the year	**4,034**	3,398
Other comprehensive income of the associates for the year	**792**	1,430

Particulars of the principal associates are set out in Appendix 2 on pages 120 and 121.

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

HK$ million	31/12/2010	31/12/2009	31/12/2008
Investment costs	879	877	2,999
Share of post-acquisition reserves	(368)	(483)	164
	511	394	3,163
Impairment losses	(245)	(245)	(245)
	266	149	2,918
Shareholders' loans to jointly controlled entities	441	454	443
	707	603	3,361

The Group did not pledge any interests in jointly controlled entities as at 31st December, 2010 and 31st December, 2009. As at 31st December, 2008, the Group's interests in a jointly controlled entity with carrying value of HK$1,902 million were pledged as part of the security to secure certain bank borrowings granted to the jointly controlled entity.

The Directors reviewed certain jointly controlled entities' operations and financial positions as at 31st December, 2010 based on value in use calculation. A discount rate 9 per cent (31st December 2009 and 31st December 2008: 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	2010	2009
Total assets	4,602	4,771
Total liabilities	(3,286)	(3,921)
Net assets	1,316	850
Total turnover	3,217	4,367
Total profit for the year	823	875
Shared by the Group:		
Net assets of the jointly controlled entities	511	394
Profit of jointly controlled entities for the year	333	455

19. INTERESTS IN INFRASTRUCTURE PROJECT INVESTMENTS

HK$ million	**31/12/2010**	31/12/2009	31/12/2008
Classified as:			
Non-current asset	**–**	–	477
Current assets	**–**	–	152
	–	–	629

20. INVESTMENTS IN SECURITIES

HK$ million	**31/12/2010**	31/12/2009	31/12/2008
Financial assets at fair value through profit or loss*			
Notes, listed overseas	**1,341**	1,341	–
Notes, unlisted	**–**	15	373
Equity securities, unlisted	**174**	174	174
Equity securities, listed overseas	**–**	–	5
Others, unlisted	**410**	416	365
Available-for-sale financial assets			
Stapled securities, listed overseas, at fair value	**994**	830	930
Equity securities, listed overseas, at fair value	**1,120**	872	–
Equity securities, unlisted, at cost	**547**	566	526
Debt securities, unlisted, at fair value	**205**	213	198
Equity securities, unlisted, at fair value	**33**	32	26
Total	**4,824**	4,459	2,597

* designated as 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-.

21. DERIVATIVE FINANCIAL INSTRUMENTS

HK$ million	31/12/2010 Assets	31/12/2010 Liabilities	31/12/2009 Assets	31/12/2009 Liabilities	31/12/2008 Assets	31/12/2008 Liabilities
Forward foreign exchange contracts	**380**	**(53)**	414	(10)	928	(1)
Interest rate swaps	**15**	**(2)**	–	(19)	–	(50)
	395	**(55)**	414	(29)	928	(51)
Portion classified as:						
Non-current	**209**	**(2)**	–	–	624	(50)
Current	**186**	**(53)**	414	(29)	304	(1)
	395	**(55)**	414	(29)	928	(51)

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 2010 Notional amount	Maturity
Sell AUD174.0 million*	2011
Sell CAD227.5 million*	2011
Sell GBP687.5 million*	2011
Sell GBP26.6 million	2011
Sell GBP150.0 million*	2013
Sell GBP200.0 million*	2014
Sell GBP390.0 million*	2015

21. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

Currency Derivatives (Cont'd)

As at 31st December 2009 Notional amount	Maturity
Sell AUD148.8 million*	2010
Sell GBP26.6 million	2010
Sell GBP315.3 million*	2010
Sell CAD227.5 million*	2010

As at 31st December 2008 Notional amount	Maturity
Sell AUD150.9 million*	2009
Sell GBP26.6 million	2009
Sell GBP62.6 million*	2009
Sell CAD227.5 million*	2009
Sell GBP212.4 million*	2010

* 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$323 million (net assets to the Group) (31st December 2009 and 31st December 2008: HK$398 million and HK$628 million (both net assets to the Group) respectively) have been deferred in equity at 31st December, 2010.

None of above currency derivatives are designated and effective as cash flow hedges at 31st December, 2010 and 31st December, 2009. At 31st December, 2008, the fair values of the above currency derivatives that were designated and effective as cash flow hedges totalling HK$263 million (net assets to the Group) were deferred in equity.

Change in fair value of currency derivative not designated for hedging amounting to HK$13 million (net gain) has been credited (2009: HK$33 million (net loss) debited) to the consolidated income statement for the current year.

21. 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, 2010, their remaining terms and estimated total fair value are as follows:

HK$ million	Floating interest rate	Weighted average fixed interest rate	Notional principal amount	Estimated fair value
Contracts maturing in 2015	BBSW or LIBOR*	5.39%	4,270	13
Fair value deferred in equity at 31st December, 2010				**13**
Contracts maturing in 2010	BBSW or LIBOR*	5.57%	1,810	(19)
Fair value deferred in equity at 31st December, 2009				(19)
Contracts maturing in 2010	BBSW or LIBOR*	5.62%	1,460	(50)
Fair value deferred in equity at 31st December, 2008				(50)

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

All of the above interest rate swaps are designated and effective as cash flow hedges and the fair values (net assets to the Group) have been deferred in equity.

22. GOODWILL

HK$ million	2010	2009
At 1st January	158	143
Exchange difference	(7)	15
At 31st December	**151**	158

The goodwill was recognised on acquisition of 100 per cent interest in Cambridge Water PLC ("Cambridge Water"), the water supplier in South Cambridgeshire of the United Kingdom.

The Group tests goodwill annually for impairment, or more frequently if there are indications that the goodwill might be impaired.

The recoverable amount of Cambridge Water, which covers the above goodwill, is determined from a value in use calculation. The key assumptions for the value in use calculation are those regarding the discount rate, growth rates, and expected changes to selling prices and direct costs during the period. The Group estimates discount rate using the rate that reflects current market assessments of the time value of money and the risks specific to Cambridge Water. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the relevant markets.

The Group prepares cash flow forecasts derived from Cambridge Water's approved budget for 2011 to 2015 and extrapolates cash flows for the subsequent 10 years using the same cashflows as that in 2015. The rate used to discount the forecast cash flows is 8 per cent (31st December 2009 and 31st December 2008: 8 per cent) per annum.

As Cambridge Water's principal operation is supply of water which is regulated in nature, the Group considers that cash flow projection for 15 years and low growth rates are appropriate for the impairment test review.

The results of the reviews undertaken as at 31st December, 2010 indicated that no further impairment charge was necessary for current year.

23. BANK BALANCES AND DEPOSITS

Bank balances and deposits carry effective interest rate at 2.51 per cent (2009: 1.67 per cent) per annum.

Analysis of the bank balances and deposits is as follows:

HK$ million	**31/12/2010**	31/12/2009	31/12/2008
Pledged bank deposit	**–**	1,430	1,113
Cash and cash equivalents	**5,438**	9,306	4,368
Total	**5,438**	10,736	5,481

The pledged bank deposit represented a deposit pledged to a bank to secure a bank loan repayable in 2010 and was released upon repayment of the bank loan during the year.

24. INVENTORIES

HK$ million	**31/12/2010**	31/12/2009	31/12/2008
Raw materials	**67**	44	62
Work-in-progress	**22**	33	30
Stores, spare parts and supplies	**16**	22	18
Finished goods	**38**	71	30
Total	**143**	170	140

The cost of inventories charged to the consolidated income statement during the year was HK$1,419 million (2009: HK$1,175 million).

25. DEBTORS AND PREPAYMENTS

HK$ million	31/12/2010	31/12/2009	31/12/2008
Trade debtors	**267**	293	243
Prepayments, deposits and other receivables	**262**	185	1,060
Total	**529**	478	1,303

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

HK$ million	31/12/2010	31/12/2009	31/12/2008
Current	**129**	187	139
Less than 1 month past due	**73**	63	52
1 to 3 months past due	**48**	29	38
More than 3 months but less than 12 months past due	**21**	22	25
More than 12 months past due	**51**	52	58
Amount past due	**193**	166	173
Allowance for doubtful debts	**(55)**	(60)	(69)
Total after allowance	**267**	293	243

Trade with customers for infrastructure materials is carried out largely on credit, except for new customers and customers with unsatisfactory payment records, where payment in advance is normally required. Trade with metered customers for water supply is carried out largely on credit and with unmetered customers largely by payment in advance. Invoices are normally due within 1 month of issuance, except for certain well-established customers, where the terms are extended to 2 months, and certain customers with disputed items, where the terms are negotiated individually. Each customer has a maximum credit limit, which was granted and approved by senior management in accordance with the laid-down credit review policy and procedures.

25. DEBTORS AND PREPAYMENTS (CONT'D)

The movement in the allowance for doubtful debts during the year is as follows:

HK$ million	2010	2009
At 1st January	**60**	69
Impairment loss recognised	**11**	11
Impairment loss written back	**(10)**	(19)
Uncollective amounts written off	**(7)**	(2)
Exchange translation differences	**1**	1
At 31st December	**55**	60

At 31st December, 2010, gross trade debtors' balances totalling HK$55 million (31st December 2009 and 31st December 2008: HK$60 million and HK$69 million respectively) 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$55 million (31st December 2009 and 31st December 2008: HK$60 million and HK$ 69 million respectively) was recognised as at 31st December, 2010. 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	31/12/2010	31/12/2009	31/12/2008
Neither past due nor impaired	**129**	178	133
Less than 1 month past due	**73**	62	51
1 to 3 months past due	**48**	29	36
More than 3 months but less than 12 months past due	**10**	18	21
More than 12 months past due	**7**	6	2
Amount past due	**138**	115	110
Total	**267**	293	243

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.

26. BANK AND OTHER LOANS

HK$ million	31/12/2010	31/12/2009	31/12/2008
Unsecured bank loans repayable:			
Within 1 year	**1,202**	358	1,590
In the 2nd year	**3,947**	1,246	321
In the 3rd to 5th year, inclusive	**331**	2,043	1,156
After 5 years	**2**	2	2
	5,482	3,649	3,069
Obligations under finance leases repayable:			
Within 1 year	**24**	21	6
In the 2nd year	**18**	20	6
In the 3rd to 5th year, inclusive	**55**	59	14
After 5 years	**–**	13	5
	97	113	31
Unsecured notes, 3.5%, repayable after 5 years	**2,878**	2,646	2,498
Secured bank loans repayable:			
Within 1 year (notes 15 and 23)	**2**	1,430	32
In the 2nd year (notes 15 and 23)	**2**	–	1,113
In the 3rd to 5th year, inclusive (note 15)	**7**	–	–
After 5 years (note 15)	**19**	33	–
	30	1,463	1,145
Total	**8,487**	7,871	6,743
Portion classified as:			
Current liabilities	**1,228**	1,809	1,628
Non-current liabilities	**7,259**	6,062	5,115
Total	**8,487**	7,871	6,743

26. BANK AND OTHER LOANS (CONT'D)

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	AU$		GBP		JPY		RMB		Total	
HK$ million	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Bank loans	**3,947**	3,473	**1,565**	1,639	**–**	–	**–**	–	**5,512**	5,112
Finance leases	**–**	–	**21**	28	**–**	–	**76**	85	**97**	113
Notes	**–**	–	**–**	–	**2,878**	2,646	**–**	–	**2,878**	2,646
Total	**3,947**	3,473	**1,586**	1,667	**2,878**	2,646	**76**	85	**8,487**	7,871

The average effective interest rates of the Group's bank loans and finance leases are 4.30 per cent (2009: 4.20 per cent) per annum and 3.68 per cent (2009: 5.85 per cent) per annum, respectively.

The Group's notes of HK$2,878 million (2009: HK$2,646 million) and an unsecured bank loan of HK$2 million (2009: HK$2 million) were arranged at fixed interest rate and exposed the Group to fair value interest rate risk. Other borrowings were arranged at floating rates, thus exposed the Group to cash flow interest rate risk.

Bank loans (except for the fixed rate notes) carried interest at floating rate, which was determined with reference to Australian Bank Bill Swap Reference Rate or London Interbank Offered Rate plus an average margin less than 2 per cent.

Fixed rate notes, other loans and finance leases carried interest at 3.5 per cent to 9.9 per cent (2009: 3.5 per cent to 13.3 per cent) per annum.

26. BANK AND OTHER LOANS (CONT'D)

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

HK$ million	**31/12/2010**	31/12/2009	31/12/2008
Minimum lease payments:			
Within 1 year	**29**	27	8
In the 2nd year	**23**	25	7
In the 3rd to 5th year, inclusive	**61**	66	16
After 5 years	**–**	14	5
	113	132	36
Less: Future finance charges	**(16)**	(19)	(5)
Present value of lease payments	**97**	113	31
Less: Amount due for settlement within 12 months	**(24)**	(21)	(6)
Amount due for settlement after 12 months	**73**	92	25

At 31st December, 2010, the remaining weighted average lease term was 5.3 years (2009: 6.0 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 15).

27. CREDITORS AND ACCRUALS

HK$ million	**31/12/2010**	31/12/2009	31/12/2008
Trade creditors	**154**	143	139
Other payables and accruals	**1,516**	1,095	1,010
Total	**1,670**	1,238	1,149

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

HK$ million	**31/12/2010**	31/12/2009	31/12/2008
Current	**105**	100	100
1 month	**24**	18	24
2 to 3 months	**2**	6	1
Over 3 months	**23**	19	14
Total	**154**	143	139

28. DEFERRED TAX ASSETS/LIABILITIES

HK$ million	**31/12/2010**	31/12/2009	31/12/2008
Deferred tax assets	**9**	7	11
Deferred tax liabilities	**(254)**	(224)	(201)
Total	**(245)**	(217)	(190)

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior years:

HK$ million	**Accelerated tax depreciation**	**Tax losses**	**Fair value changes in securities**	**Others**	**Total**
At 1st January, 2009	173	(11)	–	28	190
Charge/(Credit) to profit for the year	9	(20)	–	9	(2)
Charge to other comprehensive income for the year	–	–	33	–	33
Exchange translation differences	9	(1)	–	–	8
Disposal of a subsidiary	–	–	–	(20)	(20)
Others	–	25	–	(17)	8
At 31st December, 2009	191	(7)	33	–	217
Charge/(Credit) to profit for the year	13	(18)	–	8	3
Charge to other comprehensive income for the year	–	–	11	–	11
Exchange translation differences	(3)	–	4	–	1
Others	–	16	–	(3)	13
At 31st December, 2010	**201**	**(9)**	**48**	**5**	**245**

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

Apart from the unused tax losses of which the deferred tax assets were recognised as presented above, the Group had unused tax losses and other unused tax credits totalling HK$1,428 million (31st December 2009 and 31st December 2008: HK$1,550 million and HK$1,779 million respectively) at 31st December, 2010. 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	**31/12/2010**	31/12/2009	31/12/2008
Within 1 year	**20**	13	21
In the 2nd year	**4**	3	13
In the 3rd to 5th year, inclusive	**21**	53	62
No expiry date	**1,383**	1,481	1,683
Total	**1,428**	1,550	1,779

29. 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$20,000.

