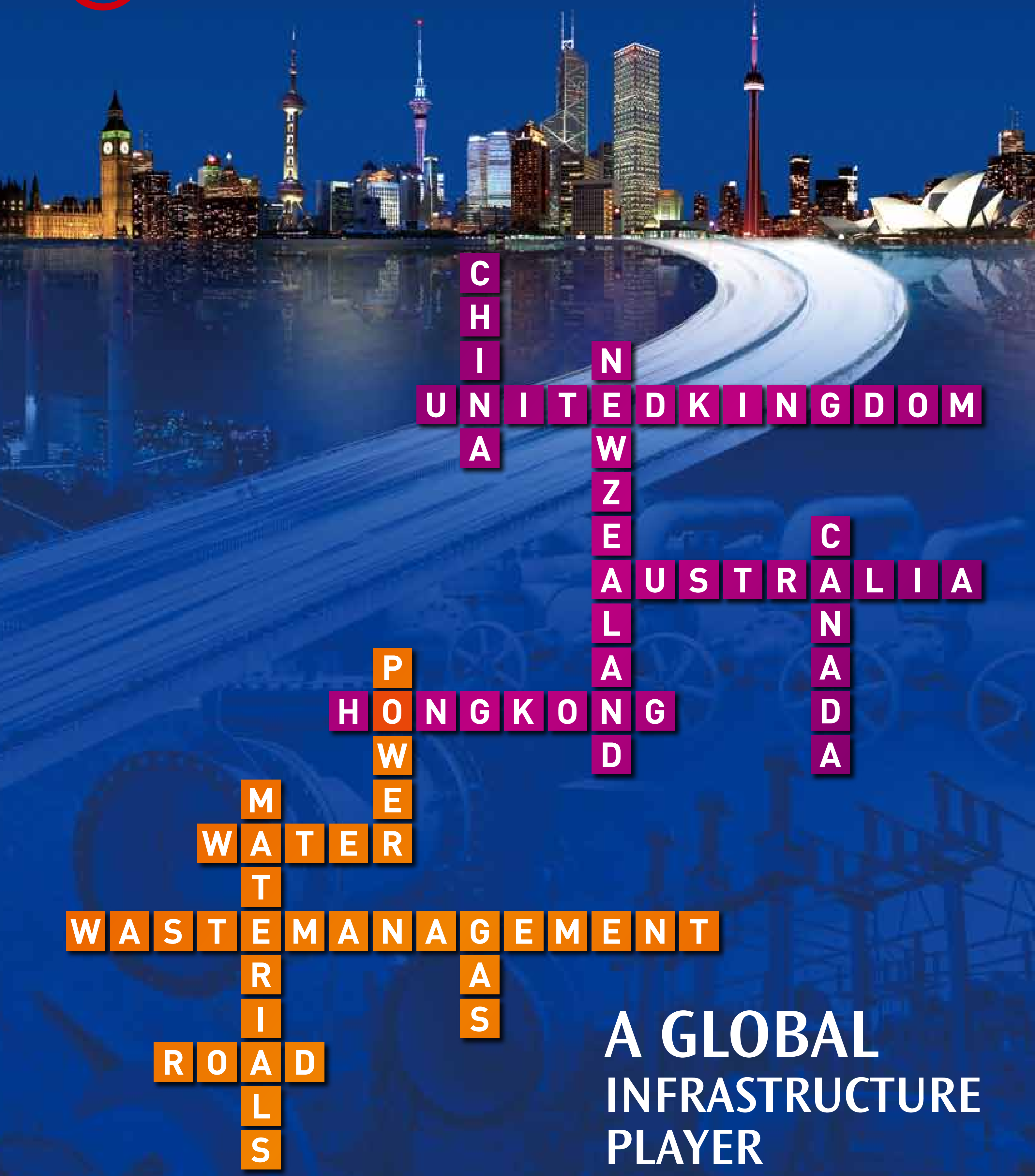
CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 1038)



A GLOBAL INFRASTRUCTURE PLAYER

Annual Report 2012

A Global Infrastructure Player

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

The Year at a Glance

Profit attributable to shareholders (HK$ million)	Earnings per share (HK$)	Dividends per share (HK$)
9,427	3.93	1.66

CONTENTS

TEN-YEAR FINANCIAL SUMMARY

Consolidated Income Statement Summary

for the year ended 31st December

HK$ million	**2012**	2011	2010	2009	2008	2007	2006	2005	2004	2003
Group turnover	**4,105**	3,493	2,814	2,184	2,445	1,865	1,822	2,247	2,507	2,468
Share of turnover of jointly controlled entities	**1,644**	1,532	1,337	1,870	5,041	4,024	2,977	2,503	1,953	1,841
Profit attributable to shareholders	**9,427**	7,745	5,028	5,568	4,423	4,772	3,670	6,007	3,523	3,271
Dividends										
Interim dividend paid	**976**	854	744	724	670	609	564	541	496	485
Proposed final dividend	**3,074**	2,724	2,254	1,983	1,889	1,871	1,690	1,596	1,285	1,127
	4,050	3,578	2,998	2,707	2,559	2,480	2,254	2,137	1,781	1,612

Consolidated Statement of Financial Position Summary

as at 31st December

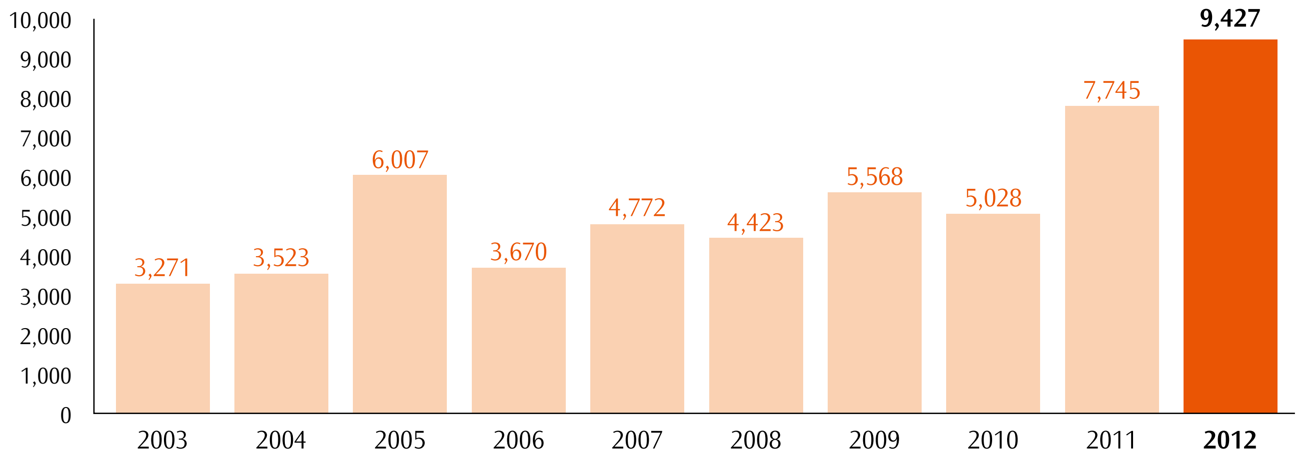
HK$ million	**2012**	2011	2010	2009	2008	2007	2006	2005	2004	2003
Property, plant and equipment	**1,477**	845	1,276	1,320	1,185	1,413	1,292	1,245	2,247	1,804
Investment properties	**238**	206	186	174	164	160	130	59	–	–
Interests in associates	**71,337**	62,504	50,573	33,259	29,067	30,389	29,382	26,911	25,261	23,334
Interests in jointly controlled entities	**1,078**	942	707	603	3,361	3,176	4,238	4,337	4,801	4,836
Interests in infrastructure project investments	**–**	–	–	–	477	377	490	579	1,855	1,948
Investments in securities	**6,199**	5,197	4,824	4,459	2,597	4,187	3,064	2,092	1,188	2,091
Derivative financial instruments	**–**	158	209	–	624	55	38	447	–	–
Goodwill	**–**	–	151	158	143	209	205	175	257	–
Pledged bank deposit	**–**	–	–	–	1,113	–	–	–	–	–
Deferred tax assets	**22**	15	9	7	11	5	–	–	–	–
Other non-current assets	**–**	–	29	1	–	19	13	9	14	36
Current assets	**8,191**	6,956	6,296	11,798	6,267	9,452	8,770	8,701	10,070	8,077
Total assets	**88,542**	76,823	64,260	51,779	45,009	49,442	47,622	44,555	45,693	42,126
Current liabilities	**(3,291)**	(13,527)	(3,058)	(3,172)	(2,887)	(4,802)	(5,648)	(1,221)	(1,314)	(2,009)
Non-current liabilities	**(11,870)**	(3,524)	(7,515)	(6,320)	(5,392)	(5,183)	(6,109)	(9,798)	(13,399)	(11,230)
Total liabilities	**(15,161)**	(17,051)	(10,573)	(9,492)	(8,279)	(9,985)	(11,757)	(11,019)	(14,713)	(13,239)
Perpetual capital securities	**(10,329)**	(7,933)	(7,933)	–	–	–	–	–	–	–
Non-controlling interests	**(89)**	(95)	(81)	(72)	(55)	(48)	(41)	(38)	(206)	(209)
Equity attributable to shareholders	**62,963**	51,744	45,673	42,215	36,675	39,409	35,824	33,498	30,774	28,678

Per Share Data

HK$	**2012**	2011	2010	2009	2008	2007	2006	2005	2004	2003
Earnings per share	**3.93**	3.38	2.23	2.47	1.96	2.12	1.63	2.66	1.56	1.45
Dividends per share	**1.660**	1.530	1.330	1.201	1.135	1.100	1.000	0.948	0.790	0.715
Shareholders' equity – net book value per share	**25.81**	22.13	20.26	18.73	16.27	17.48	15.89	14.86	13.65	12.72

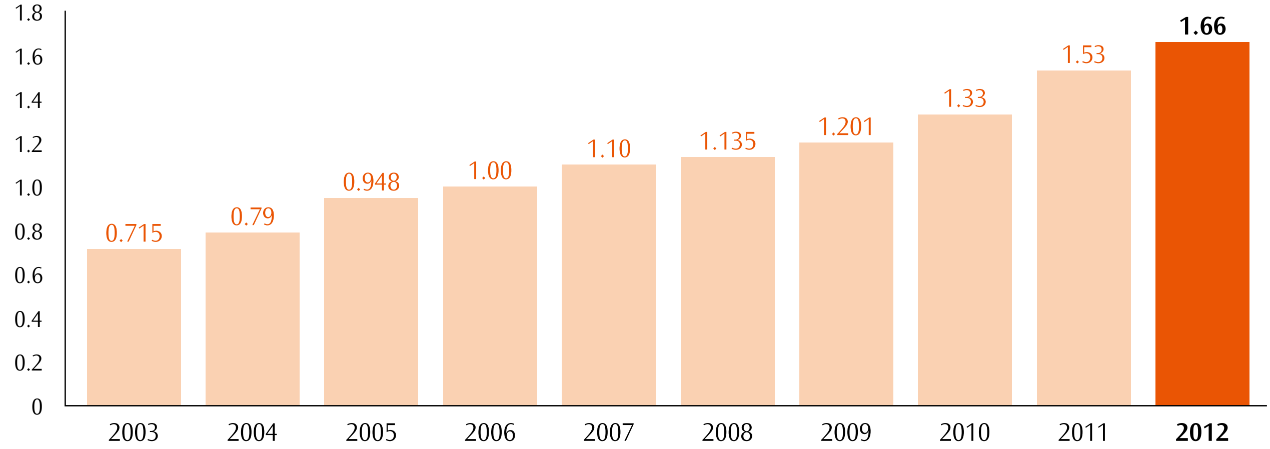
Profit Attributable to Shareholders

(HK$ million)



Dividends Per Share

(HK$)



CHAIRMAN'S LETTER

OPERATIONS ON BUDGET 5% GEARING RECORD PROFIT PERFORMANCE

	Year ended 31st December, 2012 HK$ million	Year ended 31st December, 2011 HK$ million	Variance
Profit attributable to shareholders	**9,427**	7,745	+22%
Dividends per share	**HK$1.66**	HK$1.53	+8.5%

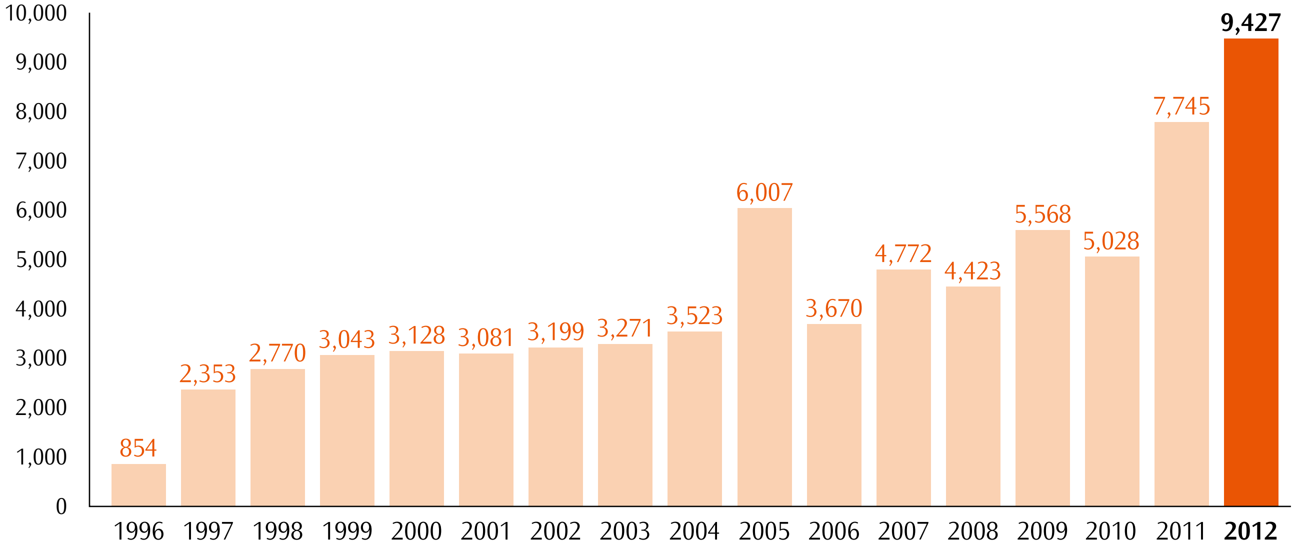
I am pleased to announce that for the year ended 31st December, 2012, Cheung Kong Infrastructure Holdings Limited ("CKI" or the "Group") reported profit attributable to shareholders of HK$9,427 million, an increase of 22% over last year. This marks a record high profit performance for CKI since its listing in 1996.

SIGNIFICANT GROWTH IN LAST DECADE

CKI achieved significant growth in the past decade, with profit attributable to shareholders nearly tripling over the last ten years, and almost doubling over the last 5 years, a reflection of the excellent performance of the Group's established businesses.

Profit Attributable to Shareholders Since Listing

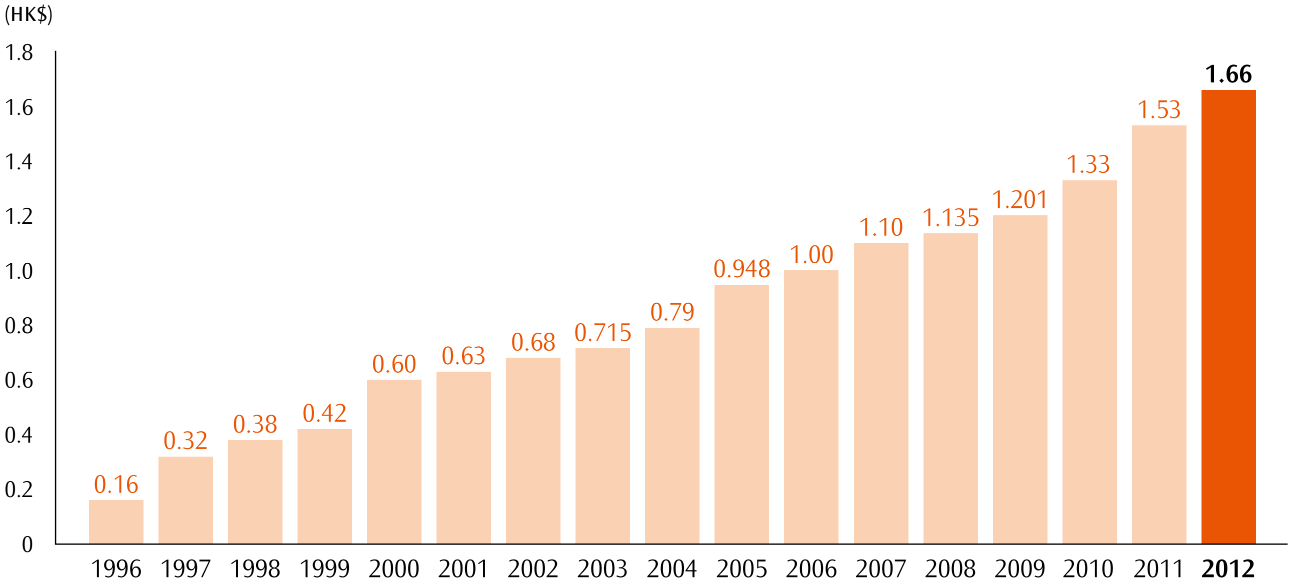
(HK$ million)



16TH CONSECUTIVE YEAR OF DIVIDEND GROWTH

The Board of Directors of CKI (the "Board") has recommended a final dividend of HK$1.26 per share. Together with the interim dividend of HK$0.40 per share, this will bring the total dividend for the year to HK$1.66 per share, an 8.5% increase over the previous year. This represents the 16th consecutive year of dividend growth since the listing of CKI. The proposed dividend will be paid on 5th June, 2013 following approval at the 2013 Annual General Meeting to those shareholders whose names appear on the Register of Members of the Company at the close of business on 24th May, 2013.

Dividends Per Share Since Listing



SOLID GLOBAL INFRASTRUCTURE PORTFOLIO

CKI's portfolio of infrastructure businesses has generated solid returns for the Group in 2012.

The two main drivers of the Group's profit contribution growth during the year were UK Power Networks and Northumbrian Water – these two sizeable businesses were acquired in 2010 and 2011 respectively.

The performance from Power Assets, as well as the Group's businesses in Australia, Mainland China, Canada, New Zealand and the infrastructure materials division were all in line with or ahead of their budgets, despite some businesses reporting profit increases and some declines as compared with 2011 results.

Notable Performance from UK Portfolio

The profit contribution from businesses in the United Kingdom was HK$5,485 million, representing a growth of 47% as compared to last year.

UK Power Networks, which is CKI's largest investment overseas, continued to deliver good returns. The profit contribution from this business was HK$3,534 million, an increase of 24% over last year.

2012 marked the first full year of profit contribution from Northumbrian Water. Its contribution of HK$1,153 million for the year fully met our forecast.

Northern Gas Networks reported good results, generating profit contribution of HK$794 million, an increase of 26% over last year.

Seabank Power also saw growth in profit contribution, reaching HK$131 million from HK$81 million in 2011.

In October 2012, the CKI-led consortium completed the acquisition of Wales & West Utilities. The two months of performance reported by this business since the completion was satisfactory and in line with CKI's acquisition model. However, due to a non-cash mark-to-market impact on derivative instruments arising from the inherited financing structure, CKI reported an accounting loss of HK$117 million for Wales & West Utilities.

Power Assets Achieved Good Results

Profit contribution from CKI's 38.87% stake in the listed Power Assets was HK$3,757 million, an increase of 7% over 2011's HK$3,503 million.

2012 marks the highest profit that Power Assets has achieved in its history. During the year, the company recorded a profit of HK$9,729 million, of which approximately 53% were generated from overseas investments, and 47% from Hong Kong.

Profit from operations outside of Hong Kong had increased from HK$4,563 million in 2011 to HK$5,108 million in 2012, an increase of 12%.

Meanwhile, profit from Hong Kong was HK$4,621 million, a 2% increase from last year.

Steady Contribution from Australian Investments

The profit contribution from the Group's Australian portfolio was HK$1,146 million as compared to last year's HK$1,306 million. This represents a 12% reduction which was primarily due to a one-off gain generated from the Group's disposal of its interest in the Manager of Spark Infrastructure in 2011.

Performance of the two regulated businesses – SA Power Networks (formerly ETSA Utilities) and Victoria Power Networks (formerly CHEDHA) – was in line with budget. Profit contribution from these two Australian investments was HK$965 million, a slight increase compared to the previous year.

Cash distribution received from the investments in the two listed securities – Spark Infrastructure and Envestra – was HK$215 million (2011: HK$217 million). Out of the cash received, HK$32 million was reported as repayment of loan principal portion of the stapled securities of Spark Infrastructure (2011: HK$11 million); and HK$183 million was recorded as profit contribution from these two investments (2011: HK$206 million).

Stable Returns from Other Businesses

CKI's other businesses – including those in Mainland China, Canada, New Zealand and its materials business – have provided stable returns during the year under review.

The profit contribution from the Mainland China portfolio was HK$395 million, a 4% increase over last year. The Group's toll road portfolio reported satisfactory operating performance and provided stable cash returns to CKI.

The contribution from Canada was HK$113 million, a 28% decline over last year. This was due to one-off tax and depreciation adjustments. On a like-for-like basis, 6% growth would have been recorded.

In New Zealand, Wellington Electricity reported HK$59 million profit contribution, with operational performance in line with budget. The profit contribution's 19% decline from last year's results is mainly attributed to higher finance costs and lower interest deductibility in 2012.

The Group's materials business delivered profit contribution of HK$324 million, an increase of 15% over last year. Sales volume and pricing growth of infrastructure materials took place in Hong Kong as construction activities continued.

NEW ACQUISITIONS STRENGTHEN EARNINGS BASE

During the year, two new projects were added to CKI's portfolio.

The acquisition of Wales & West Utilities was completed in the last quarter of 2012. CKI holds a 30% interest in the business, with Power Assets and Cheung Kong (Holdings) Limited each holding a 30% stake, and Li Ka Shing Foundation Limited holding the remaining 10% stake. Together with Northern Gas Networks, which was acquired in 2005, the two gas distribution networks' service areas cover about 22% of the population of the United Kingdom.

In September 2012, CKI has committed to investing in a renewable energy power transmission link in Australia jointly with Power Assets on a 50/50 basis. Construction is scheduled to be completed by the end of 2013.

STRONG FINANCIAL PLATFORM

In tandem with the Group's ongoing acquisition strategy, CKI prudently manages its financial position. In 2012, three funding exercises were completed to strengthen the capital base of the Group.

In February 2012, US$300 million (approximately HK$2.3 billion) of funds were raised through the issuance of fixed rate callable perpetual securities via a fiduciary. In March 2012, a share placement exercise was completed, raising over HK$2.3 billion; and in August, another share placement exercise was completed with approximately HK$2.3 billion raised.

As at 31st December 2012, CKI had cash on hand of HK$6,980 million, and gearing remained low at a net debt to net total capital ratio of 5%. The Group is well-positioned to capture more acquisition opportunities.

CKI's credit rating of "A-" from Standard & Poor's has been maintained for 16 consecutive years since 1997.

SUBSEQUENT EVENT – ACQUISITION TRAIL CONTINUES IN 2013

In January 2013, CKI signed an agreement to acquire 100% of EnviroWaste for a cash consideration of NZ$490 million (approximately HK$3.18 billion).

EnviroWaste is a diversified, vertically integrated waste management business with national coverage across New Zealand. Completion is expected to take place in the second quarter of 2013. This acquisition marks CKI's expansion into the business of dedicated waste management infrastructure.

OUTLOOK

Since the Group's inception, we have adopted an effective set of strategies for continued growth:

(1) Growing existing businesses organically;
(2) Acquiring new businesses with good and stable returns; and
(3) Maintaining a solid balance sheet.

CKI has achieved another strong performance in 2012. Over the past few years, we have stepped up the pace of our acquisition strategy and benefitted from the opportunities presented in the uncertain global economic environment. Our earnings base has been expanded and profitability enhanced. Good organic growth has also been achieved. At the same time, prudent corporate finance initiatives have been undertaken to strengthen our balance sheet.

Looking ahead, we will continue to adhere to our three-pronged strategy to deliver growth to our shareholders. Though the economic climate going into 2013 remains uncertain, CKI is well-positioned to weather such conditions and to capitalise on any opportunities which may arise.

To conclude, I would like to thank the Board, management and staff for their continued efforts, as well as our shareholders for their support and trust.

LI TZAR KUOI, VICTOR
Chairman

Hong Kong, 7th March, 2013

GROUP MANAGING DIRECTOR'S REPORT

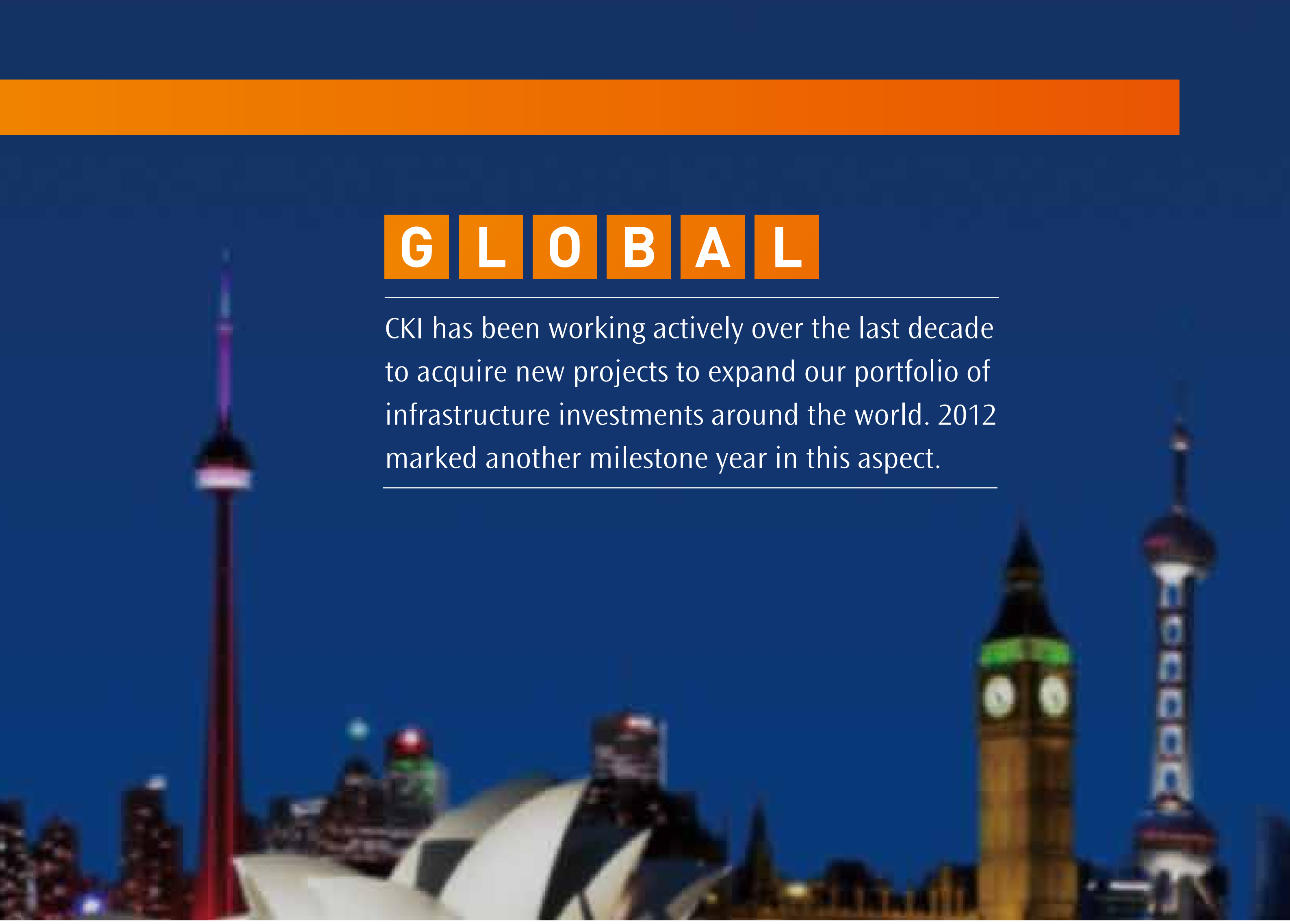
RECORD HIGH PERFORMANCE SINCE LISTING

In 2012, CKI achieved a record high performance with profit attributable to shareholders reaching HK$9,427 million. This represents a 22% increase over last year, and marks the highest profit performance reported since the Group's listing in 1996. This also reflects CKI's performance of nearly doubling over the last five years, almost tripling over the last ten years, and quadrupling over the last 15 years.

In addition, CKI's dividend hit a record high in 2012. CKI may be one of very few companies which have increased its dividend every year for 16 consecutive years since listing.

PROFITABLE GROWTH THROUGH ACQUISITION

Fuelling this growth is CKI's strategy to acquire quality assets overseas. Through diversification and globalisation, CKI has expanded rapidly over the years and its portfolio now includes electricity generation, transmission and distribution, gas distribution, water treatment and distribution, waste management, toll roads and infrastructure materials in a number of major markets spanning Hong Kong, Mainland China, the United Kingdom, Australia, New Zealand and Canada.



GLOBAL

CKI has been working actively over the last decade to acquire new projects to expand our portfolio of infrastructure investments around the world. 2012 marked another milestone year in this aspect.

International Award

CKI was awarded "The DHL/SCMP Hong Kong Business Awards – International Award" in 2012. This is the second time that CKI has won this award; the first time being in 2004. Back then, CKI's profit contribution was HK$4,167 million. By 2012, this figure has risen to HK$11,279 million, a significant 171% increase.

New 2012 Acquisitions to Enhance Earnings

CKI has been working actively over the last decade to acquire new projects to expand our portfolio of infrastructure investments around the world. 2012 marked another milestone year in this aspect.

Wales & West Utilities

In October 2012, a consortium led by CKI completed the acquisition of Wales & West Utilities, a gas distribution network that serves a population of 7.5 million in Wales and the South West of England. The enterprise value of the transaction was about GBP1.957 billion. CKI holds a 30% stake in the business, with Power Assets and Cheung Kong (Holdings) Limited each holding a 30% interest respectively, and the Li Ka Shing Foundation Limited holding the remaining 10%.