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$12 million (2009: HK$11 million). No forfeited contributions and earnings for the year under the defined contribution plans were used to reduce the existing level of contributions (2009: nil). At 31st December, 2010, there were no forfeited contributions and earnings available to the Group to reduce its contributions to the defined contribution plans in future years (2009: nil).

29. 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, 2010, 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:

	2010	2009
Discount rate at 31st December	**2.50% per annum**	2.20% per annum
Expected rate of salary increase	**3.0% for 2011 and 4.0% per annum thereafter**	2.0% for 2010 and 4.0% per annum thereafter
Expected return on plan assets	**6.25% per annum**	6.25% per annum

The following amounts in respect of the defined benefit plan have been credited to the consolidated income statement under operating costs:

HK$ million	**2010**	2009
Current service cost	**2**	2
Interest cost	**1**	1
Expected return on plan assets	**(4)**	(3)
Net amount credited to consolidated income statement	**(1)**	–

The actual return on plan assets for the year ended 31st December, 2010 was a loss of HK$1 million (2009: a gain of HK$15 million).

29. 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, 2010 arising from the Group's obligations in respect of its defined benefit plan in Hong Kong is as follows:

HK$ million	**31/12/2010**	31/12/2009	31/12/2008
Present value of defined benefit obligations	**66**	64	65
Fair value of plan assets	**(68)**	(65)	(50)
Employee retirement benefit (assets)/ liabilities classified as other non-current (assets)/liabilities included in the consolidated statement of financial position	**(2)**	(1)	15

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

HK$ million	**2010**	2009
At 1st January	**64**	65
Current service cost	**2**	2
Interest cost	**1**	1
Actual benefits paid	**(3)**	(2)
Actual employee contributions	**1**	1
Actuarial loss/(gain) on obligation	**1**	(3)
At 31st December	**66**	64

29. RETIREMENT PLANS (CONT'D)

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

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

HK$ million	2010	2009
At 1st January	65	50
Expected return	4	3
Actuarial gain on plan assets	–	12
Actual company contributions	1	1
Actual employee contributions	1	1
Actual benefits paid	(3)	(2)
At 31st December	68	65

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

As at 31st December	2010	2009
Equity instruments	52%	52%
Debt instruments	48%	48%
Total	100%	100%

The expected rate of return on assets was 6.25 per cent per annum (2009: 6.25 per cent per annum). This rate is derived by taking the weighted average of the long term expected rate of return on each of the asset classes invested.

29. RETIREMENT PLANS (CONT'D)

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

The experience adjustment is as follows:

HK$ million	**2010**	2009
Present value of defined benefit obligations	**66**	64
Fair value of the plan assets	**(68)**	(65)
Surplus	**(2)**	(1)
Experience adjustment on plan assets	**–**	12

The Group recognised actuarial loss amounting to HK$1 million (2009: actuarial gains of HK$15 million) for the year ended 31st December, 2010 directly in the consolidated statement of comprehensive income. The cumulative amount of actuarial loss recognised directly in the consolidated statement of comprehensive income amounted to HK$2 million (2009: actuarial losses of HK$1 million) as at 31st December, 2010.

Another actuarial valuation was completed at 1st January, 2010 by Ms. Elaine Hwang of Towers Watson Hong Kong Limited, who was a Fellow of the Society of Actuaries, to determine the funding rates to be adopted by the Group in accordance with requirements of Occupational Retirement Schemes Ordinance. The actuarial method adopted was Attained Age Funding Method. The major assumptions used were the long–term average annual rate of investment return on the plan assets at 6 per cent per annum, and the average annual salary increases at 5 per cent per annum. The actuarial valuation showed that the fair value of the plan assets attributable to the Group of HK$65 million at 31st December, 2009 represented 121 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, 2013 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.

29. RETIREMENT PLANS (CONT'D)

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

Cambridge Water PLC, a wholly–owned subsidiary of the Group, operates a defined benefit retirement plan in the United Kingdom. The retirement plan is covered under the Water Companies Pension Scheme of which the Company is a member. Contributions to the defined benefit plan are made by the employees at 6 per cent of the employees' salaries and contributions made by the employer are based on the recommendations of an independent actuary according to a periodic actuarial valuation of the plan.

Actuarial valuation of the defined benefit plan was updated to 31st December, 2010, by Ms. Susan Brierley of Lane Clark & Peacock LLP, who is a Fellow of the Institute of Actuaries. The principal actuarial assumptions used are as follows:

	2010	2009
Discount rate at 31st December	**5.4% per annum**	5.6% per annum
Expected rate of pension increase	**3.2% per annum**	3.8% per annum
Expected rate of salary increase	**0.0% per annum**	4.3% per annum

The following amounts in respect of the defined benefit plan have been (credited)/charged to the consolidated income statement under operating costs:

HK$ million	**2010**	2009
Current service cost	**6**	6
Curtailment gain – impact of closure	**(10)**	–
Interest cost	**22**	22
Expected return on plan assets	**(22)**	(18)
Net amount (credited)/charged to consolidated income statement	**(4)**	10

The actual return on plan assets for the year ended 31st December, 2010 was a gain of HK$18 million (2009: HK$44 million).

29. RETIREMENT PLANS (CONT'D)

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

The amount included in the consolidated statement of financial position at 31st December, 2010 arising from the Group's obligations in respect of its defined benefit plan in the United Kingdom is as follows:

HK$ million	**31/12/2010**	31/12/2009	31/12/2008
Present value of defined benefit obligations	**374**	437	348
Fair value of plan assets	**(401)**	(403)	(337)
Employee retirement benefit (assets)/liabilities classified as other non-current (assets)/ liabilities included in the consolidated statement of financial position	**(27)**	34	11

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

HK$ million	**2010**	2009
At 1st January	**437**	348
Current service cost	**6**	6
Interest cost	**22**	22
Employee contributions	**2**	2
Curtailment gain – impact of closure	**(10)**	–
Actuarial (gain)/loss	**(42)**	64
Benefits paid	**(16)**	(13)
Exchange translation differences	**(25)**	8
At 31st December	**374**	437

29. RETIREMENT PLANS (CONT'D)

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

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

HK$ million	2010	2009
At 1st January	403	337
Expected return	22	18
Actuarial (loss)/gain	(4)	26
Employer contributions	8	7
Employee contributions	2	2
Benefits paid	(16)	(13)
Exchange translation differences	(14)	26
At 31st December	**401**	403

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

As at 31st December	2010	2009
Equity instruments	32%	41%
Diversified growth funds	8%	–
Debt instruments	60%	59%
Total	**100%**	100%

The expected rate of return on assets is 6.0 per cent per annum (2009: 5.3 per cent per annum). This rate is derived by taking the weighted average of the long term expected rate of return on each of the asset classes invested.

29. RETIREMENT PLANS (CONT'D)

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

The experience adjustments are as follows:

HK$ million	**2010**	2009
Present value of the defined benefit obligations	**374**	437
Fair value of the plan assets	**(401)**	(403)
(Surplus)/Deficit	**(27)**	34
Experience adjustment on plan liabilities	**(7)**	(7)
Experience adjustment on plan assets	**4**	(26)

The above actuarial valuation showed that the fair value of the plan assets attributable to the Group of HK$401 million (2009: HK$403 million) at 31st December, 2010 represents 107 per cent (2009: 92 per cent) of the present value of the obligations as at that day. The Group's future annual contribution is designed to fund any shortfall over a period of time and the employer funding rates have been increased since 1st April, 2005. The funding rates are subject to review at least every three years.

The Group recognised actuarial gain amounting to HK$49 million (2009: actuarial losses of HK$19 million) for the year ended 31st December, 2010 directly in the consolidated statement of comprehensive income. The cumulative amount of actuarial gain recognised directly in the consolidated statement of comprehensive income amounted to HK$30 million (2009: actuarial losses of HK$19 million) as at 31st December, 2010.

The Group expects to make a contribution of HK$2 million to the defined benefit plan during the next financial year.

30. SHARE CAPITAL

HK$ million	**31/12/2010**	31/12/2009	31/12/2008
Authorised:			
4,000,000,000 shares of HK$1 each	**4,000**	4,000	4,000
Issued and fully paid:			
2,254,209,945 shares of HK$1 each	**2,254**	2,254	2,254

31. PERPETUAL CAPITAL SECURITIES

On 29th September, 2010, the Group issued US$1,000 million 6.625 per cent Guaranteed Perpetual Capital Securities ("Perpetual Capital Securities") at an issue price of 100 per cent. The Perpetual Capital Securities were issued for general corporate funding purposes. Coupon 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 coupon payments. While any coupon payments are unpaid or deferred, the Group 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.

32. 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 26, bank balances and deposits, equity attributable to shareholders of the Company, comprising issued share capital and reserves, and perpetual capital securities as detailed in 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 was in a net cash position as at 31st December, 2009 and maintained a low net debt to total equity ratio of 6 per cent as at 31st December, 2010. The management targets to maintain a solid capital position to pursue more new investment opportunities. The Group's overall strategy remains unchanged from 2009.

The net debt to total equity ratio at 31st December, 2010 and 2009 was as follows:

HK$ million	2010	2009
Total debts	**8,487**	7,871
Bank balances and deposits	**(5,438)**	(10,736)
Net debt/(cash)	**3,049**	(2,865)
Total equity	**53,687**	42,287
Net debt to total equity ratio	**6%**	N/A

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

33. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Cash from Operations

HK$ million	2010	2009
Profit before taxation	**5,175**	5,572
Share of results of associates	**(4,034)**	(3,398)
Share of results of jointly controlled entities	**(333)**	(455)
Interest income from loans granted to associates	**(842)**	(614)
Interest income from banks	**(175)**	(268)
Interest income from investments in securities	**(207)**	(97)
Return from infrastructure project investments	**–**	(27)
Finance costs	**450**	423
Depreciation of property, plant and equipment	**79**	64
Change in fair values of investment properties	**(12)**	(10)
Gain on disposal of a subsidiary	**–**	(1,314)
Loss on disposals of securities	**–**	6
Change in fair values of investments in securities	**5**	(54)
Change in fair values of derivative financial instruments	**(13)**	33
Dividend from investments in securities	**(93)**	(63)
Pension costs of defined benefit retirement plans	**(5)**	10
Unrealised exchange loss/(gain)	**284**	(79)
Returns received from jointly controlled entities	**218**	504
Returns received from infrastructure project investments	**–**	55
Distribution received from investment in securities	**179**	135
Repayments from associates	**–**	1
Interest received from associates	**644**	501
Contributions to defined benefit retirement plans	**(9)**	(8)
Net cash received/(paid) at close of derivative financial instruments	**162**	(318)
Others	**(121)**	–
Operating cash flows before changes in working capital	**1,352**	599
Decrease/(Increase) in inventories	**27**	(30)
Decrease in debtors and prepayments	**33**	995
Increase in creditors and accruals	**388**	60
Exchange translation differences	**10**	2
Cash from operations	**1,810**	1,626

34. 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	Fees	Basic Salaries, Allowances and Other Benefits	Bonuses	Provident Fund Contributions	Inducement or Compensation Fees	**Total Emoluments 2010**	Total Emoluments 2009
Li Tzar Kuoi, Victor (1)	0.075	–	13.332	–	–	**13.407**	11.185
Kam Hing Lam (1)	0.075	4.200	5.824	–	–	**10.099**	9.128
Ip Tak Chuen, Edmond	0.075	1.800	6.666	–	–	**8.541**	7.430
Fok Kin Ning, Canning (1)	0.075	–	–	–	–	**0.075**	0.075
Andrew John Hunter (1)	0.075	6.831	4.500	0.683	–	**12.089**	11.049
Chow Woo Mo Fong, Susan (1)	0.075	–	–	–	–	**0.075**	0.075
Frank John Sixt (1)	0.075	–	–	–	–	**0.075**	0.075
Tso Kai Sum (1)	0.075	–	–	–	–	**0.075**	0.075
Cheong Ying Chew, Henry (2)	0.180	–	–	–	–	**0.180**	0.180
Kwok Eva Lee (2)	0.155	–	–	–	–	**0.155**	0.155
Sng Sow-Mei (2)	0.155	–	–	–	–	**0.155**	0.155
Colin Stevens Russel (2)	0.180	–	–	–	–	**0.180**	0.180
Lan Hong Tsung, David (2)	0.155	–	–	–	–	**0.155**	0.155
Lee Pui Ling, Angelina	0.075	–	–	–	–	**0.075**	0.075
Barrie Cook	0.075	–	–	–	–	**0.075**	0.075
George Colin Magnus (1)	0.075	–	–	–	–	**0.075**	0.075
Total for the year 2010	**1.650**	**12.831**	**30.322**	**0.683**	**–**	**45.486**	
Total for the year 2009	1.650	12.642	25.187	0.663	–		40.142

Notes:

(1) During the current year, Mr. Li Tzar Kuoi, Victor, Mr. Kam Hing Lam, Mr. Andrew John Hunter, Mrs. Chow Woo Mo Fong, Susan, Mr. Frank John Sixt, Mr. Tso Kai Sum and Mr. George Colin Magnus each received directors' fees of HK$70,000 (2009: HK$70,000), Mr. Fok Kin Ning, Canning received director's fees of HK$120,000 (2009: HK$120,000) from Power Assets. Except for HK$70,000 (2009: HK$70,000) received by Mr. George Colin Magnus, the directors' fees totalling HK$540,000 (2009: HK$540,000) were then paid back to the Company.

(2) INED, ACM and RCM – During the year, Mr. Cheong Ying Chew, Henry, Ms. Kwok Eva Lee, Mr. Lan Hong Tsung, David, Mr. Colin Stevens Russel and Ms. Sng Sow–Mei have acted as INED and ACM of the Company. Mr. Cheong Ying Chew, Henry and Mr. Colin Stevens Russel have acted as RCM of the Company during the year. The total emoluments paid to these INED, ACM and RCM during the current year are HK$825,000 (2009: HK$825,000).