Following the acquisition, CKI now has interests in two of the eight gas distribution networks in the United Kingdom, providing services to areas covering about 22% of the population in the country.

Renewable Energy Power Transmission Link

CKI announced in September 2012 that it was expanding into the renewable energy power transmission sector in Australia by investing A$33.6 million to build a power transmission link in Victoria jointly with Power Assets on a 50/50 basis. Construction is expected to be completed by the end of 2013.

Strong Acquisition Momentum Continues into 2013

CKI's acquisition momentum continued into 2013. In January, we expanded into the arena of waste management through the acquisition of EnviroWaste for a cash consideration of NZ$490 million. EnviroWaste is a diversified, vertically integrated waste management business with national coverage in New Zealand. Completion is expected to take place in the second quarter of 2013.

Other Recent Noteworthy Acquisitions

In the recent years, two acquisitions of project sizes amounting to over GBP10 billion together, have significantly enriched CKI's portfolio.

Northumbrian Water

In October 2011, CKI led a consortium to acquire Northumbrian Water, one of the ten regulated water and sewerage companies in England and Wales which had an enterprise value of about GBP4.8 billion. We now hold a 40% stake in the asset. Northumbrian Water supplies water to 4.5 million people in the North East and South East of England, and provides wastewater services to 2.7 million people in the North East of England.

UK Power Networks

A CKI led consortium acquired the GBP5.775 billion UK Power Networks in October 2010. CKI has a 40% stake in the asset. The remaining shareholdings are held by Power Assets and the Li Ka Shing Foundation whose shareholdings are 40% and 20% respectively.

UK Power Networks supplies electricity to over 8 million customers in London, South East England and East of England. It distributes approximately 30% of the total power demand in the country.

In 2012, UK Power Networks provided safe and reliable services during the 2012 London Olympic Games, and received widespread recognition from both the United Kingdom Government and the International Olympic Committee. During the year, UK Power Networks was awarded "Utility of the Year" and "Team of the Year" at the Utility Industry Achievement Awards in the United Kingdom.

A DIVERSIFIED PORTFOLIO OF GLOBAL QUALITY ASSETS

Our success in building up the Group as a global infrastructure player can be attributed to our ability to seek and pursue quality, secure, as well as profitable investments around the world. Since CKI's listing in 1996, we have amassed a global portfolio of infrastructure investments. These include:

- 6,238 MW of power plants in Hong Kong, the United Kingdom and Canada;
- 432 kilometres of electricity transmission network in Hong Kong and 21 kilometres of renewable energy power transmission link in Australia;
- electricity distribution networks serving (i) the entire state of South Australia and over 65% of the state of Victoria in Australia; (ii) Wellington, the capital of New Zealand; (iii) the whole of Hong Kong Island and Lamma Island; as well as (iv) approximately 30% of the total power demand in the United Kingdom;
- gas distribution with service areas covering about 22% of the population of the United Kingdom, and a stake in one of Australia's largest natural gas distribution companies;
- interests in 2 water companies providing water services to a population of around 6.9 million, and wastewater services to a population of approximately 7.1 million in the United Kingdom; as well as water supply services to 4 towns in the state of Victoria in Australia;
- about 400 kilometres of toll roads in Mainland China;
- infrastructure materials companies operating in 4 business categories namely cement, concrete, aggregates, and asphalt in Hong Kong and Mainland China;
- waste management services to approximately half a million commercial and residential sources via collection service, landfills and transfer stations throughout New Zealand. Completion of the acquisition of EnviroWaste is expected to take place in the second quarter of 2013.

CKI's Investment Portfolio

	Hong Kong	Mainland China	United Kingdom	Australia	New Zealand	Canada
Electricity Generation	✓		✓			✓
Electricity Transmission	✓			✓		
Electricity Distribution	✓		✓	✓	✓	
Gas Distribution			✓	✓		
Water Services/ Wastewater Services			✓	✓		
Toll Roads		✓				
Infrastructure Materials	✓	✓				
Waste Management*					✓	

* Completion of the acquisition of EnviroWaste is expected to take place in the second quarter of 2013.

SUCCESSFUL ACQUISITON STRATEGY FUELS LONG-TERM GROWTH

CKI's acquisition strategy has produced outstanding results in the past. The future continues to look promising for CKI which has achieved a good growth record in the past 16 years.

Looking forward, we will continue to nurture the development of our existing businesses to maximise the performance of our global portfolio. At the same time, with a strong balance sheet, cash on hand of HK$6,980 million and a net debt to net total capital ratio of 5%, CKI is well-positioned to capitalise on any attractive acquisition opportunities that could arise.

By leveraging on our solid business foundation, sound fundamentals and management expertise, we will continue our growth momentum and expand our portfolios around the world to generate returns for our shareholders.

H L KAM
Group Managing Director

LONG TERM DEVELOPMENT STRATEGY

CKI has come a long way since its listing on the Hong Kong Stock Exchange in 1996. The Group has grown from a Greater China-focused company into an international infrastructure enterprise with diverse businesses across different sectors around the world.

Through globalisation and diversification, CKI's portfolio now spans Hong Kong, Mainland China, the United Kingdom, Australia, New Zealand and Canada. Currently, its operations include electricity generation, transmission and distribution, gas distribution, toll roads, water treatment and distribution, waste management, as well as infrastructure materials.

The Group has an effective set of strategies for continued growth and development:

1 To nurture organic growth from the Group's existing portfolio

CKI strives to nurture organic growth from its existing portfolio through prudent management. Synergies across the Group help it to learn from its experiences and implement global best practices across its investments. CKI's head office provides guidance and works hard with local management to best run local assets and capitalise on opportunities as they are more familiar with the local environment.

2 To expand the Group's portfolio by acquiring quality businesses with strong and recurrent returns

When studying a potential acquisition, CKI focuses on the fundamentals of the projects and prefers to be conservative on the approach. CKI does not hold a "must-win" mentality when approaching acquisitions. Its stringent investment criteria target only quality infrastructure projects around the world which provide immediate returns and stable recurring cash flows. The Group seeks investments in industries where it can capitalise on existing knowledge, and favours countries that are home to established legal systems and transparent regulatory regimes. This philosophy keeps CKI's portfolio safe and secure.

3 To maintain a strong balance sheet with steady cash flow and low gearing

A strong balance sheet provides a stable platform to support the Group's future growth. As at 31st December 2012, CKI had cash on hand of HK$6,980 million, and gearing remained low at a net debt to net total capital ratio of 5%. CKI enjoys a low cost of funding from maintaining a Standard & Poor's "A-" rating for 16 consecutive years since 1997. The Group aims to preserve this financial strength so that it can opportunistically pursue acquisitions.

BUSINESS REVIEW

Infrastructure Investment in UNITED KINGDOM

- UK Power Networks Holdings Limited
- Northumbrian Water Group Limited
- Northern Gas Networks Limited
- Wales & West Utilities Limited
- Seabank Power Limited
- Southern Water Services Limited

Infrastructure Investment in AUSTRALIA

- SA Power Networks
- Victoria Power Networks Pty Ltd
- Envestra Limited
- Spark Infrastructure Group
- Transmission Operations (Australia) Pty Ltd
- AquaTower Pty Ltd

Infrastructure Investment in NEW ZEALAND

- Wellington Electricity Lines Limited
- Enviro Waste Services Limited*

Infrastructure Investment in CANADA

- Stanley Power Inc.

Investment in POWER ASSETS

- Power Assets Holdings Limited

Infrastructure Investment in CHINA

- Shen-Shan Highway (Eastern Section)
- Shantou Bay Bridge
- Tangshan Tangle Road
- Changsha Wujialing and Wuyilu Bridges
- National Highway 107 (Zhumadian Sections)
- Jiangmen Chaolian Bridge
- Jiangmen Jiangsha Highway
- Panyu Beidou Bridge

Investment in INFRASTRUCTURE RELATED BUSINESS

- Alliance Construction Materials Limited
- Green Island Cement Company, Limited
- Anderson Asphalt Limited
- Green Island Cement (Yunfu) Company Limited
- Guangdong Gitic Green Island Cement Co. Ltd.
- Siquijor Limestone Quarry

* Completion of the acquisition is expected to take place in the second quarter of 2013

Infrastructure Investment in

NEW ZEALAND

Infrastructure Investment in

CANADA

Infrastructure Investment in

AUSTRALIA

Investment in

INFRASTRUCTURE RELATED BUSINESS

Infrastructure Investment in
CHINA

Investment in
POWER ASSETS

Infrastructure Investment in
UNITED KINGDOM

Investment in
POWER ASSETS

With a shareholding of 38.87%, CKI is the major shareholder of Power Assets. Driven by the performance of the global portfolio, Power Assets achieved satisfactory growth in 2012.

In 2012, Power Assets continued its growth momentum. Increases in both revenue and profit were reported, mainly attributable to the growth of its global portfolio.

For the year ended 31st December, 2012, Power Assets achieved profit growth of 7% to HK$9,729 million. Profits from operations outside of Hong Kong increased 12% to HK$5,108 million, representing 53% of Power Assets' total earnings for 2012. Hong Kong operations generated HK$4,621 million in profit, 2% higher than the year before.

OPERATIONS OUTSIDE OF HONG KONG

Power Assets' global portfolio encompasses investments in the United Kingdom, Australia, New Zealand, Canada, Mainland China and Thailand.

The investments in the United Kingdom achieved a strong performance in 2012, significantly contributing to Power Assets' overall profit growth. UK Power Networks has been crucial to the growth of the United Kingdom portfolio, with its financial performance bolstered by increased revenues and lower operating costs. UK Power Networks was also widely recognised for its successful and reliable delivery of power to the London Olympics.

Northern Gas Networks performed well in 2012, delivering increased throughput and improved customer service standards.

Profit growth was achieved by Seabank Power through enhanced operational efficiencies.

In October 2012, Power Assets expanded further into the United Kingdom's gas distribution market with the acquisition of a 30% stake in Wales & West Utilities, one of the eight major gas distribution networks in the United Kingdom.

The Australian businesses of Power Assets remained stable during the year under review. To reinforce its role as an electricity distributor, ETSA Utilities was rebranded as SA Power Networks. CitiPower and Powercor made stable contributions during the year and were recognised for their customer service efforts. In September 2012, Power Assets entered into Australia's renewable energy transmission business through a new joint venture, Transmission Operations Australia, in Victoria.

In Mainland China, Power Assets reported a decline in overall earnings and total units sold, mainly due to relatively low demand for the coal-fired generation. As compared with 2011, operations in Canada, Thailand and New Zealand delivered weaker performances.

HONG KONG OPERATIONS

Through its subsidiary, The Hongkong Electric Company, Limited ("HK Electric"), Power Assets generates, transmits and distributes electricity to more than 567,000 customers on Hong Kong Island and Lamma Island.

In 2012, performance of HK Electric remained satisfactory. Unit sales of electricity were slightly higher than in 2011.

HK Electric is committed to maintaining high efficiency and a world-class supply reliability. During the year, regular system upgrades have been conducted; generation, transmission and distribution equipment was subjected to advanced predictive and diagnostic maintenance; and leading-edge information technology control systems were put into place.

Continued progress was made by HK Electric in its efforts to use cleaner fuels and bring renewable energy to Hong Kong:

– The proportion of natural gas in HK Electric's fuel mix continues to be over 30%;

– A full-year wind measurement at the proposed offshore wind farm site at Southwest Lamma was completed in February 2013. The results will be incorporated in a feasibility study report to be submitted to the HKSAR Government; and

– The capacity of the solar power system at Lamma Power Station was nearly doubled to 934 kW.

Power Assets has been recognised by global institutions for its corporate social responsibility efforts, and has been included in the Dow Jones Sustainability Asia Pacific Index; it is also the first Hong Kong company in the Global 500 Carbon Disclosure Leadership Index.

■ Power Assets acquired a 30% stake in Wales & West Utilities in October 2012.

Photo by Brian Stratton

Infrastructure Investment in UNITED KINGDOM

CKI's investments in the United Kingdom span electricity, gas and water infrastructure businesses. In 2012, the Group's portfolio was fortified by the acquisition of Wales & West Utilities. Today, the infrastructure network of CKI distributes approximately 30% of the country's electricity, provides gas distribution service to an area which covers about 22% of the nation's population, as well as supplies water in the North East and South East of England.

UK POWER NETWORKS HOLDINGS LIMITED

CKI and Power Assets each own a 40% interest in UK Power Networks.

UK Power Networks owns, operates and manages three of the 14 regulated electricity distribution networks in the United Kingdom. The three licensed distribution networks, which total a length of approximately 186,000 kilometres, service London, the South East and the East of England. UK Power Networks is one of the largest electricity distribution network owners in the country, spanning a service area of approximately 30,000 square kilometres. Over eight million connected customers are powered by UK Power Networks. The company distributes approximately 30% of the total power demand in the country.

In addition to the three regulated networks, UK Power Networks operates a number of private networks on behalf of its clients, including the London Underground, the British Airports Authority, the Ministry of Defence and the London 2012 Olympic Park.

During the year under review, UK Power Networks continued to deliver a strong financial performance. Growth was achieved in revenue as well as profit contribution to CKI.

UK Power Networks played an important part in the success of the London 2012 Olympic and Paralympic Games. Reliable power supplies were provided by UK Power Networks throughout the Games in more than 30 game venues. The achievements of UK Power Networks during the Games were highly commended by the Prime Minister of the United Kingdom, the Mayor of London, the International Olympic Committee, as well as the national energy regulator Ofgem.

UK Power Networks continued with its planned programme of investments in its regulated networks business, investing nearly GBP600 million in 2012. The network performance showed continuous enhancements. In terms of Customer Interruptions and Customer Minutes Lost, UK Power Networks outperformed the targets set by Ofgem significantly.

In recognition of its achievements in the London 2012 Olympic and Paralympic Games and continuing improved performance, UK Power Networks was named “Utility of the Year”, designated for the best utility across the gas, water and electricity sector in the United Kingdom, at the 2012 Utility Industry Achievement Awards. In addition, the accomplishments of UK Power Networks in installing and managing the electricity network for the Olympic Park earned the company a separate accolade of “Team of the Year”.

NORTHUMBRIAN WATER GROUP LIMITED

CKI owns a 40% interest in Northumbrian Water.

Northumbrian Water is one of the ten regulated water and sewerage companies in England and Wales. With a network comprising about 25,500 kilometres of mains and about 29,700 kilometres of sewers, Northumbrian Water supplies drinking water to 4.5 million people in the North East and South East of England, as well as collects and treats wastewater from 2.7 million people in the North East.

In addition, Northumbrian Water operates Kielder Reservoir, the largest man-made reservoir in northern Europe, as well as owns a number of special purpose companies which are involved in long term water and wastewater contracts in Scotland, Ireland and Gibraltar.

Northumbrian Water provided its first full year profit contribution to CKI in 2012. The financial performance of its business is in line with expectations.

During the year, about GBP240 million was invested by Northumbrian Water in capital expenditure projects which were aimed at ensuring the continued provision of sustainable water and wastewater services.

■ UK Power Networks was named “Utility of the Year”.


■ Northumbrian Water provided its first full year profit contribution to CKI in 2012.

The second Advanced Anaerobic Digestion (AAD) plant of Northumbrian Water commenced operation at Howdon in the North East of England. With two AAD plants, Northumbrian Water is the first in the country to use over 99% of the treated sludge to produce renewable energy.