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

Of the 5 individuals with the highest emoluments in the Group, 4 (2009: 4) are directors whose emoluments are disclosed above. The aggregate of the emoluments in respect of the remaining 1 (2009: 1) individual falls within the band of HK$5,000,001 to HK$5,500,000 (2009: HK$4,500,001 to HK$5,000,000), details of which are set out below:

HK$ million	**2010**	2009
Salaries and benefits in kind	**3**	4
Bonuses	**2**	1
Total	**5**	5

35. COMMITMENTS

(a) The Group's capital commitments outstanding at 31st December and not provided for in the consolidated financial statements are as follows:

	Contracted but not provided for		**Authorised but not contracted for**	
HK$ million	**2010**	2009	**2010**	2009
Investment in an associate	**465**	–	**–**	–
Plant and machinery	**34**	29	**952**	84
Total	**499**	29	**952**	84

(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	**2010**	2009
Within 1 year	**6**	10
In the 2nd to 5th year, inclusive	**–**	6
Total	**6**	16

36. CONTINGENT LIABILITIES

HK$ million	2010	2009
Guarantee in respect of bank loan drawn by an associate	**1,214**	1,147
Other guarantees given in respect of an associate	**431**	–
Sub-contractor warranties	**22**	–
Total	**1,667**	1,147

37. MATERIAL RELATED PARTY TRANSACTIONS

During the year, the Group advanced HK$5 million (2009: HK$8 million) to its unlisted associates. The Group received repayments totalling HK$2 million (2009: HK$1 million) from unlisted associates. The total outstanding loan balances as at 31st December, 2010 amounted to HK$11,726 million (2009: HK$6,313 million), of which HK$30 million (2009: HK$28 million) bore interest with reference to Australian Bank Bill Swap Reference Rate and HK$11,215 million (2009: HK$5,948 million) at fixed rates ranging from 10.85 per cent to 12.25 per cent (2009: from 10.85 per cent to 12.25 per cent) per annum and HK$481 million (2009: HK$337 million) was interest–free. The average effective interest rate of the loan granted to associates is 10.45 per cent (2009: 10.07 per cent) per annum. As stated in note 6, interest from loans granted to associates during the year amounted to HK$842 million (2009: HK$614 million). Except for a loan of HK$94 million (2009: HK$94 million) which was repayable within eleven years (2009: twelve years), the loans had no fixed terms of repayment.

During the year, the Group advanced HK$3 million (2009: HK$15 million) to and received loan repayments totalling HK$16 million (2009: HK$4 million) from its jointly controlled entities. The total outstanding loan balances as at 31st December, 2010 amounted to HK$441 million (2009: HK$454 million), of which HK$251 million (2009: HK$251 million) bore interest with reference to Hong Kong dollar prime rate, and HK$190 million (2009: HK$203 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$257 million (2009: HK$241 million) and HK$14 million (2009: HK$13 million), respectively.

The emoluments of key management have been presented in note 34 above.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

as at 31st December

HK$ million	2010	2009
Total assets	**30,610**	30,598
Total liabilities	**(48)**	(45)
Net assets	**30,562**	30,553
Representing:		
Share capital	**2,254**	2,254
Reserves	**28,308**	28,299
Total equity	**30,562**	30,553

Of the Group's profit attributable to shareholders of the Company for the current year, HK$2,736 million (2009: HK$2,625 million) has been dealt with in the financial statements of the Company.

Total distributable reserves of the Company amounted to HK$24,472 million as at 31st December, 2010 (2009: HK$24,463 million).

39. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the current year's presentation as set out in note 2.

40. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements set out on pages 57 to 121 were approved by the Board of Directors on 2nd March, 2011.

PRINCIPAL SUBSIDIARIES

APPENDIX 1

The table below shows the subsidiaries as at 31st December, 2010 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	Issued share capital 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	36,000 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
Daredon Assets Limited	1 ordinary	US$1	100	Treasury
Green Island International (BVI) Limited	1 ordinary	US$1	100	Investment holding
Incorporated and operating in Australia				
Cheung Kong Infrastructure Finance (Australia) Pty Ltd	1 ordinary	A$1	100	Financing
Incorporated and operating in the United Kingdom				
Cambridge Water PLC	14,621,152 ordinary	£0.05	100	Water supply

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

PRINCIPAL ASSOCIATES

APPENDIX 2

The table below shows the associates as at 31st December, 2010 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	Issued share capital 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 Australia				
ETSA Utilities Partnership (note 2)	N/A	N/A	23	Electricity distribution
CKI/HEI Electricity Distribution Pty Limited (note 3)	810,000,000 ordinary	A$1	23	Electricity distribution
CKI/HEI Electricity Distribution Two Pty Limited (note 4)	180,000,000 ordinary	A$1	23	Electricity distribution
	37,188,524,600 ordinary	A$0.01		
Incorporated and operating in the United Kingdom				
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		
Northern Gas Networks Holdings Limited	571,670,979 ordinary	£1	47	Gas distribution
	1 special	£1		
Electricity First Limited	4 ordinary	£1	50	Electricity generation
Incorporated and operating in Canada				
Stanley Power Inc.	107,000,000 ordinary	C$1	50	Electricity generation
	46,666,800 preference	C$1		
Incorporated and operating in New Zealand				
Wellington Electricity Distribution Network Limited	117,000,000 ordinary	NZ$1	50	Electricity distribution

APPENDIX 2 (CONT'D)

Notes:

1. The associate is listed on Hong Kong Stock Exchange.

2. ETSA Utilities Partnership, an unincorporated body, is formed by the following companies:

   CKI Utilities Development Limited
   HEI Utilities Development Limited
   CKI Utilities Holdings Limited
   CKI/HEI Utilities Distribution Limited
   HEI Utilities Holdings Limited

   CKI Utilities Development Limited and HEI Utilities Development Limited, both of which are associates of the Group, own 51 per cent interests in ETSA Utilities Partnership.

   The partnership operates and manages the electricity distribution business in the State of South Australia of Australia.

3. CKI/HEI Electricity Distribution Pty Limited owns 100 per cent interests in the following companies ("the Powercor Group"):

   Powercor Proprietary Limited
   Powercor Australia Limited Liability Company
   Powercor Australia Holdings Pty Limited
   Powercor Australia Limited

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

4. CKI/HEI Electricity Distribution Two Pty Limited owns 100 per cent interests in CitiPower I Pty Ltd, which is one of five electricity distributors in the State of Victoria of Australia.

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

RISK FACTORS

The Group's businesses, financial conditions, results of operations or growth prospects may be affected by risks and uncertainties pertaining to the Group's businesses. The factors set out below are those that could result in the Group's businesses, financial conditions, results of operations or growth prospects differing materially from expected or historical results. These factors are by no means exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future. In addition, this Annual Report does not constitute a recommendation or advice to invest in the shares of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the shares of the Company.

GLOBAL FINANCIAL AND CREDIT CRISIS

The global financial and credit crisis triggered in 2008 by the U.S. subprime mortgage predicament resulted in unprecedented adverse fallout across various countries and economic sectors. The negative repercussions of a tight global credit market had demonstrated that stock and commodity markets experienced unprecedented volatility, high unemployment rate, and a contraction of economic activities in emerging markets as well as major developed economies. Despite the recovery in the various global markets in the latter half of 2009, the debt crisis that occurred or rumoured in certain countries since late 2009 reflected continuing market risks and uncertain outlook. The Group is a diversified infrastructure investment company with businesses in Hong Kong, the Mainland, Australia, New Zealand, the United Kingdom, Canada and the Philippines. Any continuing adverse economic conditions in those countries and places in which the Group operates may potentially impact on the Group's financial position or potential income, asset value and liabilities.

ECONOMIC CONDITIONS AND INTEREST RATES

The industries in which the Group operates are affected by the economic conditions of the various places where the Group's investments or operations are located, the population growth of these places, mark to market value of securities investments, the currency environment and interest rates cycles. There can be no assurance that the combination of the above factors the Group experiences in the future will not adversely affect its financial conditions or results of operations.

In particular, income from finance and treasury operations is dependent upon the capital market, interest rate and currency environment, and the worldwide economic and market conditions, and therefore there can be no assurance that changes in these conditions will not adversely affect the Group's financial conditions or results of operations. The volatilities in the financial markets may also adversely affect the income to be derived by the Group from its finance and treasury activities.

INFRASTRUCTURE MARKET

Some of the investments owned by the Group (for example, gas and electricity) are subject to regulatory pricing and strict adherence must be made to the licence requirements, codes and guidelines established by the relevant regulatory authorities from time to time. Failure to comply with these licence requirements, codes or guidelines may lead to penalties, or, in extreme circumstances, amendment, suspension or cancellation of the relevant licences by the authorities.

The distribution networks of the Group's utilities investments are also exposed to supply interruptions. If a severe storm, fire, sabotage, terrorist attack or other unplanned event interrupts service, the loss of cash flow resulting from the interruption and the cost of recovery from network damage could be considerable and potentially cause poor customer perception and may also lead to claims and litigations. Moreover, some losses from events such as terrorist attacks may not be recoverable. Increases in the number or duration of supply interruptions could result in material increases in the costs associated with the operation of the distribution networks, which could have a material adverse effect on the businesses, financial conditions and results of operations of the Group.

CAPITAL EXPENDITURE

A significant amount of capital expenditure is required for the Group to acquire new investments and to maintain the assets of its existing businesses. While the relevant asset companies have their own asset management plans, there is a risk that due to unforeseen events, capital expenditure required for the replacement of assets could exceed budgeted amounts and hence affecting the businesses, financial conditions and results of operations of the Group.

CURRENCY FLUCTUATIONS

The results of the Group is recorded in Hong Kong dollars but its various subsidiaries, associates and joint ventures may receive revenue and incur expenses in other currencies. Any currency fluctuations on translation of the accounts of these subsidiaries, associates and joint ventures and also on the repatriation of earnings, equity investments and loans may therefore impact on the Group's performance. Although currency exposures have been managed by the Group, a depreciation or fluctuation of the currencies in which the Group conducts operations relative to the Hong Kong dollar could adversely affect the Group's financial conditions or results of operations.

STRATEGIC PARTNERS

Some of the businesses of the Group are conducted through non wholly-owned subsidiaries, associates and joint ventures in which the Group shares control (in whole or in part) and strategic alliances had been formed by the Group with other strategic or business partners. There can be no assurance that any of these strategic or business partners will continue their relationships with the Group in the future or that the Group will be able to pursue its stated strategies with respect to its non wholly-owned subsidiaries, associates and joint ventures and the markets in which they operate. Furthermore, the joint venture partners may (a) have economic or business interests or goals that are inconsistent with those of the Group; (b) take actions contrary to the Group's policies or objectives; (c) undergo a change of control; (d) experience financial and other difficulties; or (e) be unable or unwilling to fulfil their obligations under the joint ventures, which may affect the Group's financial conditions or results of operations.

MERGERS AND ACQUISITIONS

The Company has undertaken mergers and acquisitions activities in the past and may continue to do so if there are appropriate acquisition opportunities in the market. Although due diligence and detailed analysis are conducted before these activities are being undertaken, there can be no assurance that these can fully expose all hidden problems, potential liabilities and unresolved disputes that the target company may have. In addition, valuations and analyses on the target company conducted by the Company and by professionals alike are based on numerous assumptions, and there can be no assurance that those assumptions are correct or appropriate or that they will receive universal recognition. Relevant facts and circumstances used in the analyses could have changed over time, and new facts and circumstances may come to light as to render the previous assumptions and the valuations and analyses based thereon obsolete. Some of these mergers and acquisitions activities are subject to regulatory approvals in overseas countries and there can be no assurance that such approvals will be obtained, and even if granted, that there will be no burdensome conditions attached to such approvals. The Company may not necessarily be able to successfully integrate the target business into the Group and may not be able to derive any synergy from the acquisition, leading to increase in costs, time and resources. For merger and acquisitions activities undertaken in overseas countries, the Company may also be exposed to different and changing political, social, legal and regulatory requirements at the local, national and international level. The Company may also need to face different cultural issues when dealing with local employees, customers, governmental authorities and pressure groups.

IMPACT OF LOCAL, NATIONAL AND INTERNATIONAL REGULATIONS

The local business risks in different countries and cities in which the Group operates could have a material impact on the financial conditions, results of operations and growth prospects of the businesses in the relevant market. The Group has investments in different countries and cities around the world and the Group is, and may increasingly become, exposed to different and changing political, social, legal, tax, regulatory and environmental requirements at the local, national or international level. Also, new policies or measures by governments, whether fiscal, tax, regulatory, environmental or other competitive changes, may lead to an increase in additional or unplanned capital expenditure, pose a risk to the overall investment return of the Group's businesses and may delay or prevent the commercial operation of a business with resulting loss of revenue and profit.

IMPACT OF NEW ACCOUNTING STANDARDS

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has from time to time issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS"). HKICPA may in the future issue new and revised standards and interpretations. In addition, interpretations on the application of the HKFRS will continue to develop. These factors may require the Group to adopt new accounting policies. The adoption of new accounting policies or new HKFRS might or could have a significant impact on the Group's financial position or results of operations.

OUTBREAK OF HIGHLY CONTAGIOUS DISEASE

In 2003, there was an outbreak of Severe Acute Respiratory Syndrome ("SARS") in Hong Kong, the Mainland and other places. The SARS outbreak had a significant adverse impact on the economies of the affected areas. The spread of Influenza A H1N1 in 2009 also affected many areas of the world and there were reported cases of NDM-1 in many countries and regions. There can be no assurance that there will not be another significant global outbreak of a severe communicable disease such as avian influenza or SARS. If such an outbreak were to occur, it may have a material adverse impact on the operations of the Group and its results of operations may suffer.

THE GROUP'S FINANCIAL CONDITIONS OR RESULTS OF OPERATIONS ARE AFFECTED BY THOSE OF THE POWER ASSETS GROUP (FORMERLY KNOWN AS HK ELECTRIC GROUP)

The Group owns approximately 38.87 per cent of the Power Assets Group which operates in Hong Kong and has investments in different countries and places. Hence the financial conditions and results of operations of the Power Assets Group may be affected by the local market conditions and the economy of Hong Kong as well as the places where its investments are located. The Group's financial conditions and results of operations are materially affected by the financial conditions and results of operations of the Power Assets Group. In addition, the core businesses of the Power Assets Group are different from those of the Group, and as a result, the Group is indirectly exposed to the risks the Power Assets Group is facing.

Besides, the operations of the Power Assets Group are subject to a scheme of control ("SCA") agreed with the Hong Kong Government which provides for a permitted level of earnings based principally on a return on their capital investment in electricity generation, transmission and distribution assets. The scheme of control was renewed for a term of ten years commencing 1st January, 2009 with an option for the Government to extend the new SCA for a further term of five years. There can be no assurance that changes to or abolition of the scheme of control in the future will not adversely affect the Power Assets Group's (and hence the Group's) financial conditions and results of operations.

NATURAL DISASTERS

Some of the Group's assets and projects, and many of the Group's customers and suppliers are located in areas at risk of damage from earthquakes, floods and similar events and the occurrence of any of these events could disrupt the Group's business and materially and adversely affect the Group's financial conditions and results of operations. For example, in recent years, a number of countries including the Mainland, New Zealand and Japan experienced severe earthquakes that caused significant property damage and loss of life.

Although the Group has not experienced any major structural damage to infrastructure projects or assets from earthquakes to date, there can be no assurance that future earthquakes or other natural disasters will not occur and result in major damage to the Group's infrastructure projects or assets, which could adversely affect the Group's financial conditions and results of operations.

PAST PERFORMANCE AND FORWARD LOOKING STATEMENTS

The performance and the results of operations of the Group during the past years as contained in this Annual Report are historical in nature and past performance can be no guarantee of future results of the Group. This Annual Report may contain forward-looking statements and opinions that involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. Neither the Group nor the Directors, employees or agents of the Group assume (a) any obligation to correct or update the forward-looking statements or opinions contained in this Annual Report; and (b) any liability in the event that any of the forward-looking statements or opinions does not materialise or turns out to be incorrect.