In 2012, Northumbrian Water was the only water company in the United Kingdom to be awarded the highest level of five stars in the "Recognised for Excellence" programme organised by the British Quality Foundation. Northumbrian Water also won a number of accolades honouring its outstanding performance in the areas of safety, sustainability and customer service.

NORTHERN GAS NETWORKS LIMITED

In conjunction with Power Assets, CKI has an 88.4% shareholding in Northern Gas Networks.

Northern Gas Networks operates, maintains, repairs and develops the North of England gas distribution network in the United Kingdom. It is one of the eight gas distribution networks in the country. With a network of 37,000 kilometres of gas distribution pipelines, the company's service area is approximately 25,000 square kilometres, covering a population of 6.7 million.

The overall financial performance of Northern Gas Networks was very strong in 2012, with good profit contribution growth to CKI recorded.

During the year, Northern Gas Networks invested around GBP35 million in capital expenditure projects, the primary focus of which was to reinforce and extend its network, as well as to improve the information technology infrastructure.

Northern Gas Networks was ranked by Ofgem as the most efficient gas distribution network in its benchmarking analysis of the 2011/12 regulatory year. This is the seventh consecutive year that Northern Gas Networks has received this recognition.

In the area of safety, Northern Gas Networks was again awarded the OHSAS 18001 Occupational Health & Safety Accreditation for the entire business. It is the only gas distribution network in the country which holds this standard along with the ISO 14001 Environment Accreditation.

The regulatory reset for gas distribution network operators was completed in 2012. This reset is poised to give considerable stability and predictability to the company for eight years, commencing in 2013. The result of the reset is challenging, but within management's expectations; the built-in incentives for outperforming regulatory targets could further drive the business performance in the future.

■ Northern Gas Networks was ranked by Ofgem as the most efficient gas distribution network.

WALES & WEST UTILITIES LIMITED

In October 2012, a consortium led by CKI completed the acquisition of 100% of Wales & West Utilities. The enterprise value of the transaction was approximately HK$24.265 billion (about GBP1.957 billion). CKI and Power Assets each hold a 30% stake in Wales & West Utilities.

Wales & West Utilities is one of the eight major gas distribution networks in the United Kingdom. The company has a service coverage area of 42,000 square kilometres, and provides service to a population of 7.5 million in Wales and the South West of England. The pipelines of Wales & West Utilities span a length of 35,000 kilometres.

Post-acquisition, the two months of operational performance reported by Wales & West Utilities was satisfactory and in line with CKI's expectations. However, due to a non-cash mark-to-market impact on derivative instruments arising from the inherited financing structure, CKI reported an accounting loss for Wales & West Utilities.

Wales & West Utilities is an award winning gas distribution network in the United Kingdom. The company was awarded the "Customer Services Awards" by the Institution of Gas Engineers and Managers for four consecutive years since 2009. It also won the "Supply Chain Award" for the second year as well as the "Customer Care Award" at the 2012 Utility Industry Achievement Awards.

As mentioned above, the regulatory reset for gas distribution network operators was completed in 2012. In common with Northern Gas Networks, Wales & West Utilities' management believe the outcome of the reset is challenging, but within expectations; and efforts would be launched to attain the incentives which would be awarded when regulatory targets are outperformed to increase the revenue further.

■ Mr. H L Kam, Group Managing Director of CKI (left) was given a tour of Wales & West Utilities' facilities on the day the acquisition was completed.

SEABANK POWER LIMITED

CKI and Power Assets each hold a 25% stake in Seabank Power.

Seabank Power owns and operates a combined cycle gas turbine power plant with a capacity of approximately 1,140 MW near Bristol. In 2012, profit contribution made by the company to CKI saw a significant increase over 2011, when profits were impacted by a scheduled maintenance outage. As the company has a long-term offtake contract in place to sell the electricity generated, the business should deliver steady returns to CKI.

Seabank Power continued to deliver an outstanding performance in regard to safety and environment. There were no Lost Time Incidents or Environmental Reportable Incidents during the year. In addition, the company continued to receive the ISO 14001 Environmental Accreditation.

SOUTHERN WATER SERVICES LIMITED

CKI has a 4.75% strategic interest in Southern Water, a regulated business which supplies fresh, quality drinking water to a population of more than 2.4 million, as well as treats and recycles wastewater from 4.4 million people in the South East of England across Sussex, Kent, Hampshire and the Isle of Wight.

■ Seabank Power continued to deliver an outstanding performance in regard to safety and environment.

Infrastructure Investment in AUSTRALIA

CKI, in conjunction with Power Assets, represents the largest power distributor in Australia. The Group has investments in SA Power Networks and Victoria Power Networks which distribute electricity to the entire state of South Australia and over 65% of the state of Victoria respectively. CKI's other Australian assets include Spark Infrastructure, Envestra and AquaTower. In 2012, CKI's portfolio in the country was further enriched by the formation of Transmission Operations Australia.

SA POWER NETWORKS

Together with Power Assets, CKI owns a 51% stake in SA Power Networks, the primary electricity distributor in the state of South Australia.

Formerly known as ETSA Utilities, the company changed its name to SA Power Networks in September 2012 to reflect its continuing commitment to serving South Australia.

SA Power Networks manages a regulated distribution network which supplies electricity to over 834,000 customers.

In 2012, SA Power Networks continued to meet all key financial targets. Revenues from the regulated business exceeded targets, and the non-regulated business of SA Power Networks also outperformed targets.

During the year, SA Power Networks maintained high levels of safety, reliability and customer service. In terms of safety, SA Power Networks' Safety Management System continued to be in line with Australian Standard AS/NZS 4801 and the International Standard

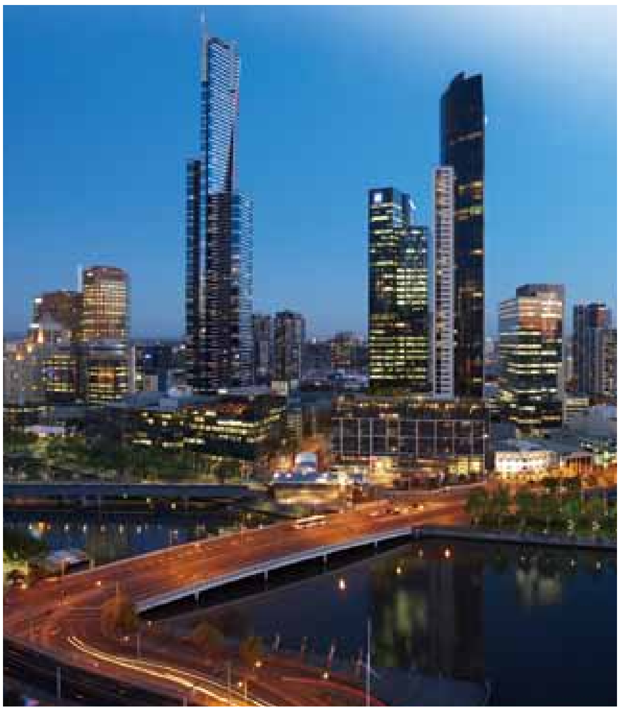
OHSAS 18001. The reliability target relating to the annual minutes without supply per customer was achieved. SA Power Networks was also awarded a number of state-level accolades in the Australian Service Excellence Awards organised by the Customer Service Institute of Australia.

VICTORIA POWER NETWORKS PTY LTD

CKI and Power Assets jointly own a 51% interest in Victoria Power Networks, the holding company of CitiPower and Powercor. The company was known as CHEDHA Holdings before it was renamed in December 2012.

CitiPower owns and operates a distribution network which supplies electricity to approximately 320,000 customers in Melbourne's CBD and inner suburbs. These customers include some of Australia's largest companies, transport systems and sporting venues.

Powercor is the largest electricity distributor in the state of Victoria. Its network serves approximately 740,000 customers in central and western Victoria, as well as the western suburbs of Melbourne. In addition, Powercor operates a successful non-regulated business. It is one of the most reliable rural electricity distributors in Australia.



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

Victoria Power Networks' capital works programme, almost 20% larger than that of 2011, was successfully completed during the year. The Advanced Metering Infrastructure programme also achieved remarkable progress, with more than 800,000 smart meters installed so far out of a target of 1.1 million.

According to an electricity reliability benchmarking report released by the Energy Supply Association of Australia in 2012, both CitiPower and Powercor showed a very strong performance in comparison with 16 peer distribution businesses across the country. In terms of unplanned and planned power interruptions, CitiPower customers experienced the lowest average number of minutes of power lost annually. During the year, CitiPower also achieved a reliability rating of 99.99% network availability while Powercor delivered 99.98%.

In 2012, CitiPower and Powercor gave an excellent performance in customer service. CitiPower and Powercor were jointly named "Power Utility of the Year – Australia" in the 2012 Asian Power Awards for their Faults Management Mobility Project, through which faults are despatched to field crews electronically leading to significant improvement in efficiency and timeliness of faults response. Additionally, in the Customer Service Institute of Australia's Australian Service Excellence Awards, CitiPower and Powercor won the "Best of the Best 2012" award, as well as a number of accolades at both the national and state levels.

ENVESTRA LIMITED

With a shareholding of approximately 19% in Envestra, CKI holds a strategic interest in one of the largest natural gas distribution companies in Australia.

Envestra owns a natural gas distribution network which serves over 1.1 million customers in South Australia, Victoria, Queensland, New South Wales and the Northern Territory.

During the year, Envestra reported growth in profit contribution and provided steady cash flows for CKI.

SPARK INFRASTRUCTURE GROUP

CKI holds an 8.5% stake in Spark Infrastructure, a leading Australian utility infrastructure group listed on the Australian Securities Exchange. The company's major business is to make investments in quality regulated utility infrastructure assets which incur low risks and provide stable returns.

The portfolio of Spark Infrastructure includes a 49% stake in three high quality Australian electricity distribution businesses, namely SA Power Networks, CitiPower and Powercor.

In 2012, Spark Infrastructure continued to generate attractive cash distributions for CKI.

TRANSMISSION OPERATIONS (AUSTRALIA) PTY LTD

During the year under review, CKI and Power Assets formed Transmission Operations Australia on a 50/50 basis. This is the Group's first investment in the renewable energy power transmission sector in Australia. The investment amount of the project is HK$268.1 million (A$33.6 million).

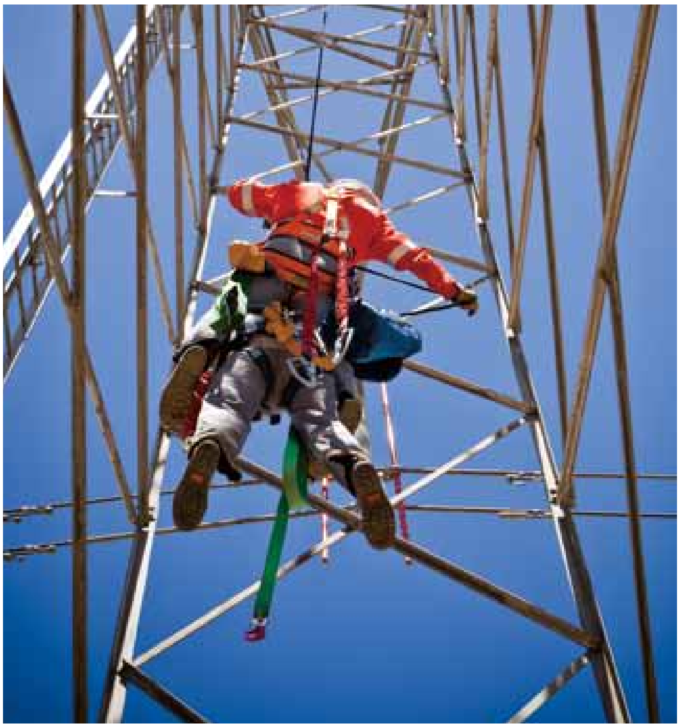
Transmission Operations Australia will own and operate a transmission network which is now under construction. Through the network, renewable energy will be transferred from the wind turbines at the 130 MW Mt Mercer Wind Farm to Victoria's power grid.

The network is expected to be completed in November 2013. On completion, the high voltage network will comprise 21 kilometres of overhead power lines, two transformers, and a terminal station.

AQUATOWER PTY LTD

CKI has a 49% interest in AquaTower, the exclusive potable water supplier to four regional towns in Victoria. It serves approximately 25,000 people.

AquaTower generated stable returns and achieved an increase in profit contribution to CKI in 2012.



■ Spark Infrastructure continued to generate attractive cash distributions for CKI.

■ AquaTower is the exclusive potable water supplier to four regional towns in Victoria.

Infrastructure Investment in NEW ZEALAND

CKI owns a 50% stake in Wellington Electricity, an electricity distributor whose service area covers New Zealand's capital city and the surrounding area.

In January 2013, CKI signed an agreement to acquire EnviroWaste, a leading waste management company with national coverage in New Zealand. Completion of the acquisition is expected to be in the second quarter of 2013.

WELLINGTON ELECTRICITY LINES LIMITED

CKI and Power Assets each own a 50% stake in Wellington Electricity.

Wellington Electricity owns and manages an electricity network which serves approximately 165,000 domestic, commercial and industrial customers in the Wellington, Porirua and Hutt Valley regions of New Zealand. Spanning over 4,600 kilometres, the network is characterised by its high customer density and large proportion of underground assets in the central Wellington City area.

The operating performance of Wellington Electricity continued to be satisfactory during the year.

Wellington Electricity is dedicated to maintaining a high level of reliability and safety performance. The reliability of the network was in line with expectations despite the impact of some extreme weather conditions during the year. In 2012, the new public safety management system of the company was awarded a three-year certificate of compliance with New Zealand standard NZS 7901.

ENVIRO WASTE SERVICES LIMITED

In January 2013, CKI announced its expansion into the arena of waste management infrastructure in New Zealand through the acquisition of 100% of EnviroWaste. The cash consideration of the acquisition will be approximately HK$3.18 billion (NZ$490 million).

EnviroWaste is a diversified, vertically integrated waste management business that has national coverage. It is one of only two vertically integrated waste collection and disposal companies operating throughout New Zealand, offering waste-related services to approximately half a million commercial and residential sources via collection services, landfills and transfer stations across the country.

EnviroWaste owns and manages Hampton Downs, the largest landfill measured by remaining capacity in New Zealand. Situated on an area of 360 hectares outside of Auckland, Hampton Downs accounts for approximately 30% of annual landfill volumes in Greater Auckland. The landfill is consented to receive waste until 2030 while having a capacity to receive waste for many decades to come.

It is expected that completion of the transaction will take place in the second quarter of 2013.

Infrastructure Investment in CANADA

CKI holds an attractive portfolio of electricity generating plants in Canada through its 50% interest in Stanley Power.

STANLEY POWER INC.

Stanley Power is jointly owned by CKI and Power Assets on a 50/50 basis. The company currently has interests in six electricity generating plants in Canada, totaling a generating capacity of 1,362 MW.

Stanley Power holds a 49.99% stake in TransAlta Cogeneration, L.P., which has ownership stakes in five electricity generation plants, including four natural gas-fired cogeneration plants in Alberta and Ontario, and one coal-fired generation plant in Alberta.

In addition, Stanley Power owns a 100% stake in the Meridian Cogeneration Plant, a natural gas-fired plant in the province of Saskatchewan with an installed capacity of 220 MW. The plant sells electricity under a long-term power purchase agreement to Saskatchewan Power Corporation, and has a long-term steam supply contract with Husky Energy Inc., both lasting until 2025. In 2012, a major overhaul of one of the gas turbines and the steam turbine at the plant was successfully completed on time and on budget.

Overall, Stanley Power's portfolio of power plants continued to provide CKI with a solid income stream during the year under review.

■ Stanley Power has interests in six electricity generating plants in Canada.

Infrastructure Investment in
CHINA

In Mainland China, CKI's investments in transportation infrastructure comprise about 400 kilometres of toll roads and bridges in various provinces.

SHEN-SHAN HIGHWAY (EASTERN SECTION)

CKI has a 33.5% shareholding in Shen-Shan Highway (Eastern Section). This project delivered a satisfactory performance during the year. A 4.7% increase in toll revenue was recorded. Overall earnings are comparable to that of the previous year.

SHANTOU BAY BRIDGE

CKI owns a 30% stake in Shantou Bay Bridge. Satisfactory growth of 6.4% in toll revenue was reported in 2012. Despite being partially offset by higher renovation cost, the increase in revenue resulted in a year-on-year increase of 4.8% in profitability.

TANGSHAN TANGLE ROAD

CKI has a 51% interest in Tangshan Tangle Road. Benefitting from the maintenance works carried out by the competing roads and continued growth of economic activity in the area, Tangshan Tangle Road delivered an outstanding performance in 2012. Toll revenue achieved growth of 25.9%. The net profit distributable to shareholders also increased by 20.4%.

JIANGMEN CHAOLIAN BRIDGE

Jiangmen Chaolian Bridge, in which the Group holds a 50% interest, implemented an annual ticket system after the suspension of the toll gates in February 2012. A rise of 7.4% in revenue and an increase of 3.7% in earnings were reported during the period under review.

OTHER TOLL ROADS AND BRIDGES

Other toll roads and bridges of CKI, comprising Jiangmen Jiangsha Highway, National Highway 107 (Zhumadian Sections), Changsha Wujialing and Wuyilu Bridges, as well as Panyu Beidou Bridge, all achieved performances in line with expectation during the year and delivered stable cash returns.

■ Tangshan Tangle Road achieved growth of 25.9% in toll revenue.

■ Toll roads and bridges of CKI all achieved performances in line with expectation.

Investment in
INFRASTRUCTURE RELATED BUSINESS

CKI has businesses in cement, concrete and aggregates, as well as asphalt. The Group is the largest supplier of cement, concrete and asphalt in Hong Kong.

CKI's materials business achieved an overall satisfactory performance in 2012. Profit contribution recorded a 15% increase, which can be attributed to improved market conditions in Hong Kong.

CEMENT

CKI's cement operations are performed by Green Island Cement. Good results were reported from Hong Kong operations in 2012. Volume and margins of cement saw an increase over last year.

In Mainland China, the Yunfu cement plant made steady progress during the year. In addition, a new flagship cement production facility in Yunfu, with an annual production capacity of 1.5 million tonnes, commenced production in early 2013.

CONCRETE, AGGREGATES AND ASPHALT

CKI operates its concrete and aggregates businesses through Alliance Construction Materials Limited, a 50/50 joint venture between the Group and HeidelbergCement AG. As the biggest concrete producer in Hong Kong's market, Alliance performed well in 2012 with a healthy order book.

Through a separate joint venture, Alliance's new quarry in Huidong, Guangdong commenced operation in 2012. A new crushing plant, with a production capacity of 650 tonnes per hour, was commissioned.

The asphalt operations of CKI, which are carried out by Anderson Asphalt, also achieved satisfactory results in 2012.

■ Anderson Asphalt achieved satisfactory results in 2012.

■ A new flagship cement production facility in Yunfu commenced production in early 2013.

■ Alliance is the biggest concrete producer in Hong Kong's market.

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, share placement and other project loans.

As at 31st December, 2012, cash and bank deposits on hand amounted to HK$6,980 million and the total borrowings of the Group amounted to HK$11,113 million, which included Hong Kong dollar notes of HK$260 million and foreign currency borrowings of HK$10,853 million. Of the total borrowings, 82 per cent were repayable between 2014 and 2017 and 18 per cent were repayable beyond 2017. 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, New Zealand dollars, Pounds Sterling or Renminbi. 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, 2012, the Group maintained a net debt position with a net debt to net total capital ratio of 5 per cent, which was based on its net debt of HK$4,133 million and net total capital, which represents the total borrowings plus total equity net of cash and bank deposits, of HK$77,514 million. This ratio was lower than the net debt to net total capital ratio of 12 per cent at the year end of 2011. This change was mainly due to the funds raised in the issue of perpetual securities via a fiduciary and the share placements conducted during the 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, 2012, the notional amounts of these derivative instruments amounted to HK$41,103 million.

CHARGE ON GROUP ASSETS

As at 31st December, 2012:

- the Group's obligations under finance leases totalling HK$59 million were secured by charges over the leased assets with carrying value of HK$58 million; and

- certain plant and machinery of the Group with carrying value of HK$83 million were pledged to secure bank borrowings totalling HK$28 million granted to the Group.

CONTINGENT LIABILITIES

As at 31st December, 2012, the Group was subject to the following contingent liabilities:

HK$ million	
Other guarantee given in respect of an affiliated company	**979**
Sub-contractor warranties	**9**
Total	**988**

EMPLOYEES

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 1,236 employees. Employees' cost (excluding directors' emoluments) amounted to HK$294 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

CKI's Management Team

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

DIRECTORS' BIOGRAPHICAL INFORMATION

LI Tzar Kuoi, Victor

aged 48, has been the Chairman of the Company since its incorporation in May 1996. He has been a member of the Remuneration Committee of the Company since March 2005 and acted as the Chairman of the Remuneration Committee of the Company from March 2005 to December 2011. 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 and Co-Chairman of Husky Energy Inc. All the companies mentioned above are listed companies. Mr. Victor Li is also the Deputy Chairman of Li Ka Shing Foundation Limited, Li Ka Shing (Overseas) Foundation and Li Ka Shing (Canada) Foundation, and a Director of The Hongkong and Shanghai Banking Corporation Limited. Mr. Victor Li serves as a member of the Standing Committee of the 12th National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He is also a member of 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"), and a director of 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 66, 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. All the companies mentioned above are listed companies. Mr. Kam is also the Chairman of Hui Xian Asset Management Limited, which manages Hui Xian Real Estate Investment Trust, a real estate investment trust listed on The Stock Exchange of Hong Kong Limited ("SEHK"). Mr. Kam is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO, and a director of certain companies controlled by certain substantial shareholders of the Company. Mr. Kam is an Advisor of the 12th Beijing Municipal 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 60, 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, Real Nutriceutical Group 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 SEHK and the Singapore Exchange Securities Trading Limited ("SGX-ST"), a Director of ARA Trust Management (Suntec) Limited, which manages Suntec Real Estate Investment Trust, a real estate investment trust listed on SGX-ST, and a Non-executive Director of Hui Xian Asset Management Limited, which manages Hui Xian Real Estate Investment Trust, a real estate investment trust listed on SEHK. He is also a director of a substantial shareholder of the Company within the meaning of Part XV of the SFO, and a director of 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 61, 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, 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, and a director of 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 54, 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 also an Executive Director of Power Assets Holdings Limited, a listed company. He also holds directorships in certain companies controlled by certain substantial shareholders of the Company within the meaning of Part XV of the SFO. 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 30 years of experience in accounting and financial management.

CHAN Loi Shun

aged 50, 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 Executive Director of Power Assets Holdings Limited and an Alternate Director to Mr. Kam Hing Lam, an Executive Director of Power Assets Holdings Limited. He is also a Director of Envestra Limited. All the companies mentioned above are listed companies. Mr. Chan is a fellow of the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants and also a member of the Institute of Certified Management Accountants (Australia).

CHOW WOO Mo Fong, Susan

aged 59, 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, a Non-executive Director of Hutchison Telecommunications Hong Kong Holdings Limited, a Director of Hutchison Telecommunications (Australia) Limited, and an Alternate Director of Hutchison Telecommunications (Australia) Limited, Power Assets Holdings Limited and TOM Group Limited. She was previously an Alternate Director of HPHM as the trustee-manager of Hutchison Port Holdings Trust. 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, and a director of certain companies controlled by certain substantial shareholders of the Company. She is a qualified solicitor and holds a Bachelor's degree in Business Administration.

Frank John SIXT

aged 61, 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, a Non-executive Director of Hutchison Telecommunications Hong Kong Holdings Limited and 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, and a director of 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.

CHEONG Ying Chew, Henry

aged 65, 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 of the Company from December 1998 to December 2006. Mr. Cheong has been a member of the Remuneration Committee of the Company since January 2005 and the Chairman of the Remuneration Committee of the Company since January 2012. 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, 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, and a director of 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 ("SFC"). 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 70, 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 acts as the Chairman of the Remuneration Committee of CK Life Sciences Int'l., (Holdings) Inc. Mrs. Kwok also sits on the Compensation Committee and Corporate Governance Committee of Husky Energy Inc., and the Audit Committee of CK Life Sciences Int'l., (Holdings) Inc. and the Company. Mrs. Kwok has been appointed by the Premier of Saskatchewan in Canada to the Innovation Saskatchewan (IS) Board of Directors. Except for LKS Canada Foundation and Amara, all the companies mentioned above are listed companies. She also holds directorships in certain companies controlled by a substantial shareholder of the Company within the meaning of Part XV of the SFO. 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 71, 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 HPHM 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 HPHM, 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. 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 72, 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 72, 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, SJM Holdings Limited and Nanyang Commercial Bank, Limited ("NCBL"). Except NCBL, all the companies mentioned above are 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. He is also a Senior Advisor of Mitsui & Company (Hong Kong) Limited. He also holds directorships in certain companies controlled by certain substantial shareholders of the Company within the meaning of Part XV of the SFO. Mr. Lan was the Secretary for Home Affairs of the HKSAR Government till his retirement in July 2000. He had served as civil servant in various capacities for 39 years and was awarded the Gold Bauhinia Star Medal on 1st July, 2000. He was appointed to the 10th and 11th National Committee 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, the United Kingdom and completed the Advanced Management Program of the Harvard Business School, Boston. He was also a Visiting Fellow at Queen Elizabeth House, University of Oxford.

DIRECTORS' BIOGRAPHICAL INFORMATION (CONT'D)

Barrie COOK

aged 70, acted as an Executive Director of the Company from 2000 to September 2003 and a Non-executive Director of the Company from October 2003 to December 2011, and has been an Independent Non-executive Director of the Company since January 2012. 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.

LEE Pui Ling, Angelina

aged 64, 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 currently a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority and a member of the Takeovers and Mergers Panel of SFC. 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. She was previously a Non-executive Director of the SFC.

George Colin MAGNUS

aged 77, 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 and Hutchison Whampoa Limited, a Director of Husky Energy Inc. and an Independent Non-executive Director of Power Assets Holdings Limited. 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.

TSO Kai Sum

aged 81, acted as an Executive Director of the Company from March 1997 to December 2012 and has been a Non-executive Director of the Company since January 2013. He is also a Non-executive Director and Deputy Chairman and Senior Adviser to the Board of Power Assets Holdings Limited, a listed company. He previously held directorships in certain companies controlled by a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Tso 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.

MAN Ka Keung, Simon

aged 55, 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 32 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 52, 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

HONG KONG

CHAN Kee Ham, Ivan
aged 50, Chief Planning and Investment Officer, has been with the Cheung Kong Group since September 1999. He is also the Chief Financial Officer of Power Assets Holdings Limited. He has over 25 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 50, 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 70, 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 (Retired). He is a member of the Institute of Engineers (Australia) and a fellow of the Institute of Quarrying.

LEUNG Ying Wah, Lambert
aged 66, 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 49, Group General Counsel, has been with the Cheung Kong Group since July 1998. He has over 22 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 55, 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, a Master of Finance degree in Investment Management and a Master of Science degree in Financial Analysis.

Duncan Nicholas MACRAE

aged 42, Head of International Business, joined the Cheung Kong Group in February 2011. He has over 19 years of experience in the infrastructure investment field. He holds Bachelor's and Master's degrees in Philosophy, Politics & Economics, and is a member of the Institute of Directors, UK.

TONG BARNES Wai Che, Wendy

aged 52, 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. and the Deputy Chief Executive Officer of Hui Xian Asset Management Limited. Mrs. Barnes is also a board member of The Community Chest of Hong Kong. She holds a Bachelor's degree in Business Administration.

TSANG Pak Chung, Eddy

aged 55, Chief Operating Officer of Cheung Kong Infrastructure Materials. He is also an Executive Director of Green Island Cement (Holdings) Limited, Green Island International Limited and Anderson Asia (Holdings) Limited. He 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 49, Head of Internal Audit, has been with the Cheung Kong Group since November 1997. 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.

KEY PERSONNEL'S BIOGRAPHICAL INFORMATION (CONT'D)

OVERSEAS

Shane Augustus BREHENY

aged 62, is Chief Executive Officer of Victoria Power Networks Pty Ltd. (formerly CHEDHA Holdings Pty Ltd.) and its subsidiaries, including CitiPower I Pty Ltd. ("CitiPower") and Powercor Australia Limited ("Powercor"). He is also Director of Victoria Power Networks Pty Ltd., as well as Chairman of AquaTower Pty Ltd and Chairman of Belvino Investments Pty Ltd, a member of CK Life Sciences Int'l., (Holdings) Inc. Before Mr. Breheny's promotion to his present position, he was Executive Director Finance of Powercor. This was the position Mr. Breheny held when Powercor was acquired by Cheung Kong Infrastructure Holdings Limited and Power Assets Holdings Limited in 2000. Prior to that, he had been Chief Financial Officer of Powercor, Managing Director of CitiPower, and Chief Executive Officer of Electricity Services Victoria. Mr. Breheny has more than 25 years of experience in the Victorian energy industry. He has a Bachelor of Business (Accounting) degree from RMIT University, and is a Fellow of CPA Australia and the Australian Institute of Management. He is Deputy Chairman and Executive Board member of the Committee for Geelong, and past Chairman of Energy Networks Association.

Graham Winston EDWARDS

aged 59, has been Chief Executive of Wales & West Utilities Limited since the company was established in 2005. He has more than 20 years of experience in the utility and outsourced services sectors. Prior to his current position, Mr. Edwards held a senior management role with RWE Thames Water, running its unregulated businesses across Europe. He has also held senior executive positions with South Wales Electricity plc (now SWALEC) and Hyder plc, where he was responsible for the management of their electricity and water operating businesses. Mr. Edwards holds a Master's degree in Business Administration, and is a Fellow of the Chartered Institute of Personnel and Development. He is currently Chairman of the CBI in Wales, and immediate past Chairman of Business in the Community (BITC) in Wales.

Derek David GOODMANSON

aged 46, is Chief Executive Officer of Stanley Power Inc. He joined the company as Technical and Commercial Director in 2011, and was promoted to his current position in 2012. Mr. Goodmanson has close to 25 years of experience in engineering, maintenance, project management, operations, and commercial management in the power industry, having held a number of key leadership roles in the power generation and transmission sectors throughout Canada. Mr. Goodmanson holds a Bachelor of Mechanical Engineering degree from the University of Saskatchewan, and is a Registered Professional Engineer in Canada.