CORPORATE GOVERNANCE REPORT

The Board of Directors ("Board") and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value. The corporate governance principles of the Company emphasise a quality Board, sound internal controls, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices ("Code on CG Practices") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") throughout the year ended 31st December, 2010. It is noted however that in respect of code provision E.1.2 of the Code on CG Practices, the Chairman of the Board was unable to attend the annual general meeting of the Company held on 6th May, 2010 due to a sudden indisposition. The Group Managing Director chaired the 2010 annual general meeting on behalf of the Chairman of the Board pursuant to the Company's Bye-laws and was available to answer questions.

Key corporate governance principles and corporate governance practices of the Company are summarised below:

I. CODE PROVISIONS

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.	**DIRECTORS**		
A.1	**THE BOARD** *Corporate Governance Principle* *The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.*		
A.1.1	Regular board meetings should be held at least four times a year involving active participation, either in person or through other electronic means of communication, of majority of directors.	√	• The Board meets regularly and held meetings in March, May, July and November 2010. • Details of Directors' attendance records in 2010: **Members of the Board** — **Attendance** **Executive Directors** LI Tzar Kuoi, Victor *(Chairman)* 2/4 KAM Hing Lam *(Group Managing Director)* 4/4 IP Tak Chuen, Edmond 4/4 FOK Kin Ning, Canning 4/4 Andrew John HUNTER 3/4 CHAN Loi Shun * N/A CHOW WOO Mo Fong, Susan 4/4 Frank John SIXT 4/4 TSO Kai Sum 4/4 **Independent Non-executive Directors** CHEONG Ying Chew, Henry 4/4 KWOK Eva Lee 4/4 SNG Sow-mei alias POON Sow Mei 4/4 Colin Stevens RUSSEL 4/4 LAN Hong Tsung, David 4/4 **Non-executive Directors** LEE Pui Ling, Angelina 4/4 Barrie COOK 3/4 George Golin MAGNUS 4/4 * Appointed as an Executive Director with effect from 1st January, 2011. Note: The Directors may attend meetings in person, by phone or through other means of electronic communication or by their alternate directors (if applicable) in accordance with the Company's Bye-laws.
A.1.2	All directors are given an opportunity to include matters in the agenda for regular board meetings.	√	• All Directors are consulted as to whether they may want to include any matter in the agenda before the agenda for each regular Board meeting is issued.
A.1.3	– At least 14 days notice for regular board meetings – Reasonable notice for other board meetings	√ √	• Regular Board meetings in a particular year are usually scheduled towards the end of the immediately preceding year to give all Directors adequate time to plan their schedules to attend the meetings. • At least 14 days formal notice would be given before each regular meeting. • According to the Company's Bye-laws, any Director may waive notice of any meeting.

<table>
<tr><th>Code Ref.</th><th>Code Provisions</th><th>Compliance</th><th>Corporate Governance Practices</th></tr>
<tr><td>A.1.4</td><td>All directors should have access to the advice and services of the company secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed.</td><td>√</td><td>• Directors have access to the Company Secretary and key officers of the Company Secretarial Department who are responsible to the Board for ensuring that Board procedures, and all applicable rules and regulations, are followed.
• Memos are issued to Directors from time to time to update them with legal and regulatory changes and matters of relevance to Directors in the discharge of their duties.</td></tr>
<tr><td>A.1.5</td><td>– Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting.
– Such minutes should be open for inspection at any reasonable time on reasonable notice by any director.</td><td>√
√</td><td>• The Company Secretary prepares written resolutions or minutes and keeps records of matters discussed and decisions resolved at all Board and Board Committee meetings.
• Board and Board Committee minutes/resolutions are sent to all Directors/Board Committee members within a reasonable time (generally within 14 days) after each Board and Board Committee meeting.
• Board and Board Committee minutes/resolutions are available for inspection by Directors/Board Committee members.</td></tr>
<tr><td>A.1.6</td><td>– Minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered by the board and decisions reached.
– Draft and final versions of board minutes for all directors to comment and to keep records within a reasonable time after the board meeting</td><td>√
√</td><td>• Minutes record in sufficient detail the matters considered by the Board/Board Committees and decisions reached.
• Directors are given an opportunity to comment on draft Board minutes.
• Final version of Board minutes is placed on record within a reasonable time after the Board meeting.</td></tr>
<tr><td>A.1.7</td><td>– A procedure agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the company's expense
– The board should resolve to provide separate independent professional advice to directors to assist the relevant director or directors to discharge his/their duties to the company.</td><td>√
√</td><td>• Directors have been advised that the Company Secretary can arrange independent professional advice at the expense of the Company should such advice be considered necessary by any Director.</td></tr>
<tr><td>A.1.8</td><td>– If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should not be dealt with by way of circulation or by a committee but a board meeting should be held.
– Independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at such board meeting.</td><td>√
√</td><td>• Important matters are usually dealt with by way of written resolutions so that all Directors (including Independent Non-executive Directors) can note and comment, as appropriate, the matters before approval is granted.
• Director must declare his/her interest in the matters to be passed in the resolution, if applicable.
• If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent Board committee will be set up to deal with the matter.</td></tr>
<tr><td>A.2</td><td colspan="3">CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Corporate Governance Principle
There should be a clear division of responsibilities between the Chairman and the Group Managing Director of the Company to ensure a balance of power and authority.</td></tr>
</table>

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.2.1	– Separate roles of chairman and chief executive officer not to be performed by the same individual – Division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.	√ √	• The positions of the Chairman of the Board and the Group Managing Director are currently held by separate individuals. • The Chairman determines the broad strategic direction of the Group in consultation with the Board and is responsible for the high-level oversight of management. • The Group Managing Director, with the support of the Executive Directors, is responsible for strategic planning of different business functions and day-to-day management and operation of the Group.
A.2.2	The chairman should ensure that all directors are properly briefed on issues arising at board meetings.	√	• With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information on a timely basis. • In addition to regular Board meetings, the Chairman of the Board met with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of the Executive Directors in November 2010. Details of the attendance records of the meeting is as follows:

	Attendance
Chairman	
LI Tzar Kuoi, Victor	1/1
Independent Non-executive Directors	
CHEONG Ying Chew, Henry	1/1
KWOK Eva Lee	1/1
SNG Sow-mei alias POON Sow Mei	1/1
Colin Stevens RUSSEL	1/1
LAN Hong Tsung, David	1/1
Non-executive Directors	
LEE Pui Ling, Angelina	1/1
Barrie COOK	1/1
George Colin MAGNUS	1/1

Note: The Chairman and the Non-executive Directors (including the Independent Non-executive Directors) may attend meetings in person, by phone or through other means of electronic communication or by their alternate directors (if applicable) in accordance with the Company's Bye-laws.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.2.3	The chairman should be responsible for ensuring that directors receive adequate information, which must be complete and reliable, in a timely manner.	√	• The Board papers including supporting analysis and related background information are normally sent to the Directors at least three days before Board meetings. • Communications between Non-executive Directors (including Independent Non-executive Directors) on the one hand, and the Company Secretary as co-ordinator for the other business units of the Group on the other, is a dynamic and interactive process to ensure that queries raised and clarification sought by the Directors are dealt with and further supporting information and/or documentation is provided if appropriate.
A.3	**BOARD COMPOSITION** *Corporate Governance Principle* *The Board should have a balance of skills and experience appropriate for the requirements of the business of the Company and should include a balanced composition of Executive and Non-executive Directors so that independent judgement can effectively be exercised.*		
A.3.1	Independent non-executive directors should be expressly identified as such in all corporate communications that disclose the names of directors of the company.	√	• The composition of the Board, by category and position of Directors including the names of the Chairman, the Executive Directors, the Non-executive Directors and the Independent Non-executive Directors, is disclosed in all corporate communications. • The Board consists of a total of seventeen Directors, comprising nine Executive Directors, three Non-executive Directors and five Independent Non-executive Directors. One of the Executive Directors also acts as Alternate Director to two Executive Directors and two Alternate Directors were appointed. More than one Independent Non-executive Directors have appropriate professional qualifications, or accounting or related financial management expertise. • Details of the composition of the Board are set out on page 158. • The Directors' biographical information and the relationships among the Directors are set out on pages 32 to 38. • Review of the Board composition is made regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

<table>
<tr><th>Code Ref.</th><th>Code Provisions</th><th>Compliance</th><th>Corporate Governance Practices</th></tr>
<tr><td>A.4</td><td colspan="3">APPOINTMENTS, RE-ELECTION AND REMOVAL

Corporate Governance Principle
There should be a formal, considered and transparent procedure for the appointment of new Directors and plans in place for orderly succession for appointments to the Board. All Directors should be subject to re-election at regular intervals.</td></tr>
<tr><td>A.4.1</td><td>Non-executive directors should be appointed for a specific term, subject to re-election.</td><td>√</td><td>• All Directors (including Non-executive Directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company's Bye-laws and the Code on CG Practices.</td></tr>
<tr><td>A.4.2</td><td>– All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment.
– Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.</td><td>√
√</td><td>• In accordance with the Company's Bye-laws, newly appointed Directors are required to offer themselves for re-election at the next following general meeting (in the case of filling a casual vacancy) or at the next following annual general meeting (in the case of an addition to the existing Board) following their appointment.
• The Board as a whole is responsible for the appointment of new Directors and Directors' nomination for re-election by shareholders at the general meeting of the Company. Under the Company's Bye-laws, the Board may from time to time appoint a Director either to fill a casual vacancy or as an addition to the existing Board. Any such new Director shall hold office until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the existing Board) and shall then be eligible for re-election at the same general meeting.
• All Directors (including Non-executive Directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company's Bye-laws and the Code on CG Practices.
• The structure, size and composition of the Board are reviewed from time to time to ensure the Board has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company. The independence of the Independent Non-executive Directors is assessed according to the relevant rules and requirements under the Listing Rules.
• Each of the Independent Non-executive Directors makes an annual confirmation of independence pursuant to the requirements of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in the relevant requirements of the Listing Rules and are independent in accordance with the terms of the guidelines.</td></tr>
<tr><td>A.5</td><td colspan="3">RESPONSIBILITIES OF DIRECTORS

Corporate Governance Principle
Every Director is required to keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.</td></tr>
<tr><td>A.5.1</td><td>– Every newly appointed director of the company should receive a comprehensive, formal and tailored induction on the first occasion of his appointment, and subsequently such briefing and professional development as is necessary.
– To ensure that he has a proper understanding of the operations and business of the company and that he is fully aware of his responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the company</td><td>√
√</td><td>• The Company Secretary and key officers of the Company Secretarial Department liaise closely with newly appointed Directors both immediately before and after his/her appointment to acquaint the newly appointed Directors with the duties and responsibilities as a Director of the Company and the business operation of the Company.
• A package compiled and reviewed by the Company's legal advisers setting out such duties and responsibilities under the Listing Rules, Companies Ordinance and other related ordinances and relevant regulatory requirements of Hong Kong is provided to each newly appointed Director. A revised information package comprising the latest developments in laws, rules and regulations relating to the duties and responsibilities of directors will be forwarded to each Director from time to time for his/her information and ready reference. Guidelines for directors issued by the Companies Registry of Hong Kong and The Hong Kong Institute of Directors have been forwarded to each Director for his/her information and ready reference.
• Memos are issued from time to time to keep Directors up to date with legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties.
• Seminars are organised from time to time at which distinguished professionals are invited to present to the Directors on subjects relating to Directors' duties and corporate governance, etc.</td></tr>
</table>