Mark John HORSLEY

aged 53, has been Chief Executive Officer of Northern Gas Networks Limited since 2011. He has more than 30 years of experience in the energy sector. Mr. Horsley has held a number of senior appointments in the industry including being an Equity Partner and Head of Power Distribution at EC Harris, an international built asset consultancy; Strategy and Central Programmes Director at Scottish Power; and President and Chief Operating Officer at CE Electric UK. Mr. Horsley held the post of Chairman of the UK Energy Networks Association from 2004 to 2006.

Stuart Michael MAYER

aged 46, is General Manager of Seabank Power Limited ("Seabank"). He joined the company as Commercial Financial Controller in 2001, and was promoted to his current position in 2007. Mr. Mayer joined Seabank from Rolls-Royce plc where he held a variety of commercial and financial roles in the civil and military aero engine sectors in the United Kingdom and overseas. Mr. Mayer is a Chartered Management Accountant with over 26 years of experience in engineering and utilities.

Heidi MOTTRAM

aged 48, is Chief Executive Officer of the Northumbrian Water Group Limited and Northumbrian Water Limited Boards. Ms. Mottram has held the positions since 2010 before the organisation's acquisition by a consortium led by Cheung Kong Infrastructure Holdings Limited in October 2011. Prior to her current position, Ms. Mottram has held a number of senior management roles in the past including Managing Director of Northern Rail Limited, Commercial Director of Arriva Trains, and Operations Director of Midland Mainline. She has worked in Great North Eastern Railway holding various key positions. Ms. Mottram began her career with British Rail in the mid-1980s where her first senior role was as Station Manager in Harrogate. Ms. Mottram is currently a Board Member of Kielder Water and Forest Park Development Trust, as well as Chair of CBI North East Regional Council, a member of the CBI Infrastructure Board, and Newcastle University Council. She is also a member of the United Kingdom Government's Green Economy Council. Ms. Mottram was named Rail Business Manager of the Year in 2009 for being an "inspirational leader", and was awarded an OBE in the New Year honours list 2010 for services to the rail industry.

Richard Clive PEARSON

aged 67, has been Chairman of Wellington Electricity Distribution Network Limited and its subsidiary companies since the organisation's establishment in 2008. Prior to his current position, Mr. Pearson worked for Hutchison Whampoa Group from 1975 to 2007, holding various financial and management roles with Hutchison Port Holdings Group, including Managing Director – Europe Division from 2005 to 2007, President ECT Rotterdam from 2002 to 2004, as well as Managing Director of Hong Kong International Terminals Ltd from 1996 to 1998. Mr. Pearson holds a Bachelor's degree in Commerce and is a member of the New Zealand Society of Accountants.

KEY PERSONNEL'S BIOGRAPHICAL INFORMATION (CONT'D)

OVERSEAS (CONT'D)

Basil SCARSELLA

aged 57, has been Chief Executive Officer of UK Power Networks Holdings Limited since the company was established in 2010. Prior to his current position, Mr. Scarsella held a number of senior positions in Cheung Kong Infrastructure Holdings Limited ("CKI")'s businesses, including Chief Executive Officer of Northern Gas Networks Limited in the United Kingdom from 2005 to 2010, and Chief Executive Officer of SA Power Networks (formerly ETSA Utilities) in Australia from 1998 to 2005. Before SA Power Networks was acquired by CKI and Power Assets Holdings Limited, Mr. Scarsella was General Manager of ETSA Power Corporation. Prior to that, Mr. Scarsella was Group Planning and Finance Manager of South Australia Gas Company. Mr. Scarsella holds a degree in Economics from the University of Adelaide and is a Certified Practicing Accountant. He is a Life Member of Football Australia and former Member of the Executive Committee of The Fédération Internationale de Football Association (FIFA). He received the Australian Sports Medal in 2000, and in 2003 became a Member of the Order of Australia for services to sport.

Greg Donald SKELTON

aged 48, is Chief Executive Officer of Wellington Electricity Lines Limited. He has been with the company since its formation in 2009. Mr. Skelton has 29 years of experience in the fields of production engineering, electrical engineering and business management. He holds a Bachelor's degree in Electrical Engineering, a Master's degree in Business Administration, and is a Fellow of the Institute of Professional Engineers of New Zealand.

Robert STOBBE

aged 56, has been Chief Executive Officer of SA Power Networks (formerly ETSA Utilities) since 2010. He has held senior executive positions from 1999 to 2008 at various businesses of Cheung Kong Infrastructure Holdings Limited including Northern Gas Networks Limited in the United Kingdom; as well as Powercor Australia Limited, CitiPower I Pty Ltd., and SA Power Networks in Australia. Before returning to SA Power Networks to assume his current position, he was Chief Executive Officer of TransAdelaide with responsibility for Adelaide's rail passenger transport system from 2008 to 2010. Prior to that, he was Chief Executive Officer of Spark Infrastructure Group from 2005 to 2008. Mr. Stobbe holds directorships in not-for-profit charitable organisations including Asthma Foundation SA, Operation Flinders Foundation, as well as the James Brown Memorial Trust. He also is Director of the Electricity Networks Association of Australia. Mr. Stobbe has a Bachelor of Business (Accounting) degree and is a Fellow of CPA Australia. He is a Member of the Australian Institute of Company Directors.

Peter Peace TULLOCH

aged 69, has been Chairman of SA Power Networks (formerly ETSA Utilities), Victoria Power Networks Pty Ltd. (formerly CHEDHA Holdings Pty Ltd.), as well as its subsidiaries, CitiPower I Pty Ltd. and Powercor Australia Limited since 2005. Mr. Tulloch is also Non-executive Director of CK Life Sciences Int'l., (Holdings) Inc. Previously, Mr. Tulloch was Managing Director, Asia of CIBC World Markets; Chairman and Director of the major operating companies of the CEF Group, a joint venture between CIBC and Cheung Kong (Holdings) Limited; as well as Non-executive Director of CIBC Australia Holdings Limited. Mr. Tulloch has worked for more than 31 years in banking in Asia prior to moving to Australia in late 2002. He was educated in Scotland and is a Fellow of the Institute of Canadian Bankers.

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, 2012.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

Results of the Group for the year ended 31st December, 2012 are set out in the consolidated income statement on page 67.

The Directors recommend the payment of a final dividend of HK$1.26 per share which, together with the interim dividend of HK$0.40 per share paid on 31st August, 2012, makes the total dividend of HK$1.66 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 14 to the consolidated financial statements on pages 94 and 95.

RESERVES

Details of changes in the reserves of the Group are set out in the consolidated statement of changes in equity on page 70.

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 125.

DIRECTORS

The Directors of the Company in office at the date of this report are listed on page 166 and their biographical information is set out on pages 36 to 43.

On 1st January, 2012, Mr. Barrie Cook was re-designated as an Independent Non-executive Director of the Company.

On 1st January, 2013, Mr. Tso Kai Sum was re-designated as a Non-executive Director of the Company.

In accordance with the Company's Bye-laws, the Directors of the Company (including Non-executive Directors) shall be subject to retirement by rotation at each annual general meeting. Accordingly, Mr. Kam Hing Lam, Mr. Ip Tak Chuen, Edmond, Mr. Andrew John Hunter, Mrs. Chow Woo Mo Fong, Susan and Mr. Frank John Sixt 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 had 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 considered 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, 2012, 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	76.61%
	Kam Hing Lam	Beneficial owner	100,000	–	–	–	100,000	0.004%
Hutchison Whampoa Limited	Li Tzar Kuoi, Victor	Interest of child or spouse, interest of controlled corporations & beneficiary of trusts	–	300,000	1,086,770 (Note 3)	2,141,698,773 (Note 2)	2,143,085,543	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	190,000	–	–	–	190,000	0.004%
	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	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 child or spouse, interest of controlled corporations & beneficiary of trusts	–	192,000	2,519,250 (Note 3)	3,185,136,120 (Note 8)	3,187,847,370	66.15%
	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

			Amount of Debentures				
Name of Company	Name of Director	Capacity	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

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"). Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-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 and Mr. Li Tzar Kuoi, Victor 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.

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

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

Notes (Cont'd):

(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"). Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-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 and Mr. Li Tzar Kuoi, Victor 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.

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.

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, 2012, 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, 2012.

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 a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 31st December, 2012, 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	76.39%
Hutchison International Limited	Interest of controlled corporation	1,906,681,945 (Note ii)	1,906,681,945	76.39%
Hutchison Whampoa Limited	Interest of controlled corporations	1,906,681,945 (Note ii)	1,906,681,945	76.39%
Cheung Kong (Holdings) Limited	Interest of controlled corporations	1,906,681,945 (Note iii)	1,906,681,945	76.39%
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	76.61%
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	76.61%
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	76.61%
Li Ka-shing	Founder of discretionary trusts	1,912,109,945 (Note v)	1,912,109,945	76.61%

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, 2012, 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, 2012:

(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 had 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.

    Pursuant to a deed of release dated 17th December, 2012, the obligations of CKH and HWL under the sponsors/shareholders' undertaking were released, which in turn discharged all the liabilities of the Company under the Counter-indemnity.

(b) On 31st August, 2011, the Company had entered into a tenancy agreement (the "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, 2011 to 31st August, 2014 at a monthly rental of HK$927,268, 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$5,000,000 for the period from 1st September, 2011 to 31st December, 2011, HK$13,000,000 for the year ended 31st December, 2012, HK$13,000,000 for the year ending 31st December, 2013, and HK$9,000,000 for the period from 1st January, 2014 to 31st August, 2014 taking into account of the possible adjustment on the monthly service charges of HK$88,695.20. During the year, HK$12,252,032.40 has been paid/payable by the Company to Turbo Top pursuant to the Tenancy Agreement.

CONTINUING CONNECTED TRANSACTIONS (CONT'D)

(c) On 4th May, 2011, the Company had entered into a master agreement with HWL (the "2011 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 "2011 Connected Debt Securities") in the secondary markets from independent third parties from time to time during the period commencing from 6th May, 2011 until the conclusion of the 2012 annual general meeting of the Company (the "2011 Term"). 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 2011 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 2011 Master Agreement was subject to (I) the aggregate gross purchase price of 2011 Connected Debt Securities of a particular issue held and proposed to be acquired by the Group during the 2011 Term not exceeding 20 per cent of the aggregate value of the subject issue and all outstanding 2011 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 2011 Connected Debt Securities held by the Group at the commencement of the 2011 Term, if any; (ii) the aggregate gross purchase price paid in respect of the 2011 Connected Debt Securities acquired by the Group prior to such date during the 2011 Term, if any; and (iii) the aggregate gross purchase price in respect of the 2011 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 2011 Connected Debt Securities sold by the Group prior to such date during the 2011 Term, at any time during the 2011 Term not exceeding: (a) HK$1.8 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 2011 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, 2010, 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 2011 Connected Debt Securities in the secondary markets pursuant to the 2011 Master Agreement. As at 31st May, 2012, the market value of the connected debt securities held by the Company and its subsidiaries was HK$1,434,499,989.

(d) In order to continue the transactions underlying the 2011 Master Agreement following its expiration on 23rd May, 2012, on 18th May, 2012, the Company had entered into a master agreement with HWL (the "2012 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 "2012 Connected Debt Securities") in the secondary markets from independent third parties from time to time during the period commencing from 23rd May, 2012 until the conclusion of the 2013 annual general meeting of the Company (the "2012 Term"). 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 2012 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 2012 Master Agreement was subject to (I) the aggregate gross purchase price of 2012 Connected Debt Securities of a particular issue held and proposed to be acquired by the Group during the 2012 Term not exceeding 20 per cent of the aggregate value of the subject issue and all outstanding 2012 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 2012 Connected Debt Securities held by the Group at the commencement of the 2012 Term, if any; (ii) the aggregate gross purchase price paid in respect of the 2012 Connected Debt Securities acquired by the Group prior to such date during the 2012 Term, if any; and (iii) the aggregate gross purchase price in respect of the 2012 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 2012 Connected Debt Securities sold by the Group prior to such date during the 2012 Term, at any time during the 2012 Term not exceeding: (a) HK$2.7 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 2012 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, 2011, 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 2012 Connected Debt Securities in the secondary markets pursuant to the 2012 Master Agreement. As at 31st December, 2012, the market value of the connected debt securities held by the Company and its subsidiaries was HK$1,407,601,237.

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 31st August, 2011 in accordance with the Listing Rules. An announcement ("Announcement II") in respect of the above transaction in paragraph (c) was published on 4th May, 2011 in accordance with the Listing Rules. An announcement ("Announcement III") in respect of the above transaction in paragraph (d) was published on 18th May, 2012 in accordance with the Listing Rules.

The Continuing Connected Transactions have been reviewed by the Independent Non-executive Directors. The Independent Non-executive Directors have confirmed that for the year 2012 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.

CONTINUING CONNECTED TRANSACTIONS (CONT'D)

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 2012 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 Announcement I, Announcement II and Announcement III respectively.

CONNECTED TRANSACTION

On 25th July, 2012, the Company together with CKH, Power Assets and Li Ka Shing Foundation Limited ("LKSFL") entered into two shareholders' agreements ("Shareholders' Agreements") in relation to Western Gas Networks Limited and West Gas Networks Limited ("Bidcos"), being joint venture companies formed for the purpose of the acquisition of the issued share capital of MGN Gas Networks (UK) Limited (now known as Wales & West Gas Networks (Holdings) Limited) ("Target Company") from, and the floating rate unsecured loan notes due 2024 issued by the Target Company to, Macquarie Luxembourg Gas SARL, Macquarie Global Infrastructure Funds 2 SARL, CPP Investment Board European Holdings SARL, Codan Trust Company (Cayman) Limited and AMP Capital Investors (MGN Gas) SARL ("Acquisition"). The Company's aggregate funding to the Bidcos (by way of subscription of shares in the capital of each of the Bidcos and the advance of shareholders' loans to the Bidcos) for the purpose of the Acquisition was up to approximately £204 million (approximately HK$2,510.6 million). Given that LKSFL may be regarded as an associate of Mr. Li Tzar Kuoi, Victor, a Director of the Company, LKSFL is thus a connected person of the Company. Therefore, the entering into of the Shareholders' Agreements by the Company constitutes a connected transaction for the Company under the Listing Rules.

The above transaction was subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, 41.8 per cent of the Group's turnover was attributable to the Group's five largest customers with the largest customer accounted for 14.6 per cent of the Group's turnover. 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, 2012, 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; and
(6) Securities investment.

(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	(1), (3), (5) & (6)
	Hutchison Whampoa Limited	Deputy Chairman	(1), (3), (5) & (6)
	Power Assets Holdings Limited	Executive Director	(1), (5) & (6)
	CK Life Sciences Int'l., (Holdings) Inc.	Chairman	(3) & (6)
Kam Hing Lam	Cheung Kong (Holdings) Limited	Deputy Managing Director	(1), (3), (5) & (6)
	Hutchison Whampoa Limited	Executive Director	(1), (3), (5) & (6)
	Power Assets Holdings Limited	Executive Director	(1), (5) & (6)
	CK Life Sciences Int'l., (Holdings) Inc.	President and Chief Executive Officer	(3) & (6)
Ip Tak Chuen, Edmond	Cheung Kong (Holdings) Limited	Deputy Managing Director	(1), (3), (5) & (6)
	CK Life Sciences Int'l., (Holdings) Inc.	Senior Vice President and Chief Investment Officer	(3) & (6)
	TOM Group Limited	Non-executive Director	(5) & (6)
	AVIC International Holding (HK) Limited	Non-executive Director	(5) & (6)
	Hong Kong Jewellery Holding Limited *(formerly known as Excel Technology International Holdings Limited)*	Non-executive Director *(resigned on 3rd July, 2012)*	(5) & (6)
	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	(1), (3), (5) & (6)
	Hutchison Whampoa Limited	Group Managing Director	(1), (3), (5) & (6)
	Power Assets Holdings Limited	Chairman	(1), (5) & (6)
	Hutchison Telecommunications Hong Kong Holdings Limited	Chairman and Alternate Director	(5)

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)
Andrew John Hunter	Power Assets Holdings Limited	Executive Director	(1), (5) & (6)
Chan Loi Shun	Power Assets Holdings Limited	Executive Director and Alternate Director	(1), (5) & (6)
	Envestra Limited	Director	(1)
Chow Woo Mo Fong, Susan	Hutchison Whampoa Limited	Deputy Group Managing Director	(1), (3), (5) & (6)
	Power Assets Holdings Limited	Executive Director and Alternate Director	(1), (5) & (6)
	TOM Group Limited	Alternate Director	(5) & (6)
	Hutchison Telecommunications Hong Kong Holdings Limited	Non-executive Director	(5)
Frank John Sixt	Cheung Kong (Holdings) Limited	Non-executive Director	(1), (3), (5) & (6)
	Hutchison Whampoa Limited	Group Finance Director	(1), (3), (5) & (6)
	Power Assets Holdings Limited	Executive Director	(1), (5) & (6)
	TOM Group Limited	Non-executive Chairman	(5) & (6)
	Hutchison Telecommunications Hong Kong Holdings Limited	Non-executive Director	(5)
Lee Pui Ling, Angelina	TOM Group Limited	Non-executive Director	(5) & (6)
	Henderson Land Development Company Limited	Non-executive Director	(1), (2) & (5)
George Colin Magnus	Cheung Kong (Holdings) Limited	Non-executive Director	(1), (3), (5) & (6)
	Hutchison Whampoa Limited	Non-executive Director	(1), (3), (5) & (6)
	Power Assets Holdings Limited	Independent Non-executive Director *(re-designated from Non-executive Director to Independent Non-executive Director on 28th September, 2012)*	(1), (5) & (6)
Tso Kai Sum	Power Assets Holdings Limited	Non-executive Director and Deputy Chairman and Senior Adviser to the Board *(re-designated from Group Managing Director to Non-executive Director and Deputy Chairman and Senior Adviser to the Board on 1st January, 2013)*	(1), (5) & (6)

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, 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PLACING AND SUBSCRIPTION OF SHARES

On 17th February, 2012, the Company and The Bank of New York Mellon (Luxembourg) S.A. (the "Fiduciary") had entered into the Share Subscription Agreement under which the Fiduciary had agreed to subscribe as principal for, and the Company had agreed to issue 56,234,455 new ordinary shares of HK$1.00 each in the share capital of the Company (the "New Shares") for a consideration of approximately US$295.4 million (equivalent to approximately HK$2,291 million) at the subscription price of the U.S. dollar equivalent of approximately HK$40.7381 per share (the "Issue Price") based on a fixed exchange rate. The closing price of the Company's shares on 16th February, 2012 was HK$43.55 and the net price to the Company for each New Share was approximately HK$40.7381. On 28th February, 2012, the Company allotted and issued the New Shares to the Fiduciary at the Issue Price. The Company has applied the proceeds for general corporate purposes.

On 15th March, 2012, Hutchison Infrastructure Holdings Limited ("HIHL"), a wholly-owned subsidiary of HWL and a controlling shareholder of the Company, the Company, Citigroup Global Markets Asia Limited ("Citi") and The Hongkong and Shanghai Banking Corporation Limited ("HSBC") as the joint placing agents entered into a Placing and Subscription Agreement pursuant to which (i) the joint placing agents have agreed to place, on a fully underwritten basis, and HIHL has agreed to sell 50,901,000 shares of the Company at a price of HK$45.75 per placing share ("Placing Price I") (Citi and HSBC have severally agreed to place 25,450,500 shares and 25,450,500 shares, respectively); and (ii) HIHL has conditionally agreed to subscribe for 50,901,000 new ordinary shares of HK$1.00 each in the share capital of the Company ("March 2012 Subscription Shares") equivalent to the number of the placing shares. The closing price of the Company's shares on 15th March, 2012 was HK$47.45 and the net price to the Company for each March 2012 Subscription Share was approximately HK$45.32. On 23rd March, 2012, the Company allotted and issued the March 2012 Subscription Shares to HIHL at the Placing Price I (less the costs and expenses incurred by the Company and HIHL in connection with the above-mentioned placing and subscription). The Company has applied the net proceeds for general funding purpose.

On 25th July, 2012, HIHL, the Company, BOCI Asia Limited ("BOCI") and HSBC as the joint placing agents entered into a Placing and Subscription Agreement pursuant to which (i) the joint placing agents have severally agreed to place, on a fully underwritten basis, and HIHL has agreed to sell in aggregate 50,000,000 shares of the Company at a price of HK$46.15 per placing share ("Placing Price II") (BOCI and HSBC have each severally agreed to place 25,000,000 shares and 25,000,000 shares, respectively); and (ii) HIHL has conditionally agreed to subscribe for 50,000,000 new ordinary shares of HK$1.00 each in the share capital of the Company ("July 2012 Subscription Shares") equivalent to the number of the placing shares. The closing price of the Company's shares on 24th July, 2012 (trading of the Company's shares was suspended on 25th July, 2012) was HK$49.25 and the net price to the Company for each July 2012 Subscription Share was approximately HK$45.95. On 3rd August, 2012, the Company allotted and issued the July 2012 Subscription Shares to HIHL at the Placing Price II (less the costs and expenses incurred by the Company and HIHL in connection with the above-mentioned placing and subscription). The Company has applied the net proceeds for general funding purpose.

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$2,590,000.

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:

As at 31st December, 2012, the Group's financial assistance to certain affiliated companies exceeded the assets ratio of 8 per cent. A combined statement of financial position of the affiliated companies as at 31st December, 2012 is set out below:

HK$ million	
Non-current assets	318,970
Current assets	21,378
Current liabilities	(26,763)
Non-current liabilities	(255,941)
Net assets	57,644
Share capital	41,623
Reserves	15,830
Non-controlling interests	191
Total Equity	57,644

As at 31st December, 2012, the consolidated attributable interest of the Group in these affiliated companies amounted to HK$42,619 million.

AUDIT COMMITTEE

The Group's annual report for the year ended 31st December, 2012 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 Code Provision C.3 of the Corporate Governance Report on pages 139 to 141.

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, 7th March, 2013

INDEPENDENT AUDITOR'S REPORT

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 67 to 124, which comprise the consolidated statement of financial position as at 31st December, 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 of the Company, 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, 2012, 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

7th March, 2013

CONSOLIDATED INCOME STATEMENT

for the year ended 31st December

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31st December

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31st December

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

LI TZAR KUOI, VICTOR
Director

IP TAK CHUEN, EDMOND
Director

7th March, 2013

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31st December

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange"). The addresses of its registered office and principal place of business are disclosed in the section headed "Corporate Information" of the Group's Annual Report. The Directors consider that the Company's ultimate holding company is Hutchison Whampoa Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on Hong Kong Stock Exchange.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

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

2. CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective to the Group for accounting periods beginning on or after 1st January, 2012. The adoption of those HKFRSs has no material impact on the Group's results and financial position for the current or prior years and does not result in any significant change in accounting policies of the Group.

The Group has not early adopted the following new and revised HKFRSs issued by HKICPA that are effective to the Group for the accounting periods beginning on or after 1st January, 2013. Except for the adoption of HKFRS 9 of which the Directors are assessing the impact on the results and financial position of the Group, the Directors anticipate that the adoption of the following new and revised HKFRSs will have no material impact on the results and financial position of the Group.

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

3. PRINCIPAL ACCOUNTING POLICIES

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

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

(a) Basis of Consolidation

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

The results of subsidiaries, share of results of associates and jointly controlled entities acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisitions and up to the effective dates of disposals, as appropriate.

(b) Goodwill

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

Goodwill recognised prior to 1st January, 2010 was measured as the excess of costs of acquisition over the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the subsidiaries, associates and jointly controlled entities acquired.

Goodwill is recognised as an asset less any identified impairment loss. Goodwill recognised in reserves prior to 1st January, 2001 continues to be held in the reserves and are transferred to retained profits when the business to which the goodwill relates is disposed of or becomes impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the business acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of a subsidiary, associate, jointly controlled entity or relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(c) Subsidiaries

A subsidiary is an entity that is controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of such entity so as to obtain benefits from its activities.

The acquisition of a subsidiary is accounted for using the purchase method. After 1st January, 2010, the cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

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

The acquiree's identifiable assets, liabilities and contingent liabilities, where appropriate, are recognised at their fair values at the acquisition date.

(d) Associates and Jointly Controlled Entities

An associate is a company, other than a subsidiary or jointly controlled entity, in which the Group has a long-term equity interest and over which the Group is in a position to exercise significant influence over its management, including participation in the financial and operating policy decisions.

A joint venture is a contractual arrangement whereby the venturers undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control. A jointly controlled entity is the joint venture which involves the establishment of a separate entity.

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

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

(e) Property, Plant and Equipment

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

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

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

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

Leasehold land	over the unexpired lease term
Buildings	$1^1/_4$% to $3^1/_3$% or over the unexpired lease terms of the land, whichever is the higher
Mains, pipes, other plant and machinery	$3^1/_3$% to $33^1/_3$%
Furniture, fixtures and others	5% to $33^1/_3$%

When an asset is disposed of or retired, any gain or loss, representing the difference between the carrying value and the sales proceeds, if any, is included in the consolidated income statement.

(f) Investment Properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are stated at its fair value at the end of the reporting period. Gains or losses arising from changes in the fair values of investment properties are recognised in the consolidated income statement for the period in which they arise.

(g) Inventories

Inventories are stated at the lower of cost, computed on a weighted-average or a first-in first-out basis as appropriate, and net realisable value. Cost includes cost of purchase and where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value is determined on the basis of anticipated sales proceeds less estimated costs to completion and selling expenses.

(h) Contract Work

When the outcome of a contract can be estimated reliably, revenue and costs associated with the contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period, that is the proportion that contract costs incurred for work performed to date bears to the estimated total contract costs.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that will probably be recoverable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(i) Financial Instruments

Investments in securities

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

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

Securities which are managed and their performances are evaluated based on a fair value basis are designated as financial assets at fair value through profit or loss. The management considers that such designation is appropriate given that the basis of internal risk assessments and performance evaluations on these assets is different from other investments and assets of the Group. Gains and losses arising from changes in fair values of these assets are dealt with in the consolidated income statement. The relevant dividend or interest accrued on the financial assets are also recognised in the consolidated income statement.

Derivative financial instruments and hedge accounting

Derivative financial instruments are initially measured at fair values on the dates at which the contracts are entered into, and are remeasured to their fair values at subsequent reporting dates.

Changes in the fair values of derivative financial instruments that are designated as effective in hedging future cash flows are recognised directly in hedging reserve. Amount deferred in the equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. Any ineffective portion is recognised immediately in the consolidated income statement.

Changes in fair values of derivative financial instruments that are designated and qualify as net investment hedges are recognised directly in exchange translation reserve. Any ineffective portion is recognised immediately in the consolidated income statement.

Changes in the fair values of derivative financial instruments that do not qualify for hedge accounting are recognised in the consolidated income statement.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(i) Financial Instruments (Cont'd)

Derivative financial instruments and hedge accounting (Cont'd)

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or the hedge no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the hedged risk associated with the hedged item is ultimately recognised in profit or loss. The cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss when a forecast transaction is no longer expected to occur in relation to hedging of a forecast transaction.

Debtors

Debtors are classified as loans and receivables in accordance with HKAS 39, and are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in the consolidated income statement when there is objective evidence that the assets are impaired.

Cash and cash equivalents

Cash and cash equivalents are classified as loans and receivables in accordance with HKAS 39, and comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Bank and other loans

Interest-bearing bank and other loans are initially measured at fair values, and are subsequently measured at amortised cost, using the effective interest method.

Creditors

Creditors are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group, which is not designated as a fair value through profit or loss, is recognised initially at its fair value less transaction costs directly attributable to the issue of the financial guarantee contract.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(i) Financial Instruments (Cont'd)

Fair value

Fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. Fair value of derivative financial instruments and certain available-for-sale financial assets not traded on active liquid markets are determined with reference to fair value estimated by independent professionals or the present value of the estimated future cash flows discounted at the effective interest rate.

(j) Revenue Recognition

Sales of goods

Revenue from sales of goods is recognised at the time when the goods are delivered or title to the goods passes to the customers. Revenue is measured at the fair value of the consideration received or receivable and is arrived at after deduction of any sales returns and discounts and taxes.

Interest income

Interest income from a financial asset excluding financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Income from investments in securities

Dividend and interest income from investments in securities are recognised when the Group's right to receive payment is established.

Contract revenue

Income from contracts is recognised according to the stage of completion.

(k) Foreign Currencies

The individual financial statements of each group entity is prepared and presented in the currency of the primary economic environment in which the entity operates ("functional currency"). For the purpose of the consolidated financial statements, the result and financial position of each entity are presented in Hong Kong dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(k) Foreign Currencies (Cont'd)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated income statement for the year, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised directly in equity. Exchange differences arising on the retranslation of non-monetary items carried at fair values are included in the consolidated income statement for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income and accumulated in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Hong Kong dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and included in the Group's exchange translation reserve. Such translation differences are recognised in the consolidated income statement in the year in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the exchange translation reserve.

(l) Taxation

Hong Kong Profits Tax is provided for at the prevailing tax rate on the estimated assessable profits less available tax relief for losses brought forward of each individual company comprising the Group. Overseas tax is provided for at the applicable local tax rates on the estimated assessable profits less available tax losses of the individual company concerned.

Deferred tax is provided for all temporary differences arising between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit of the corresponding year. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(l) Taxation (Cont'd)

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(m) Operating Leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Rentals payable under operating leases are recorded in the consolidated income statement on a straight-line basis over the respective lease terms.

(n) Finance Leases

Leases that transfer substantially all the risks and rewards of ownership of the leased assets to the lessees are accounted for as finance leases.

The amounts due from the lessees under finance lease contracts are recorded as finance lease debtors. The finance lease debtors comprise the gross investment in leases less unearned finance lease income allocated to future accounting periods. The unearned finance lease income is allocated to future accounting periods so as to reflect constant periodic rates of return on the Group's net investments outstanding in respect of the leases.

Assets held under finance leases are recognised as assets at their fair values or, if lower, at the present value of the minimum lease payment at the dates of inception. The corresponding liabilities to the lessor are shown within bank and other loans in the consolidated statement of financial position as obligations under finance leases. Finance costs are charged to the consolidated income statement over the terms of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(o) Employee Retirement Benefits

The Group operates defined contribution and defined benefit retirement plans for its employees.