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.5.2	The functions of non-executive directors include: – bring independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct at board meetings – take the lead on potential conflicts of interests – serve on the audit, remuneration, nomination and other governance committees, if invited – scrutinise the company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance	 √ √ √ √	• The Non-executive Directors exercise their independent judgment and advise on the future business direction and strategic plans of the Company. • The Non-executive Directors review the financial information and operational performance of the Company on a regular basis. • The Independent Non-executive Directors are invited to serve on the Audit and Remuneration Committees of the Company.
A.5.3	Every director should ensure that he can give sufficient time and attention to the affairs of the company and should not accept the appointment if he cannot do so.	√	• There is satisfactory attendance at Board meetings during the year. Please refer to A.1.1 of Part I above for details of attendance records. • Every Executive Director has hands-on knowledge and expertise in the areas and operation in which he/she is charged with. Appropriate attention to the affairs of the Company is measured in terms of time as well as the quality of such attention and the ability of the Directors to contribute with reference to his/her necessary knowledge and expertise.
A.5.4	– Directors must comply with the Model Code. – Board should establish written guidelines on no less exacting terms than the Model Code for relevant employees.	√ √	• The Company had adopted the model code for securities transactions by directors of listed issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions effective from 31st March, 2004. A revised Model Code has been adopted by the Company to comply with the new requirements set out in Appendix 10 to the Listing Rules effective from 1st April, 2009. • Confirmation has been received from all Directors that they have complied with the required standards set out in the Model Code for the year ended 31st December, 2010. • Written guidelines on no less exacting terms than the Model Code relating to securities transactions for employees are set out in the Employee Handbook of the Company.
A.6	**SUPPLY OF AND ACCESS TO INFORMATION** *Corporate Governance Principle* *Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company.*		
A.6.1	– Send agenda and full board papers to all directors at least 3 days before regular board or board committee meeting – So far as practicable for other board or board committee meetings	√ √	• Board/Board Committee papers are circulated not less than three days before the regular Board/Board Committee meetings to enable the Directors/Board Committee members to make informed decisions on matters to be raised at the Board/Board Committee meetings.
A.6.2	– Management has an obligation to supply the board and its committees with adequate information in a timely manner to enable it to make informed decisions. – The board and each director should have separate and independent access to the company's senior management for making further enquiries where necessary.	√ √	• The Company Secretary and the Chief Financial Officer attend all regular Board meetings to advise on corporate governance, statutory compliance, and accounting and financial matters, as appropriate. • Communications between Directors on the one hand, and the Company Secretary, who acts as co-ordinator for the other business units of the Group on the other, is a dynamic and interactive process to ensure that queries raised and clarification sought by the Directors are dealt with and that further supporting information is provided if appropriate.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.6.3	– All directors are entitled to have access to board papers and related materials. – Steps must be taken to respond as promptly and fully as possible to queries raised by directors.	√ √	• Please see A.6.1 and A.6.2 of Part I above.
B.	**REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT**		
B.1	**THE LEVEL AND MAKE-UP OF REMUNERATION AND DISCLOSURE** *Corporate Governance Principle* *There should be a formal and transparent procedure for setting policy on Executive Directors' remuneration and for fixing the remuneration packages for all Directors.*		
B.1.1	Establish a remuneration committee with specific written terms of reference comprising a majority of independent non-executive directors	√	• In accordance with the Code on CG Practices, the Company has set up a remuneration committee ("Remuneration Committee") with a majority of the members being Independent Non-executive Directors. • The Company established its Remuneration Committee on 1st January, 2005. • The Remuneration Committee comprises the Chairman of the Board, Mr. Li Tzar Kuoi, Victor (Chairman of the Remuneration Committee), and two Independent Non-executive Directors, namely, Mr. Colin Stevens Russel and Mr. Cheong Ying Chew, Henry. • Since the publication of the Company's 2009 annual report in April 2010, meetings of the Remuneration Committee were held in November 2010 and January 2011. Details of the attendance records of the members of the Remuneration Committee are as follows: **Members of the Remuneration Committee** — **Attendance** LI Tzar Kuoi, Victor *(Chairman of the Remuneration Committee)* — 2/2 Colin Stevens RUSSEL — 2/2 CHEONG Ying Chew, Henry — 2/2 Note: The members of the Remuneration Committee may attend meetings in person, by phone or through other means of electronic communication or by their alternates (if applicable) in accordance with the Company's Bye-laws. • The following is a summary of the work for the Remuneration Committee during the said meetings: (1) Review of the remuneration policy for 2010/2011; (2) Review of the remuneration of Non-executive Directors; (3) Review of the annual performance bonus policy; and (4) Approval of remuneration packages of Executive Directors.
B.1.2	The remuneration committee should consult the chairman and/or chief executive officer about their proposals relating to the remuneration of other executive directors and have access to professional advice if considered necessary.	√	• The Remuneration Committee has consulted the Chairman and/or the Group Managing Director about proposals relating to the remuneration packages and other human resources issues of the Directors and senior management, including, without limitation, succession plan and key personnel movements as well as policies for recruiting and retaining qualified personnel. • The emoluments of Directors are based on the skill, knowledge, involvement in the Company's affairs and the performance of each Director, together with reference to the profitability of the Company and prevailing market conditions. • To enable them to better advise on the Group's future remuneration policy and related strategies, the Remuneration Committee has been advised of the Group's existing remuneration policy and succession plan, such as guidelines on designing employees' remuneration packages and related market trends and information. • The Remuneration Committee is satisfied that there is in place a clear system for determining remuneration, which is reasonable and has been followed consistently in its application.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
B.1.3	Terms of reference of the remuneration committee should include: – determine the specific remuneration packages of all executive directors and senior management – review and approve performance-based remuneration and the compensation payable on loss or termination of office or appointment – ensure that no director or any of his associates is involved in deciding his own remuneration	√	• The terms of reference of the Remuneration Committee, which follow closely the requirements of the Code Provisions and have been adopted by the Board, are posted on the Company's website.
B.1.4	The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.	√	• The terms of reference of the Remuneration Committee are posted on the Company's website. • The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of Directors and senior management, and reviewing the specific remuneration packages of all Executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.
B.1.5	The remuneration committee should be provided with sufficient resources to discharge its duties.	√	• The Human Resources Department provides administrative support and implements the approved remuneration packages and other human resources related decisions approved by the Remuneration Committee.
C.	**ACCOUNTABILITY AND AUDIT**		
C.1	**FINANCIAL REPORTING** *Corporate Governance Principle* *The Board should present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects.*		
C.1.1	Management should provide such explanation and information to the board as will enable the board to make an informed assessment of the financial and other information put before the board for approval.	√	• Directors are provided with a review of the Group's major business activities and key financial information on a quarterly basis.
C.1.2	– The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts. – There should be a statement by the auditors about their reporting responsibilities in the auditors' report on the financial statements. – Unless it is inappropriate to assume that the company will continue in business, the directors should prepare the accounts on a going concern basis, with supporting assumptions or qualifications as necessary. – When the directors are aware of material uncertainties relating to events or conditions that may cast significant doubt upon the company's ability to continue as a going concern, such uncertainties should be clearly and prominently set out and discussed at length in the Corporate Governance Report.	√ √ √ N/A	• The Directors annually acknowledge in writing their responsibility for preparing the financial statements of the Group. • Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern as referred to in C.1.2 of the Code on CG Practices. • With the assistance of the Company's Finance and Accounting Department which is under the supervision of the Chief Financial Officer who is a professional accountant, the Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. • The Directors also ensure the publication of the financial statements of the Group is in a timely manner. • The statement by the auditor of the Company regarding its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 56.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.1.3	The board's responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.	√	• The Board aims to present a clear, balanced and understandable assessment of the Group's performance and position in all shareholder communications. • The Board is aware of the requirements under the applicable rules and regulations about timely disclosure of price-sensitive information or matters regarding the Company and will authorise the publication of such announcements as and when the occasion arises. The Company Secretary and key officers of the Company Secretarial Department work closely and in consultation with legal advisers to review the materiality and sensitivity of transactions and proposed transactions and advise the Board accordingly.
C.2	**INTERNAL CONTROLS** *Corporate Governance Principle* *The Board should ensure that the Company maintains sound and effective internal controls to safeguard the shareholders' investment and the Company's assets.*		
C.2.1	– Directors to review the effectiveness of system of internal control of the company and its subsidiaries at least annually and to report that they have done so in the Corporate Governance Report – The review should cover all material controls, including financial, operational and compliance controls and risk management functions.	√ √	• The Board is ultimately responsible for the Group's internal control system and for review of its effectiveness. • The internal control system is designed to help the achievement of business objectives in the following categories: (1) Effectiveness and efficiency of operations which include safeguarding assets against unauthorized user or disposition; (2) Reliability of financial and operational reporting; and (3) Compliance with applicable laws, regulations, and internal policies and procedures. • The system is formulated to manage risk that may impede the achievement of the Group's business objectives rather than to eliminate that risk, and can only provide reasonable, not absolute, assurance against material errors, losses or fraud. The concept of reasonable assurance recognises that the cost of control procedure should not exceed the expected benefits. *Internal Control System* • The Board has overall responsibility for monitoring the operations of the businesses within the Group. Executive Directors and senior officials are appointed to the boards and board committees of all significant operating subsidiaries and associates to attend the board meetings and to oversee the operations. Monitoring activities include the review and approval of business strategies, budgets and plans, and setting of key performance indicators. • There are defined organisational structures and authority to operate various business units is delegated to respective managements within limits set by the Executive Directors. • The Head Office management has established operating and management reporting standards for use by all business units. Each business unit also has its own operating policies and procedures that are tailor-made to specific operational environment. • Individual business unit needs to prepare five-year plans which form the foundation of annual budgets and plans. All these plans/budgets have to be approved by the Executive Directors. Monitoring the actual results against the budgets are done monthly via the Executives' and management meetings at the Group and business unit levels, and appropriate actions are taken, if necessary. • Each business unit has to perform risk assessment half-yearly where the risks associated with achieving the business objectives are identified and analysed. It also includes a review of the control mechanism for each risk and action plan is put in place to address the areas for improvement. • The Chief Executive Officer and Chief Financial Officer of each business unit need to provide a formal half-yearly confirmation to acknowledge review of their control systems and highlight any weaknesses. • The Group Internal Audit, reporting directly to the Audit Committee and the Group Managing Director, performs independent assessment of the internal control systems. Using a risk based methodology, Internal Audit prepares its audit plan in consultation with, but independent of, management, and it is reviewed by the Audit Committee. The audit work focuses on those areas of the Group's activities with greatest perceived risks. Ad hoc review will also be performed on areas of concern identified by the Audit Committee and management. Management of individual business unit will be informed of the areas for improvement, and Internal Audit is responsible for monitoring the corrective actions. • Reports from the external auditor, Messrs. Deloitte Touche Tohmatsu ("Deloitte"), on internal controls and relevant financial reporting matters, are presented to the Audit Committee and management.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.2.1 (Cont'd)			*Controls on Price-sensitive Information* • Regarding the procedures and internal controls for handling and dissemination of price-sensitive information, the Group: (1) is well aware of its obligations under the Listing Rules to announce any information that is considered to be price-sensitive; (2) makes reference to the "Guide on Disclosure of Price-sensitive Information" and "Recent Economic Developments and the Disclosure Obligations of Listed Issuers" issued by the Stock Exchange in 2002 and 2008 respectively; (3) has implemented policy and procedure which strictly prohibit unauthorised use of confidential and sensitive information, and has communicated to all staff; and (4) requires that only Directors and delegated officers can act as the Group's spokesperson and respond to external enquiries about the Group's affairs. *Effectiveness of Internal Control System* • The Board, through the Audit Committee of the Company, has conducted an annual review of the effectiveness of the internal control system operating in the Group and considers it is adequate and effective. The review covers all material controls, including financial, operational and compliance controls, and risk management functions. The Board is not aware of any significant areas of concern which may affect the shareholders. The Board is satisfied that the Group has fully complied with the code provisions on internal controls as set forth in the Code on CG Practices.
C.2.2	The board's annual review should, in particular, consider the adequacy of resources, qualifications and experience of staff of the company's accounting and financial reporting function, and their training programmes and budget.	√	• The Board, through the Audit Committee and with the appraisal performed by the Internal Audit Department, reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget at the Board meeting held in March 2011 and noted that the Company has been in compliance with the Code Provision for the year 2010. Please also refer to the Code Provision C.3.3 of Part I.
C.3	**AUDIT COMMITTEE** *Corporate Governance Principle* *The Board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors.*		
C.3.1	– Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting. – Draft and final versions of minutes for all members of the audit committee to comment and to keep records within a reasonable time after the meeting	√ √	• Minutes drafted by the Company Secretary are circulated to members of the Audit Committee within a reasonable time after each meeting. • Audit Committee meetings were held in March and July 2010. Details of the attendance records of the members of the Audit Committee are as follows: **Members of the Audit Committee — Attendance** Colin Stevens RUSSEL *(Chairman of the Audit Committee)* — 2/2 CHEONG Ying Chew, Henry — 2/2 KWOK Eva Lee — 2/2 SNG Sow-mei alias POON Sow Mei — 2/2 LAN Hong Tsung, David — 2/2 Note: The members of the Audit Committee may attend meetings in person, by phone or through other means of electronic communication or by their alternates (if applicable) in accordance with the Company's Bye-laws. • The following is a summary of the work of the Audit Committee during 2010: (1) Review of the financial reports for 2009 annual results and 2010 interim results; (2) Review of the findings and recommendations of the Group Internal Audit on the work of various divisions/departments and related companies; (3) Review of the effectiveness of the internal control system; (4) Review of the external auditor's audit findings; (5) Review of the auditor's remuneration; (6) Review of risks of different business units and analysis thereof provided by the relevant business units; and (7) Review of the control mechanisms for such risks and advising on action plans for improvement of the situations. • After due and careful consideration of reports from management and the internal and external auditors, the Audit Committee was of the view that no suspected fraud or irregularities, significant internal control deficiencies, or suspected infringement of laws, rules, or regulations had been found, and concluded at the meeting held on 1st March, 2011 that the system of internal controls was adequate and effective.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.3.1 (Cont'd)			• On 1st March, 2011, the Audit Committee met to review the Group's 2010 consolidated financial statements, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditor. After review and discussions with the management, internal auditor and external auditor, the Audit Committee endorsed the accounting treatment adopted by the Company, and the Audit Committee had to the best of its ability assured itself that the disclosure of the financial information in the 2010 Annual Report complied with the applicable accounting standards and Appendix 16 to the Listing Rules. The Audit Committee therefore recommended the Board's approval of the consolidated financial statements for the year ended 31st December, 2010. • The Audit Committee also recommended to the Board the re-appointment of Deloitte as the Company's external auditor for 2011 and that the related resolution shall be put forth for shareholders' consideration and approval at the 2011 annual general meeting. • The Group's Annual Report for the year ended 31st December, 2010 has been reviewed by the Audit Committee.
C.3.2	A former partner of existing auditing firm shall not act as a member of the committee for 1 year after he ceases to be a partner of or to have any financial interest in, the firm, whichever is the later.	√	• No member of the Audit Committee is a former partner of the existing auditing firm of the Company during the one year after he/she ceases to be a partner of the auditing firm.
C.3.3	Terms of reference of the audit committee should include: – recommendation to the board on the appointment and removal of external auditor and approval of their terms of engagement – review and monitor external auditor's independence and effectiveness of audit process – review of financial information of the company – oversight of the company's financial reporting system and internal control procedures, including the adequacy of resources, qualifications and experience of staff of the company's accounting and financial reporting function, and their training programmes and budget	√	• The terms of reference of the Audit Committee, which follow closely the requirements of the Code Provisions and have been modified from time to time and adopted by the Board are posted on the Company's website.
C.3.4	The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.	√	• The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company established the Audit Committee in December 1998 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants. • In accordance with the requirements of the Code on CG Practices, the terms of reference of the Audit Committee were revised from time to time in terms substantially the same as the provisions set out in the Code on CG Practices. The latest version of the terms of reference of the Audit Committee are available on the Company's website. • The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the external auditor of the Company. Regular meetings have been held by the Audit Committee since its establishment. • The Audit Committee comprises five Independent Non-executive Directors, namely, Mr. Colin Stevens Russel (Chairman of the Audit Committee), Mr. Cheong Ying Chew, Henry, Mrs. Kwok Eva Lee, Mrs. Sng Sow-mei alias Poon Sow Mei and Mr. Lan Hong Tsung, David. The Audit Committee held two meetings in 2010.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.3.5	Where the board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the company should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the board has taken a different view.	N/A	• The Audit Committee recommended to the Board that, subject to shareholders' approval at the forthcoming annual general meeting, Deloitte be re-appointed as the Company's external auditor for 2011. • For the year ended 31st December, 2010, the external auditor of the Company received approximately HK$5.2 million for annual audit service and approximately HK$0.4 million for audit-related services rendered in connection with preparation of regulatory report of a subsidiary.
C.3.6	The audit committee should be provided with sufficient resources to discharge its duties.	√	• The Audit Committee has been advised that the Company Secretary can arrange independent professional advice at the expense of the Company should the seeking of such advice be considered necessary by the Audit Committee.
D.	**DELEGATION BY THE BOARD**		
D.1	**MANAGEMENT FUNCTIONS** *Corporate Governance Principle* *The Company should have a formal schedule of matters specifically reserved to the Board and those delegated to management.*		
D.1.1	When the board delegates aspects of its management and administration functions to management, it must at the same time give clear directions as to the powers of management, in particular, with respect to the circumstances where management should report back and obtain prior approval from the board before making decisions or entering into any commitments on behalf of the company.	√	• Executive Directors are in charge of different businesses and functional divisions in accordance with their respective areas of expertise. • Please refer to the Management Structure Chart set out on page 148. • For matters or transactions of a material nature, the same will be referred to the Board for approval. • For matters or transactions of a magnitude requiring disclosure under the Listing Rules or other applicable rules or regulations, appropriate disclosure will be made and where necessary, circular will be prepared and shareholders' approval will be obtained in accordance with the requirements of the applicable rules and regulations.
D.1.2	Formalise functions reserved to the board and those delegated to management and to review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the company.	√	• The Board, led by the Chairman, is responsible for the Group's future development directions; overall strategies and policies; evaluation of the performance of the Group and the management; and approval of matters that are of a material or substantial nature. • Under the leadership of the Group Managing Director, management is responsible for the day-to-day operations of the Group.
D.2	**BOARD COMMITTEES** *Corporate Governance Principle* *Board Committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.*		
D.2.1	Where board committees are established to deal with matters, the board should prescribe sufficiently clear terms of reference to enable such committees to discharge their functions properly.	√	• Three Board Committees, namely, Audit Committee, Remuneration Committee and Executive Committee, have been established with specific terms of reference.
D.2.2	The terms of reference of board committees should require such committees to report back to the board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).	√	• Board Committees report to the Board of their decisions and recommendations at the Board meetings.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
E.	**COMMUNICATION WITH SHAREHOLDERS**		
E.1	**EFFECTIVE COMMUNICATION** *Corporate Governance Principle* *The Board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.*		
E.1.1	In respect of each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting.	√	• Separate resolutions are proposed at the general meetings of the Company on each substantially separate issue, including the election of individual directors.
E.1.2	– The chairman of the board should attend the annual general meeting and arrange for the chairmen of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee to be available to answer questions at the annual general meeting. – The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.	Explain √	• In 2010, the Chairman of the Board, also as the Chairman of the Remuneration Committee, was unable to attend the annual general meeting due to a sudden indisposition. The Group Managing Director chaired the 2010 annual general meeting on behalf of the Chairman of the Board pursuant to the Company's Bye-laws and was available to answer questions. The Chairman of the Audit Committee and all other members of the Remuneration Committee attended the 2010 annual general meeting and were available to answer questions. • The Company establishes different communication channels with shareholders and investors, including (i) printed copies of corporate communications (including but not limited to annual reports, interim reports, notices of meetings, circulars and proxy forms) required under the Listing Rules, and shareholders can choose (or are deemed to have consented) to receive such documents using electronic means through the Company's website; (ii) the annual general meeting provides a forum for shareholders to raise comments and exchange views with the Board; (iii) updated and key information on the Group is available on the website of the Company; (iv) the Company's website offers a communication channel between the Company and its shareholders and stakeholders; (v) regular press conferences and briefing meetings with analysts are arranged from time to time to update interested parties on the performance of the Group; (vi) the Company's Branch Share Registrar deals with shareholders for share registration and related matters; and (vii) the Corporate Affairs Department of the Company handles enquiries from shareholders, and investors generally.
E.1.3	The company should arrange for the notice to shareholders to be sent in the case of annual general meeting at least 20 clear business days before the meeting and to be sent at least 10 clear business days in the case of all other general meetings.	√	• The Company's notice to shareholders for the 2010 annual general meeting of the Company was sent at least 20 clear business days before the meeting.
E.2	**VOTING BY POLL** *Corporate Governance Principle* *The Company should ensure that shareholders are familiar with the detailed procedures for conducting a poll.*		
E.2.1	The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of the detailed procedures for conducting a poll and then answer any questions from shareholders regarding voting by way of a poll.	√	• At the 2010 annual general meeting, the Chairman of the meeting explained the detailed procedures for conducting a poll, and answered questions from shareholders. • At the 2010 annual general meeting, the Chairman of the meeting exercised his power under the Company's Bye-laws to put each resolution set out in the notice to be voted by way of a poll. • Representatives of the Branch Share Registrar of the Company were appointed as scrutineers to monitor and count the poll votes cast at the 2010 annual general meeting. • Since the Company's 2003 annual general meeting, all the resolutions put to vote at the Company's general meetings were taken by poll. • Poll results were posted on the websites of the Company and the Stock Exchange.

II. RECOMMENDED BEST PRACTICES

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.	**DIRECTORS**		
A.1	**THE BOARD** *Corporate Governance Principle* *The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.*		
A.1.9	Arrange appropriate insurance cover in respect of legal action against the directors	C	• The Company has arranged appropriate Directors and Officers liability insurance coverage for its Directors and officers since its listing in 1996 including the year 2010/2011.
A.1.10	Board committees should adopt, so far as practicable, the principles, procedures and arrangements set out in A.1.1 to A.1.8.		
	A.1.1 Regular board meetings should be held at least four times a year involving active participation, either in person or through other electronic means of communication, of majority of directors.	E	• The Company has an Audit Committee, a Remuneration Committee and an Executive Committee. • Based on available data and information, the Company is not satisfied that quarterly review by the Audit Committee would bring meaningful benefit to the shareholders. Meetings between the Chairman of the Board and the Non-executive Directors (including the Independent Non-executive Directors) without the presence of Executive Directors were usually held two times a year at which ample opportunity was provided for reflection of their views and comments to the Board. • Apart from the Audit Committee, the Company has a Remuneration Committee. The principal responsibility of the Remuneration Committee is to make recommendations to the Board on the Company's policy and structure for the remuneration of its Directors and senior management, which, in line with normal market practice, are only subject to review on an annual basis. It is therefore not necessary for the Remuneration Committee to have four meetings a year as recommended. • The Remuneration Committee held two meetings in respect of the year of 2010. The Meeting held in November 2010 was to provide the Remuneration Committee with an overview of the job market conditions and trends for the year, and the meeting held in January 2011 was to review, consider and endorse the remuneration packages proposed for the Executive Directors of the Company.
	A.1.2 All directors are given an opportunity to include matters in the agenda for regular board meetings.	C	• All members of the Board Committees are consulted as to whether they may want to include any matter in the agenda before the agenda for each Board Committee meeting is issued.
	A.1.3 – At least 14 days notice for regular board meetings	C	• Regular Board Committee meetings in a particular year are usually scheduled towards the end of the immediately preceding year to give all Board Committee members adequate time to plan their schedules to attend the meetings.
	– Reasonable notice for other board meetings	C	• At least 14 days formal notice would be given before each Board Committee meeting. • According to the Company's Bye-laws, the Board Committee member may waive notice of the relevant Board Committee meeting.
	A.1.4 All directors should have access to the advice and services of the company secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed.	C	• Board Committee members have access to the Company Secretary and key officers of the Company Secretarial Department who are responsible to the Board Committees for ensuring that Board Committee procedures, and all applicable rules and regulations, are followed.
	A.1.5 – Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting.	C	• The Company Secretary prepares minutes/written resolutions and keeps records of substantive matters discussed and decisions resolved at Board Committee meetings. • Board Committee minutes/written resolutions are sent to all Board Committee members within a reasonable time (generally within 14 days) after each Board Committee meeting.
	– Such minutes should be open for inspection at any reasonable time on reasonable notice by any director.	C	• Board Committee minutes/written resolutions are available for inspection by Board Committee members.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.1.10 (Cont'd)	A.1.6 – Minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered by the board and decisions reached.	C	• The minutes of the Board Committees record in sufficient detail the matters considered by the Board Committees and decisions reached. • Board Committee members are given an opportunity to comment on the draft Board Committee minutes. • Final version of Board Committee minutes is placed on record within a reasonable time after the Board Committee meeting.
	– Draft and final versions of board minutes for all directors to comment and to keep records within a reasonable time after the board meeting	C	
	A.1.7 – A procedure agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the company's expense	C	• Board Committee members have been advised that the Company Secretary can arrange independent professional advice at the expense of the Company should such advice be considered necessary by any Board Committee member.
	– The board should resolve to provide separate independent professional advice to directors to assist the relevant director or directors to discharge his/her duties to the company.	C	
	A.1.8 – If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should not be dealt with by way of circulation or by a committee but a board meeting should be held.	C	• Board Committee members must declare his/her interest in the matters to be considered by the Board Committee, if applicable. • In case of conflict of interests, relevant Directors will refrain from voting. Mr. Li Tzar Kuoi, Victor, the Chairman of the Board, is also the Chairman of the Remuneration Committee. He refrained from voting at decisions made in respect of his own remuneration package. • The Company has an Executive Committee which comprises Executive Directors and certain senior management of the Company. The major function of the Executive Committee is to review the ongoing operations of the Group and consider potential acquisition opportunities. In the event that conflict of interest was to arise in respect of a substantial shareholder or a director, the matter will be referred to the Board, ensuring the involvement of Independent Non-executive Directors, for consideration and decision.
	– Independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at such board meeting.	C	
A.2	**CHAIRMAN AND CHIEF EXECUTIVE OFFICER** *Corporate Governance Principle* *There should be a clear division of responsibilities between the Chairman and the Group Managing Director of the Company to ensure a balance of power and authority.*		
A.2.4	– Chairman is to provide leadership for the board	C	• The Chairman of the Board is an Executive Director who is responsible for the leadership and effective running of the Board.
	– The chairman should ensure that the board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the board in a timely manner.	C	• The Chairman determines the broad strategic direction of the Group in consultation with the Board and is responsible for the high-level oversight of management. • The Board meets regularly and held meetings in March, May, July and November 2010. • With the support of the Executive Directors and the Company Secretary, the Chairman ensures that all Directors are properly briefed on all key and appropriate issues on a timely manner.
	– The chairman should be primarily responsible for drawing up and approving the agenda for each board meeting taking into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda. The chairman may delegate such responsibility to a designated director or the company secretary.	C	• The Company Secretary assists the Chairman in preparing the agenda for each Board meeting and ensures that, where applicable, matters proposed by other Directors are included in the agenda; and that all applicable rules and regulations are followed.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.2.5	The chairman should take responsibility for ensuring that good corporate governance practices and procedures are established.	C	• The Board as a whole and the management of the Company are committed to the maintenance of good corporate governance practices and procedures.
A.2.6	The chairman should encourage all directors to make a full and active contribution to the board's affairs and take the lead to ensure that the board acts in the best interests of the company.	C	• Please refer to A.2.4 and A.2.5 of Part II above for the details.
A.2.7	The chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present.	C	• In addition to regular Board meetings, the Chairman of the Board met with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of the Executive Directors in November 2010. Please refer to A.2.2 of Part I above for details of attendance records.
A.2.8	The chairman should ensure that appropriate steps are taken to provide effective communication with shareholders and that views of shareholders are communicated to the board as a whole.	C	• The Company establishes different communication channels with shareholders and investors as set out in E.1.2 of Part I above.
A.2.9	The chairman should facilitate the effective contribution of non-executive directors in particular and ensure constructive relations between executive and non-executive directors.	C	• Please refer to A.2.4 and A.2.5 of Part II above for the details.
A.3	**BOARD COMPOSITION** *Corporate Governance Principle* *The Board should have a balance of skills and experience appropriate for the requirements of the business of the Company and should include a balanced composition of Executive and Non-executive Directors so that independent judgement can effectively be exercised.*		
A.3.2	The company should appoint independent non-executive directors representing at least one-third of the board.	E	• The Board consists of a total of seventeen Directors, comprising nine Executive Directors, three Non-executive Directors and five Independent Non-executive Directors. One of the Executive Directors also acts as Alternate Director to two Executive Directors and two Alternate Directors were appointed. Half of the Board, therefore is made up of Non-executive Directors with the number of Independent Non-executive Directors exceeding the minimum number required under the Listing Rules. The Company considers that it has complied with the spirit and the intention of the Code on CG Practices and that the addition of one more Independent Non-executive Director would not make any significant difference. The Company also considers that there is a sufficiently independent element on the Board to provide the Company and its shareholders with fair and independent advice.
A.3.3	The company should maintain on its website an updated list of its directors identifying their role and function and whether they are independent non-executive directors.	C E	• The Company maintains on its website an updated list of its Directors together with their biographical information, and identifies whether they are independent non-executive directors. The Company has also posted on its website the Terms of Reference of the Board Committees to enable the shareholders to understand the role played by those Independent Non-executive Directors who serve on the relevant Board Committees. • The Company is of the view that Executive Directors are collectively in charge of the overall executive functions of the Group as a team for the purposes of efficiency and effectiveness, and hence it is neither appropriate nor meaningful to identify on its website the role and function of its individual Executive Directors.

<table>
<tr><th>Recommended Best Practice Ref.</th><th>Recommended Best Practices</th><th>Comply ("C")/ Explain ("E")</th><th>Corporate Governance Practices</th></tr>
<tr><td>A.4</td><td colspan="3">APPOINTMENTS, RE-ELECTION AND REMOVAL

Corporate Governance Principle
There should be a formal, considered and transparent procedure for the appointment of new Directors and plans in place for orderly succession for appointments to the Board. All Directors should be subject to re-election at regular intervals.</td></tr>
<tr><td>A.4.3</td><td>– If an independent non-executive director serves more than 9 years, any further appointment of such independent non-executive director should be subject to a separate resolution to be approved by shareholders.

– The board should set out to shareholders in the papers accompanying a resolution to elect such an independent non-executive director the reasons they believe that the individual continues to be independent and why he should be re-elected.</td><td>C

C</td><td>• Each Independent Non-executive Director who was subject to retirement by rotation was appointed by a separate resolution in the Company's annual general meeting. Each Independent Non-executive Director who was eligible for re-election at the annual general meeting had made a confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company had expressed the view in its circular that each Independent Non-executive Director who was eligible for re-election had met the independence guidelines set out in Rule 3.13 of the Listing Rules and was independent in accordance with the terms of the guidelines. While in accordance with the recommended best practices, the Company has to include its own recommendation in the circular to explain why a particular candidate should be re-elected, as their relevant credentials have been included in the circular for the shareholders' information, the Company opines that it is more important for the shareholders themselves to make their own independent decision on whether to approve a particular re-election or not.</td></tr>
<tr><td>A.4.4 – A.4.8</td><td>– The company should establish a nomination committee. A majority of the members of the nomination committee should be independent non-executive directors.

– The nomination committee should be established with specific written terms of reference which deal clearly with the committee's authority and duties.

– It is recommended that the nomination committee should discharge the following duties:

(a) review the structure, size and composition (including the skills, knowledge and experience) of the board on a regular basis and make recommendations to the board regarding any proposed changes;

(b) identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of, individuals nominated for directorships;

(c) assess the independence of independent non-executive directors; and

(d) make recommendations to the board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors in particular the chairman and the chief executive officer.</td><td>E</td><td>• The Company does not have a nomination committee. The Board as a whole is responsible for the appointment of new Directors and the nomination of Directors for re-election by shareholders at the general meeting of the Company. Under the Company's Bye-laws, the Board may from time to time appoint a Director either to fill a casual vacancy or as an addition to the existing Board. Any such new Director shall hold office until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the existing Board) and shall then be eligible for re-election at the same general meeting.

• At present, the Company does not consider it necessary to have a nomination committee as the full Board is responsible for reviewing the structure, size and composition of the Board from time to time to ensure that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole is also responsible for reviewing the succession plan for the Directors, in particular the Chairman and the Group Managing Director.

• Under the Company's Bye-laws, the Board may from time to time appoint a Director either to fill a casual vacancy or as an addition to the existing Board. The Company adopts a formal, considered and transparent procedure for the appointment of new Directors. Before a prospective Director's name is formally proposed, the opinions of the existing Directors (including the Independent Non-executive Directors) are sought. After considering the proposal for the appointment of a new Director, the Board as a whole will make the final decision.

• The Board as a whole is responsible for assessing the independence of the Independent Non-executive Directors according to the relevant rules and requirements under the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in the relevant requirements of the Listing Rules and are independent in accordance with the terms of the guidelines.</td></tr>
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Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.4.4 – A.4.8 (Cont'd)	– The nomination committee should make available its terms of reference explaining its role and the authority delegated to it by the board. – The nomination committee should be provided with sufficient resources to discharge its duties. – Where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why they believe the individual should be elected and the reasons why they consider the individual to be independent.		• Please refer to A.4.3 of Part II above for the details.
A.5	**RESPONSIBILITIES OF DIRECTORS** *Corporate Governance Principle* *Every Director is required to keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.*		
A.5.5	All directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to help ensure that their contribution to the board remains informed and relevant. The company should be responsible for arranging and funding a suitable development programme.	C	• The Company regularly reminds all Directors of their functions and responsibilities. Through regular Board meetings and the circulation of written resolutions, memos and board papers, all Directors are kept abreast of the conduct, business activities and development of the Company. • A package compiled and reviewed by the Company's legal advisers setting out the duties and responsibilities of directors under the Listing Rules, the Companies Ordinance and other related ordinances and relevant regulatory requirements of Hong Kong is provided to each newly appointed Director. A revised information package comprising the latest developments in laws, rules and regulations relating to the duties and responsibilities of directors will be forwarded to each Director from time to time for his/her information and ready reference. Guidelines for directors issued by the Companies Registry of Hong Kong and The Hong Kong Institute of Directors have been forwarded to each Director for his/her information and ready reference. • Memos are issued from time to time to keep Directors up to date with legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties. • Seminars are organised from time to time at which distinguished professionals are invited to present to the Directors on subjects relating to Directors' duties and corporate governance, etc.
A.5.6	Each director should disclose to the company at the time of his appointment, and on a periodic basis, the number and nature of offices held in public companies or organisations and other significant commitments, with the identity of the public companies or organisation and an indication of the time involved. The board should determine for itself how frequently such disclosure should be made.	C	• The Directors have disclosed to the Company at the time of their appointment and from time to time thereafter the number and nature of offices held in public companies or organisations and other significant commitments, identifying the public companies or organisations involved.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.5.7	Non-executive directors, as equal board members, should give the board and any committees on which they serve such as the audit, remuneration or nomination committees the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.	C	• There is satisfactory attendance at Board meetings, Board Committee meetings, the meeting between the Chairman and the Non-executive Directors (including the Independent Non-executive Directors) and the general meeting during the year. Please refer to A.1.1, A.2.2, B.1.1 and C.3.1 of Part I above for details of attendance records. • Extent of participation and contribution should be viewed both quantitatively and qualitatively.
A.5.8	Non-executive directors should make a positive contribution to the development of the company's strategy and policies through independent, constructive and informed comments.	C	• There is satisfactory attendance at Board meetings, Board Committee meetings, the meeting between the Chairman and the Non-executive Directors (including the Independent Non-executive Directors) and the general meeting during the year. Please refer to A.1.1, A.2.2, B.1.1 and C.3.1 of Part I above for details of attendance records.
A.6	**SUPPLY OF AND ACCESS TO INFORMATION** *Corporate Governance Principle* *Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company.*		
There is no recommended best practice under Section A.6 in the Code on CG practices.			
B.	**REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT**		
B.1	**THE LEVEL AND MAKE-UP OF REMUNERATION AND DISCLOSURE** *Corporate Governance Principle* *There should be a formal and transparent procedure for setting policy on Executive Directors' remuneration and for fixing the remuneration packages for all Directors.*		
B.1.6	A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.	C	• A significant proportion of Executive Directors' remuneration has been structured so as to link rewards to corporate and individual performance in 2010. Please refer to note 34 in the Notes to the Consolidated Financial Statements for details of discretionary bonus.
B.1.7	The company should disclose details of any remuneration payable to members of senior management, on an individual and named basis, in their annual reports and accounts.	E	• The remuneration payable to senior management represents only a small portion of the turnover or profits of the Company. As a matter of practice, disclosing details of the remuneration payable to senior management on an individual basis does not bring significant benefits or provide useful information to the shareholders.
B.1.8	Where the board resolves to approve any remuneration or compensation arrangements which the remuneration committee has previously resolved not to approve, the board must disclose the reasons for its resolution in its next annual report.	N/A	• The Board has never approved any remuneration or compensation arrangements which have previously been rejected by the Remuneration Committee.
C.	**ACCOUNTABILITY AND AUDIT**		
C.1	**FINANCIAL REPORTING** *Corporate Governance Principle* *The Board should present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects.*		

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.1.4 – C.1.5	– The company should announce and publish quarterly financial results within 45 days after the end of the relevant quarter, disclosing such information as would enable shareholders to assess the performance, financial position and prospects of the company. Any such quarterly financial reports should be prepared using the accounting policies applied to the company's half-year and annual accounts. – Once the company decides to announce and publish its quarterly financial results, it should continue to adopt quarterly reporting for each of the first 3 and 9 months periods of subsequent financial years. Where the company decides not to announce and publish its financial results for a particular quarter, it should publish an announcement to disclose the reason(s) for such decision.	E	• The Company issued half-yearly financial results within 2 months after the end of the relevant period, and annual financial results within 3 months after the end of the relevant year. In addition, all significant and price-sensitive transactions have been announced and disclosed in accordance with the Listing Rules during the year. The shareholders of the Company are therefore able to assess the performance, financial position and prospects of the Company. The Company does not consider it necessary, nor is it in the interests of the Company and its shareholders, to issue quarterly financial results. This would result in incurring costs disproportionate to any additional benefits to the shareholders. • Please refer to C.1.4 of Part II above for the details.
C.2	**INTERNAL CONTROLS** *Corporate Governance Principle* *The Board should ensure that the Company maintains sound and effective internal controls to safeguard the shareholders' investment and the Company's assets.*		
C.2.3	The board's annual review should, in particular, consider:		In the review of the effectiveness of internal control system, the Board, through the Audit Committee, considers:
	– the changes since the last annual review in the nature and extent of significant risks, and the company's ability to respond to changes in its business and the external environment;	C	• the changes in the significant risks since the last review, and the Company's ability to respond to changes in its business and the external environment; • the management's ongoing monitoring of risks and the system of internal control, and the work of the internal audit function;
	– the scope and quality of management's ongoing monitoring of risks and of the system of internal control, and where applicable, the work of its internal audit function and other providers of assurance;	C	• the communication of the monitoring results to the Board that enables it to build up a cumulative assessment of the state of control in the Company and the effectiveness of the risk management; • any incidence of significant control failings or weaknesses identified and the extent to which they have caused unforeseeable outcomes or contingencies that had or might have material impact on the Company's financial performance or condition; and
	– the extent and frequency of the communication of the results of the monitoring to the board (or board committee(s)) which enables it to build up a cumulative assessment of the state of control in the company and the effectiveness with which risk is being managed;	C	• the effectiveness of the Company's processes relating to financial reporting and Listing Rules compliance.
	– the incidence of significant control failings or weakness that has been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the company's financial performance or conditions; and	C	
	– the effectiveness of the company's processes relating to financial reporting and Listing Rule compliance.	C	

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.2.4	The company should disclose as part of the Corporate Governance Report a narrative statement how they have complied with the code provisions on internal control during the reporting period. The disclosures should also include the following items:		In this Corporate Governance Report, the Company, in particular item C.2.1 of Part I above, discloses: • the process of identifying, evaluating and managing the significant risks; • any additional information to assist understanding of the risk management processes and internal control system; • an acknowledgement by the Board that it is responsible for the internal control system and for reviewing its effectiveness; • the process applied in reviewing the effectiveness of internal control system; and • the process applied to deal with material internal control aspects of any significant problems disclosed in its Annual Reports and Financial Statements.
	– the process that the company has applied for identifying, evaluating and managing the significant risks faced by it;	C	
	– any additional information to assist understanding of the company's risk management processes and system of internal control;	C	
	– an acknowledgement by the board that it is responsible for the company's system of internal control and for reviewing its effectiveness;	C	
	– the process that the company has applied in reviewing the effectiveness of the system of internal control; and	C	
	– the process that the company has applied to deal with material internal control aspects of any significant problems disclosed in its annual reports and accounts.	C	
C.2.5	The company should ensure that their disclosures provide meaningful information and do not give a misleading impression.	C	• The Company aims to ensure disclosures provide meaningful information and do not give a misleading impression.
C.2.6	The company without an internal audit function should review the need for one on an annual basis and should disclose the outcome of such review in the company's Corporate Governance Report.	N/A	• Please refer to C.2 of Part I above for the details.
C.3	**AUDIT COMMITTEE** *Corporate Governance Principle* *The Board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors.*		
C.3.7	The terms of reference of the audit committee should also require the audit committee:		• The Company has issued an employee's handbook to its staff, which contains the mechanism for employees to raise any questions they may have to their department head and to the human resources and administration department for necessary action (whether these relate to their career development or any other grievances and complaints they may have). The Company considers such mechanisms to be sufficient to ensure that there is a channel for employees to have a direct communication with the management of the Company.
	– to review arrangements by which employees of the company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee should ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action; and	E	
	– to act as the key representative body for overseeing the company's relation with the external auditor.	C	

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
D.	**DELEGATION BY THE BOARD**		
D.1	**MANAGEMENT FUNCTIONS** *Corporate Governance Principle* *The Company should have a formal schedule of matters specifically reserved to the Board and those delegated to management.*		
D.1.3	The company should disclose the division of responsibility between the board and management to assist those affected by corporate decisions to better understand the respective accountabilities and contributions of the board and management.	C	• Please refer to the Management Structure Chart set out on page 148.
D.1.4	Directors should clearly understand delegation arrangements in place. To that end, the company should have formal letters of appointment for directors setting out the key terms and conditions relative to their appointment.	E	• It is not the Company's practice to have formal letters of appointment for its Directors. Nevertheless, Directors clearly understand their duties to the Company, to which they are collectively and individually responsible for. In addition, part of these duties relate to fiduciary duties, duties of skill, care and diligence established under common law over a long period of time, and it is not feasible to attempt to formulate these comprehensively in writing. To have a formal letter of appointment may also lead to inflexibility.
D.2	**BOARD COMMITTEES** *Corporate Governance Principle* *Board Committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.*		
There is no recommended best practice under Section D.2 in the Code on CG Practices.			
E.	**COMMUNICATION WITH SHAREHOLDERS**		
E.1	**EFFECTIVE COMMUNICATION** *Corporate Governance Principle* *The Board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.*		
There is no recommended best practice under Section E.1 in the Code on CG Practices.			
E.2	**VOTING BY POLL** *Corporate Governance Principle* *The Company should ensure that shareholders are familiar with the detailed procedures for conducting a poll.*		
There is no recommended best practice under Section E.2 in the Code on CG Practices.			

MANAGEMENT STRUCTURE CHART

Board of Directors

Executive Directors:

LI Tzar Kuoi, Victor (Chairman)
FOK Kin Ning, Canning (Deputy Chairman)
CHOW WOO Mo Fong, Susan *
Frank John SIXT
TSO Kai Sum
KAM Hing Lam (Group Managing Director)
IP Tak Chuen, Edmond (Deputy Chairman)
Andrew John HUNTER (Deputy Managing Director)
CHAN Loi Shun (Chief Financial Officer) **

Independent Non-executive Directors:

CHEONG Ying Chew, Henry
KWOK Eva Lee
SNG Sow-mei alias POON Sow Mei
Colin Stevens RUSSEL
LAN Hong Tsung, David

Alternate Directors:

MAN Ka Keung, Simon (alternate to IP Tak Chuen, Edmond)
Eirene YEUNG (alternate to KAM Hing Lam)

Non-executive Directors:

LEE Pui Ling, Angelina
Barrie COOK
George Colin MAGNUS

* *also alternate to FOK Kin Ning, Canning and Frank John SIXT*
** *appointed on 1st January, 2011*

Audit Committee

Colin Stevens RUSSEL (Chairman)
CHEONG Ying Chew, Henry
KWOK Eva Lee
SNG Sow-mei alias POON Sow Mei
LAN Hong Tsung, David

Remuneration Committee

LI Tzar Kuoi, Victor (Chairman)
Colin Stevens RUSSEL
CHEONG Ying Chew, Henry

Executive Committee

LI Tzar Kuoi, Victor (Chairman)
KAM Hing Lam
IP Tak Chuen, Edmond
Andrew John HUNTER
CHAN Loi Shun
CHAN Kee Ham, Ivan
LEUNG Ying Wah, Lambert
LUN Pak Lam
CHEN Tsien Hua, Joanna
LUK Sai Hong, Victor
TONG BARNES Wai Che, Wendy

Chairman

LI Tzar Kuoi, Victor

Group Managing Director

KAM Hing Lam

Corporate Office

Corporate Legal
Corporate Affairs
Company Secretarial
Planning & Investment
Internal Audit
Human Resources & Administration
Information Technology

International Operation

China Infrastructure

Infrastructure Materials Division

Business Development

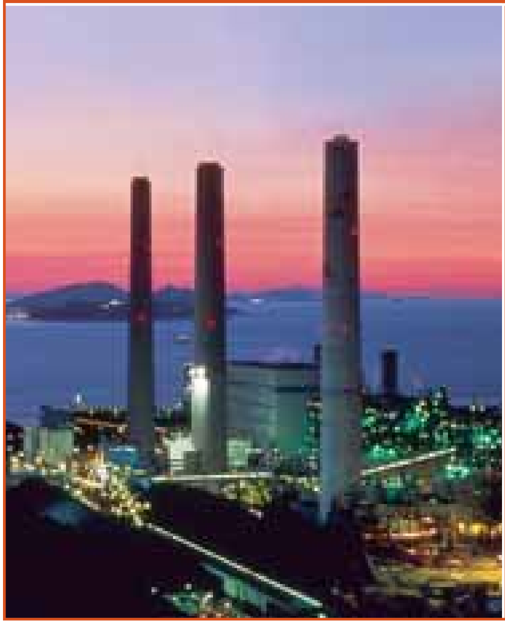
Finance & Accounting

PROJECT PROFILES

2010

PROJECT PROFILES

INVESTMENT IN POWER ASSETS*



POWER ASSETS HOLDINGS LIMITED HONG KONG

Power Assets Holdings Limited is a global investor in power and utility-related businesses with investments in electricity generation, transmission and distribution, renewable energy and gas distribution

HK OPERATIONS

Business	Supplies electricity to Hong Kong Island and Lamma Island
Installed capacity	3,736 MW
Consumer coverage	566,000 customers

OPERATIONS OUTSIDE HK

Business	Power Assets has also established a strong global presence with investments in the United Kingdom, Australia, New Zealand, Mainland China, Canada and Thailand, bringing sustainable energy and lighting up the lives of millions around the world.
CKI's shareholding	38.87%

* *Formerly known as Hongkong Electric Holdings Limited*

INFRASTRUCTURE INVESTMENT IN UNITED KINGDOM

UK POWER NETWORKS HOLDINGS LIMITED THE UNITED KINGDOM

Business	One of UK's largest power distributors comprises three regional networks with a distribution area that covers London, South East England and the East of England; and non-regulated business comprising commercial contracts to distribute electricity to a number of privately owned sites
Network length	Underground – 134,767 km Overhead – 47,391 km
Consumer coverage	Approximately 8 million customers
CKI's shareholding	40% (another 40% held by Power Assets)

NORTHERN GAS NETWORKS LIMITED THE UNITED KINGDOM

Business	One of the eight major gas distribution networks in the United Kingdom
Natural gas distribution network	37,000 km
Consumer coverage	Over 2.6 million customers
CKI's shareholding	47.1% (another 41.3% held by Power Assets)

SEABANK POWER LIMITED
BRISTOL, THE UNITED KINGDOM

Business	Owns and operates Seabank Power Station in Bristol. The electricity is sold under long-term contracts to SSE Energy Supply Ltd.
Generating Capacity	Approximately 1,140 MW
CKI's shareholding	25% (another 25% held by Power Assets)

CAMBRIDGE WATER PLC
CAMBRIDGESHIRE, THE UNITED KINGDOM

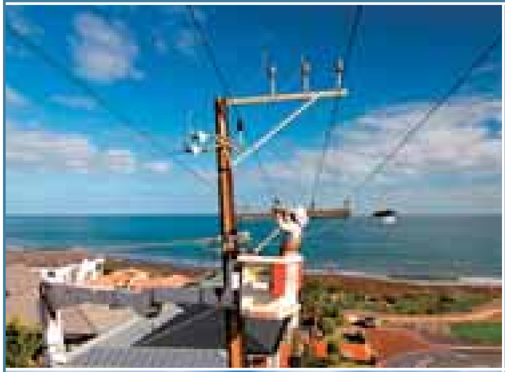
Business	Supplies fresh water to an area of 453 sq miles in South Cambridgeshire
Water distribution system	7 service reservoirs, 10 water towers and 2,200 km of water mains
Consumer coverage	Serves a total population of 300,000
CKI's shareholding	100%

SOUTHERN WATER
THE UNITED KINGDOM

Business	Supplies water and waste water services to the South of England
Length of mains/sewers	Water mains – 13,700 km Length of sewers – 21,700 km
Consumer coverage	Served population: Water – 2.3 million Sewerage – 4.3 million
CKI's shareholding	4.75%

INFRASTRUCTURE INVESTMENT IN

AUSTRALIA



ETSA UTILITIES
SOUTH AUSTRALIA, AUSTRALIA

Business	Primary electricity distribution business for the state of South Australia
Electricity distribution network	More than 87,000 km
Consumer coverage	More than 820,000 customers
CKI's shareholding	23.07% (another 27.93% held by Power Assets)

POWERCOR AUSTRALIA LIMITED
VICTORIA, AUSTRALIA

Business	Operates a major electricity distribution network, covering an area of 150,000 sq km in the state of Victoria
Electricity distribution network	82,653 km
Consumer coverage	Approximately 700,000 customers
CKI's shareholding	23.07% (another 27.93% held by Power Assets)

CITIPOWER I PTY LTD.
VICTORIA, AUSTRALIA

Business	Operates the electricity distribution network in the CBD and inner suburban areas of Melbourne, Victoria
Electricity distribution network	6,445 km
Consumer coverage	More than 310,000 customers
CKI's shareholding	23.07% (another 27.93% held by Power Assets)

ENVESTRA LIMITED
AUSTRALIA

Business	One of Australia's largest distributors of natural gas
Natural gas distribution network	21,000 km
Consumer coverage	Over 1 million customers
CKI's shareholding	19.26%

SPARK INFRASTRUCTURE GROUP AUSTRALIA	
Business	An infrastructure fund listed in Australia with seed assets being a 49% stake in each of ETSA Utilities, Powercor and CitiPower
Manager	CKI owns 50% interest in the management company
CKI's shareholding	8.5%

AQUATOWER PTY LIMITED VICTORIA, AUSTRALIA	
Business	AquaTower has the exclusive rights until 2027 to provide potable water to four towns in Victoria
Consumer coverage	Serves a total population of 25,000
CKI's shareholding	49%

INFRASTRUCTURE INVESTMENT IN

NEW ZEALAND

WELLINGTON ELECTRICITY LINES LIMITED WELLINGTON, NEW ZEALAND	
Business	Operates the electricity distribution network in New Zealand's capital city, Wellington, and the surrounding greater Wellington area
Electricity distribution network	4,592 km
Consumer coverage	About 160,000 customers
CKI's shareholding	50% (another 50% held by Power Assets)

INFRASTRUCTURE INVESTMENT IN
CANADA

STANLEY POWER INC.
CANADA

Business	Owns 49.99% share of TransAlta Cogeneration, L.P. which operates power plants in the provinces of Ontario, Alberta and Saskatchewan in Canada
Generation capacity	Six power plants with total gross capacity of 1,362 MW
CKI's shareholding	50% (another 50% held by Power Assets)

INFRASTRUCTURE INVESTMENT IN
CHINA

CHANGSHA WUJIALING AND WUYILU BRIDGES
HUNAN, CHINA

Location	Changsha, Hunan Province
Road type	Bridge
Length	5 km
No. of lanes	Dual two-lane
Joint venture contract date	1997
Joint venture expiry date	2022
Total project cost	HK$465 million
CKI's investment	HK$206 million
CKI's interest in JV	44.2%

JIANGMEN CHAOLIAN BRIDGE
GUANGDONG, CHINA

Location	Jiangmen, Guangdong Province
Road type	Bridge
Length	2 km
No. of lanes	Dual two-lane
Joint venture contract date	1997
Joint venture expiry date	2027
Total project cost	HK$130 million
CKI's investment	HK$65 million
CKI's interest in JV	50%

JIANGMEN JIANGSHA HIGHWAY
GUANGDONG, CHINA

Location	Jiangmen, Guangdong Province
Road type	Class 1 highway
Length	21 km
No. of lanes	Dual two-lane
Joint venture contract date	1996
Joint venture expiry date	2026
Total project cost	HK$207 million
CKI's investment	HK$103 million
CKI's interest in JV	50%

NATIONAL HIGHWAY 107 (ZHUMADIAN SECTIONS) HENAN, CHINA

Location	Zhumadian, Henan Province
Road type	Class 2 highway
Length	114 km
No. of lanes	Dual two-lane
Joint venture contract date	1997
Joint venture expiry date	2024
Total project cost	HK$461 million
CKI's investment	HK$304 million
CKI's interest in JV	66%

PANYU BEIDOU BRIDGE GUANGDONG, CHINA

Location	Panyu, Guangdong Province
Road type	Bridge
Length	3 km
No. of lanes	Dual three-lane
Joint venture contract date	1999
Joint venture expiry date	2024
Total project cost	HK$164 million
CKI's investment	HK$66 million
CKI's interest in JV	40%

SHANTOU BAY BRIDGE GUANGDONG, CHINA

Location	Shantou, Guangdong Province
Road type	Bridge
Length	6 km
No. of lanes	Dual three-lane
Joint venture contract date	1993
Joint venture expiry date	2028
Total project cost	HK$665 million
CKI's investment	HK$200 million
CKI's interest in JV	30%

SHEN-SHAN HIGHWAY (EASTERN SECTION) GUANGDONG, CHINA

Location	Lufeng/Shantou, Guangdong Province
Road type	Expressway
Length	140 km
No. of lanes	Dual two-lane
Joint venture contract date	1993
Joint venture expiry date	2028
Total project cost	HK$2,619 million
CKI's investment	HK$877 million
CKI's interest in JV	33.5%

TANGSHAN TANGLE ROAD HEBEI, CHINA

Location	Tangshan, Hebei Province
Road type	Class 2 highway
Length	100 km
No. of lanes	Dual one-lane
Joint venture contract date	1997
Joint venture expiry date	2019
Total project cost	HK$187 million
CKI's investment	HK$95 million
CKI's interest in JV	51%

INVESTMENT IN
INFRASTRUCTURE RELATED BUSINESS

ALLIANCE CONSTRUCTION MATERIALS LIMITED
HONG KONG

CONCRETE DIVISION

Business	Hong Kong's largest concrete producer
Total capacity	4 million cubic meters per annum
CKI's interest	50%

QUARRY DIVISION

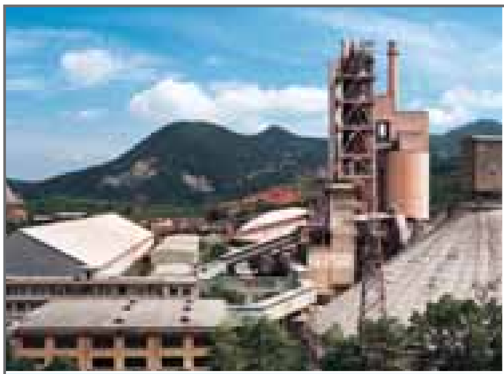
Business	2 quarries in Hong Kong, 3 quarries in Mainland China
Total capacity (aggregates)	4 million tonnes per annum
CKI's interest	50%

ANDERSON ASPHALT
HONG KONG

Business	One of Hong Kong's largest asphalt producers, pavement contractors and recyclers
Total capacity	Asphalt – 1 million tonnes per annum Recycling – 0.5 million tonnes per annum
CKI's interest	100%

GREEN ISLAND CEMENT
HONG KONG

Business	Only integrated cement producer in Hong Kong with about 55% market share
Total capacity	Clinker – 1.5 million tonnes per annum Cement grinding – 2.5 million tonnes per annum
CKI's interest	100%

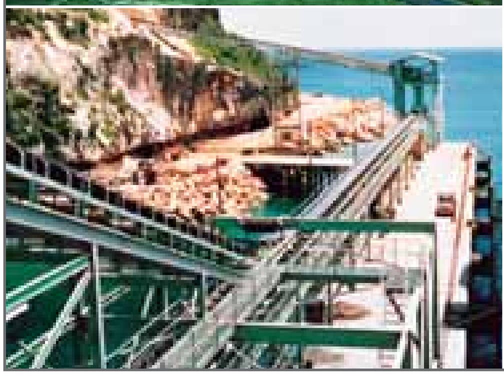


GUANGDONG GITIC GREEN ISLAND CEMENT CO. LTD.
GUANGDONG, CHINA

Location	Yunfu, Guangdong Province
Business	Cement production
Total capacity	Clinker – 0.8 million tonnes per annum Cement grinding – 1.5 million tonnes per annum
CKI's interest	67%

GREEN ISLAND CEMENT (YUNFU) COMPANY LIMITED
GUANGDONG, CHINA

Location	Yunfu, Guangdong Province
Cement production capacity	1.5 million tonnes per annum
Operational status	Under construction, operation commencing 2012
Estimated project cost	HK$700 million
CKI's interest	100%



SIQUIJOR LIMESTONE QUARRY
PHILIPPINES

Location	Siquijor, Philippines
Business	Limestone quarry
Total capacity	2 million tonnes per annum
CKI's interest	40%

CORPORATE INFORMATION AND KEY DATES

DIRECTORS

Executive Directors

LI Tzar Kuoi, Victor (Chairman)

FOK Kin Ning, Canning (Deputy Chairman)
CHOW WOO Mo Fong, Susan*
Frank John SIXT
TSO Kai Sum

KAM Hing Lam (Group Managing Director)
IP Tak Chuen, Edmond (Deputy Chairman)
Andrew John HUNTER (Deputy Managing Director)
CHAN Loi Shun (Chief Financial Officer)

* also alternate to FOK Kin Ning, Canning and Frank John SIXT

Independent Non-executive Directors

CHEONG Ying Chew, Henry
KWOK Eva Lee
SNG Sow-mei alias POON Sow Mei
Colin Stevens RUSSEL
LAN Hong Tsung, David

Alternate Directors

MAN Ka Keung, Simon
(alternate to IP Tak Chuen, Edmond)
Eirene YEUNG
(alternate to KAM Hing Lam)

Non-executive Directors

LEE Pui Ling, Angelina
Barrie COOK
George Colin MAGNUS

AUDIT COMMITTEE

Colin Stevens RUSSEL (Chairman)
CHEONG Ying Chew, Henry
KWOK Eva Lee
SNG Sow-mei alias POON Sow Mei
LAN Hong Tsung, David

REMUNERATION COMMITTEE

LI Tzar Kuoi, Victor (Chairman)
Colin Stevens RUSSEL
CHEONG Ying Chew, Henry

COMPANY SECRETARY

Eirene YEUNG

AUTHORISED REPRESENTATIVES

IP Tak Chuen, Edmond
Eirene YEUNG

PRINCIPAL BANKERS

Australia and New Zealand Banking Group Limited
Bank of China Limited
Bank of Nova Scotia
Barclays Bank PLC
Deutsche Bank AG
Credit Agricole Corporate and Investment Bank
The Hongkong and Shanghai Banking Corporation Limited
The Royal Bank of Scotland plc

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Woo, Kwan, Lee & Lo

REGISTERED OFFICE

Clarendon House, Church Street,
Hamilton HM11, Bermuda

PRINCIPAL PLACE OF BUSINESS

12th Floor, Cheung Kong Center,
2 Queen's Road Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited,
Rosebank Centre,
11 Bermudiana Road,
Pembroke HM08,
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited,
Rooms 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Hong Kong

STOCK CODES

Stock Exchange of Hong Kong: 1038
Bloomberg: 1038 HK
Reuters: 1038.HK

WEBSITE

www.cki.com.hk

INVESTOR RELATIONS

For further information about Cheung Kong Infrastructure Holdings Limited, please contact:

Ivan CHAN

Cheung Kong Infrastructure Holdings Limited
12th Floor, Cheung Kong Center,
2 Queen's Road Central, Hong Kong
Telephone: (852) 2122 3986
Facsimile: (852) 2501 4550
Email: contact@cki.com.hk

KEY DATES

Annual Results Announcement	2nd March, 2011
Closure of Register of Members	11th May, 2011 to 18th May, 2011 *(both days inclusive)*
Annual General Meeting	18th May, 2011
Record Date for Final Dividend	18th May, 2011
Payment of Final Dividend	20th May, 2011

This annual report 2010 ("Annual Report") is available in both English and Chinese versions. Shareholders who have received either the English or the Chinese version of the Annual Report may request a copy in the other language by writing to the Company c/o the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong or by email to cki.ecom@computershare.com.hk.

The Annual Report (both English and Chinese versions) has been posted on the Company's website at www.cki.com.hk. Shareholders who have chosen (or are deemed to have consented) to read the Company's corporate communications (including but not limited to the Annual Report) published on the Company's website in place of receiving printed copies thereof may request the printed copy of the Annual Report in writing to the Company c/o the Company's Branch Share Registrar or by email to cki.ecom@computershare.com.hk.

Shareholders who have chosen (or are deemed to have consented) to receive the corporate communications using electronic means through the Company's website and who for any reason have difficulty in receiving or gaining access to the Annual Report posted on the Company's website will upon request in writing to the Company c/o the Company's Branch Share Registrar or by email to cki.ecom@computershare.com.hk promptly be sent the Annual Report in printed form free of charge.

Shareholders may at any time choose to change your choice as to the means of receipt (i.e. in printed form or by electronic means through the Company's website) and/or the language of the Company's corporate communications by reasonable prior notice in writing to the Company c/o the Company's Branch Share Registrar or sending a notice to cki.ecom@computershare.com.hk.

CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED

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