The costs of defined contribution plans are charged to the consolidated income statement as an expense when employees have rendered service entitling them to the contributions.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(o) Employee Retirement Benefits (Cont'd)

The cost of providing retirement benefits under the Group's defined benefit retirement plans is determined using the projected unit credit method, with actuarial valuations being carried out annually. Actuarial gains and losses of defined benefit retirement plans are recognised immediately in full in the period in which they occur, outside profit or loss, in other comprehensive income. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested. The amount recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost and as reduced by the fair value of plan assets. Any assets resulting from this calculation are limited to past service cost plus the present value of available refunds and reductions in future contributions to the plans.

(p) Borrowing Costs

Borrowing costs are expensed in the consolidated income statement in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the financing of certain infrastructure projects considered as qualified assets up to the commencement of revenue contribution or upon commencement of operation of the projects, whichever is the earlier.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include investments in securities, derivative financial instruments, bank balances and deposits, bank and other loans, and debtors and creditors. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Currency Risk

The Group is exposed to currency risk primarily arising from foreign investments and borrowings denominated in currencies other than the functional currency of individual subsidiaries, which accounted for 26 per cent of the Group's borrowings (2011: 21 per cent). The Group generally hedges those investments with the appropriate level of borrowings denominated in the local currencies of relevant countries. The Group also entered into currency swaps to hedge most foreign investments financed by internal resources. Given this, the management considers that the net exposure to currency risk is kept to an appropriate level. Details of the currency swaps entered into by the Group at the end of the reporting period are set out in note 19.

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

(a) Currency Risk (Cont'd)

The Group is also exposed to currency risk arising from bank deposits denominated in foreign currencies, which accounted for 84 per cent of the Group's bank balances and deposits at the end of the reporting period (2011: 83 per cent). Those bank balances and deposits are mainly denominated in United States dollars, Australian dollars, Pounds sterling, Canadian dollars and New Zealand dollars. The management maintains the portfolio of bank deposits denominated in different currencies and the exposure to currency risk is kept to an appropriate level.

Sensitivity analysis

The following table indicates the approximate change in the Group's profit for the year and other comprehensive income in response to a 10 per cent strengthening in foreign currencies (except for United States dollars) against Hong Kong dollars to which the Group has significant exposure related to monetary financial assets and liabilities and derivative financial instruments in existence at the end of the reporting period:

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

A 10 per cent weakening in the above foreign currencies against Hong Kong dollars would have had an equal but opposite effect on the Group's profit for the year and other comprehensive income.

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

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

(a) Currency Risk (Cont'd)

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the next reporting period. In this respect, the management does not expect any significant movements in the pegged rate of 7.8 between United States dollars and Hong Kong dollars. It is also assumed that such pegged rate would be materially unaffected by any changes in movement in value of United States dollars against other currencies. The analysis was performed on the same basis for 2011.

(b) Interest Rate Risk

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

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

Sensitivity analysis

At 31st December, 2012, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would increase the Group's profit for the year by HK$435 million (2011: decrease by HK$13 million). Other comprehensive income would increase by HK$420 million (2011: HK$114 million) in response to the general increase in interest rates. A decrease of 100 basis points in interest rate would have had an equal but opposite effect on the Group's profit for the year and other comprehensive income.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period. The analysis was performed on the same basis for 2011.

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

(c) Credit Risk

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

In respect of trade debtors and other receivables, local management teams of subsidiaries are responsible for monitoring the procedures to ensure that follow-up actions are taken to recover overdue debts of the subsidiaries. In addition, the teams review the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Normally, the Group does not obtain collateral covering the outstanding balances.

Debt securities investments are normally in liquid securities quoted on a recognised stock exchange or financial institutions with high credit standing, except where entered into for long term strategic purposes. Transactions involving derivative financial instruments and liquid funds are also with banks or financial institutions of high credit standing.

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. Except for the guarantees given by the Group as set out in note 34, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these guarantees at the end of the reporting period is disclosed in note 34.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors and other receivables are set out in note 22.

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

(d) Liquidity Risk

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

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

(d) Liquidity Risk (Cont'd)

The following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial assets and liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

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

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

(e) Other Price Risk

The Group is exposed to other price risk through its investments in securities as set out in note 18. The management manages this exposure by maintaining a portfolio of investments with different risks. For strategic purposes, the Group holds primarily equity or debt instruments operating in energy or transportation sectors.

Sensitivity analysis

At 31st December, 2012, it is estimated that a 5 per cent decrease in the prices of the respective instruments, with all other variables held constant, would decrease the Group's profit for the year by HK$75 million (2011: HK$75 million). Other comprehensive income would decrease by HK$188 million (2011: HK$144 million) in response to the decrease in the prices. A 5 per cent increase in prices would have had an equal but opposite effect on the Group's profit for the year and other comprehensive income.

The sensitivity analysis above has been determined assuming that the change in prices had occurred at the end of the reporting period and had been applied to the exposure to price risk for the Group's investments in securities in existence at that date (as set out in note 18). The 5 per cent decrease in prices represents management's assessment of a reasonably possible change in the prices of those instruments over the period until the end of the next reporting period. The analysis is performed on the same basis for 2011.

(f) Fair Value

Except for certain investments in securities which are stated at cost, the carrying values of all financial assets and financial liabilities approximate to their fair values.

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

(f) Fair Value (Cont'd)

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

Assets measured at fair value

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

Liabilities measured at fair value

	Level 1		Level 2		Level 3		Total	
HK$ million	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Derivative financial instruments (note 19)								
Forward foreign exchange contracts	**–**	–	**436**	12	**–**	–	**436**	12
Interest rate swaps	**–**	–	**248**	201	**–**	–	**248**	201
Total	**–**	–	**684**	213	**–**	–	**684**	213

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

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

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

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

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

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

6. OTHER INCOME

Other income includes the following:

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

7. OPERATING COSTS

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

8. FINANCE COSTS

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

9. PROFIT BEFORE TAXATION

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

10. TAXATION

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

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

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

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

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

11. PROFIT FOR THE YEAR AND SEGMENT INFORMATION

for the year ended 31st December

	Investment in Power Assets*		Infrastructure Investments: United Kingdom		Australia		Mainland China		Canada and New Zealand		Sub-total		Infrastructure related business		Unallocated items		Consolidated	
HK$ million	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Group turnover #	**–**	–	**1,094**	776	**705**	729	**–**	–	**224**	245	**2,023**	1,750	**2,082**	1,743	**–**	–	**4,105**	3,493
Share of turnover of jointly controlled entities	**–**	–	**–**	–	**–**	–	**662**	625	**–**	–	**662**	625	**982**	907	**–**	–	**1,644**	1,532
	–	–	**1,094**	776	**705**	729	**662**	625	**224**	245	**2,685**	2,375	**3,064**	2,650	**–**	–	**5,749**	5,025
Group turnover	**–**	–	**1,094**	776	**705**	729	**–**	–	**224**	245	**2,023**	1,750	**2,082**	1,743	**–**	–	**4,105**	3,493
Bank and other interest income	**–**	–	**–**	10	**–**	–	**–**	–	**–**	–	**–**	10	**82**	84	**155**	140	**237**	234
Gain on disposal of a jointly controlled entity	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**2**	–	**–**	–	**2**	–
Gain on disposal of an associate	**–**	–	**–**	–	**–**	145	**–**	–	**–**	–	**–**	145	**–**	–	**–**	–	**–**	145
Gain on disposal of a subsidary	**–**	–	**–**	96	**–**	–	**–**	–	**–**	–	**–**	96	**–**	–	**–**	–	**–**	96
Other income	**–**	–	**–**	28	**–**	–	**139**	106	**–**	–	**139**	134	**56**	88	**5**	4	**200**	226
Change in fair values of investments in securities and derivative financial instruments	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(25)	**–**	(25)
Depreciation	**–**	–	**(5)**	(22)	**–**	–	**–**	–	**–**	–	**(5)**	(22)	**(49)**	(47)	**–**	–	**(54)**	(69)
Other operating expenses	**–**	–	**(39)**	(211)	**–**	–	**(2)**	(2)	**–**	–	**(41)**	(213)	**(2,070)**	(1,716)	**(917)**	(617)	**(3,028)**	(2,546)
Finance costs	**–**	–	**(2)**	(18)	**–**	–	**–**	–	**–**	–	**(2)**	(18)	**(3)**	(3)	**(727)**	(554)	**(732)**	(575)
Exchange gain/(loss)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**2**	9	**287**	(119)	**289**	(110)
Share of results of associates and jointly controlled entities	**3,757**	3,503	**4,391**	3,060	**441**	432	**286**	283	**(52)**	(16)	**5,066**	3,759	**214**	135	**–**	–	**9,037**	7,397
Profit/(Loss) before taxation	**3,757**	3,503	**5,439**	3,719	**1,146**	1,306	**423**	387	**172**	229	**7,180**	5,641	**316**	293	**(1,197)**	(1,171)	**10,056**	8,266
Taxation	**–**	–	**46**	16	**–**	–	**(28)**	(9)	**–**	–	**18**	7	**1**	(1)	**–**	–	**19**	6
Profit/(Loss) for the year	**3,757**	3,503	**5,485**	3,735	**1,146**	1,306	**395**	378	**172**	229	**7,198**	5,648	**317**	292	**(1,197)**	(1,171)	**10,075**	8,272
Attributable to:																		
Shareholders of the Company	**3,757**	3,503	**5,485**	3,735	**1,146**	1,306	**395**	378	**172**	229	**7,198**	5,648	**324**	282	**(1,852)**	(1,688)	**9,427**	7,745
Owners of perpetual capital securities	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**655**	517	**655**	517
Non-controlling interests	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(7)**	10	**–**	–	**(7)**	10
	3,757	3,503	**5,485**	3,735	**1,146**	1,306	**395**	378	**172**	229	**7,198**	5,648	**317**	292	**(1,197)**	(1,171)	**10,075**	8,272

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

for the year ended 31st December

	Investment in Power Assets*		Infrastructure Investments										Infrastructure related business		Unallocated items		Consolidated	
			United Kingdom		Australia		Mainland China		Canada and New Zealand		Sub-total							
HK$ million	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Other information																		
Expenditure for segment non-current assets:																		
– Additions to property, plant and equipment	–	–	–	29	–	–	–	–	–	–	–	29	680	324	–	–	680	353
– Acquisitions of associates	–	–	2,468	10,866	38	–	–	–	126	–	2,632	10,866	–	–	–	–	2,632	10,866
– Disposal of a jointly controlled entity	–	–	–	–	–	–	–	–	–	–	–	–	(4)	–	–	–	(4)	–
– Disposal of an associate	–	–	–	–	–	6	–	–	–	–	–	6	–	–	–	–	–	6
– Disposal of a subsidiary	–	–	–	(461)	–	–	–	–	–	–	–	(461)	–	–	–	–	–	(461)
as at 31st December																		
Assets																		
Interests in associates and jointly controlled entities	24,918	22,876	35,946	29,690	7,855	7,344	790	695	2,618	2,594	47,209	40,323	288	247	–	–	72,415	63,446
Property, plant and equipment and investment properties §	–	–	96	98	–	–	–	–	–	–	96	98	1,618	951	1	2	1,715	1,051
Other segment assets	–	–	818	792	3,860	2,892	–	25	–	1	4,678	3,710	1,478	1,736	–	–	6,156	5,446
Unallocated corporate assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–	8,256	6,880	8,256	6,880
Total assets	24,918	22,876	36,860	30,580	11,715	10,236	790	720	2,618	2,595	51,983	44,131	3,384	2,934	8,257	6,882	88,542	76,823
Liabilities																		
Segment liabilities	–	–	64	66	199	113	40	49	1	4	304	232	665	540	–	–	969	772
Unallocated corporate liabilities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	14,192	16,279	14,192	16,279
Total liabilities	–	–	64	66	199	113	40	49	1	4	304	232	665	540	14,192	16,279	15,161	17,051

Notes:

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

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

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

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

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

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

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

12. EARNINGS PER SHARE

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

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

13. DIVIDENDS

(a)

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

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

(b)

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

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

14. PROPERTY, PLANT AND EQUIPMENT

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

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

The carrying value of the Group's mains, pipes, other plant and machinery includes an amount of HK$58 million (2011: HK$73 million) in respect of assets held under finance leases, and another amount of HK$83 million (2011: HK$66 million) in respect of assets pledged as security for certain bank loans of the Group.

The Directors reviewed the Group's property, plant and equipment based on value in use calculation. The discount rate used was 8.5 per cent (2011: 8.5 per cent) per annum. No impairment loss has been recognised for the property, plant and equipment during the year.

15. INVESTMENT PROPERTIES

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

The fair values of the Group's investment properties at 31st December, 2012 are determined based on a valuation carried out by Mr. K. B. Wong for and on behalf of DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. Mr. K. B. Wong is a member of the Hong Kong Institute of Surveyors. The valuation was arrived at by reference to comparable market transactions and by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties.

16. INTERESTS IN ASSOCIATES

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

Included in the amounts due by unlisted associates are subordinated loans of HK$10,552 million (2011: HK$15,345 million). The rights in respect of these loans are subordinated to the rights of any other lenders to the associates.

The Directors reviewed certain associates' operations and financial positions as at 31st December, 2012 based on value in use calculation.

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

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

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

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES

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

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

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

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

18. INVESTMENTS IN SECURITIES

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

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

A stapled security comprises various subordinated loan notes and fully paid ordinary shares. It is quoted at a single combined price and cannot be traded separately.

Neither the subordinated loan notes, debt securities, listed notes nor the unlisted notes are past due nor impaired, which are issued by corporate entities with credit ratings ranging from A- to BBB-.

19. DERIVATIVE FINANCIAL INSTRUMENTS

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

19. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

Currency Derivatives

During the current year, the Group utilised currency derivatives to hedge long term foreign investments. The Group is a party to a variety of foreign currency forward contracts in the management of its exchange rate exposures. No material cash flow is expected to occur in the coming year.

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

As at 31st December, 2012

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

As at 31st December, 2011

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

* designated as hedging instrument in accordance with HKAS 39

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

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

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

19. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

Interest Rate Swaps

During the current year, the Group utilised interest rate swaps to manage its exposure to interest rate movements on its bank borrowings by swapping a proportion of those borrowings from floating rates to fixed rates. The notional principal amounts of the interest rate swap contracts outstanding as at 31st December, 2012 and the major terms of these contracts are as follows:

As at 31st December, 2012

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

As at 31st December, 2011

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

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

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

20. GOODWILL

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

The goodwill was recognised on acquisition of 100 per cent interest in Cambridge Water PLC ("Cambridge Water"), the water supplier in South Cambridgeshire of the United Kingdom in prior years. The Group sold its entire legal and beneficial interest in the issued share capital of Cambridge Water during 2011. Accordingly, the attributable amount of goodwill was included in the determination of the gain on disposal of a subsidiary.

21. INVENTORIES

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

22. DEBTORS AND PREPAYMENTS

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

22. DEBTORS AND PREPAYMENTS (CONT'D)

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

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

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

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

HK$ million	2012	2011
At 1st January	36	55
Impairment loss recognised	6	–
Impairment loss written back	(7)	(10)
Uncollective amounts written off	–	(1)
Released upon disposal of a subsidiary	–	(10)
Exchange translation differences	–	2
At 31st December	35	36

22. DEBTORS AND PREPAYMENTS (CONT'D)

At 31st December, 2012, gross trade debtors' balances totalling HK$35 million (2011: HK$36 million) were individually determined to be impaired, which related to customers that were in financial difficulties. The management assessed that only a portion of the trade debtors' balances is expected to be recovered. Consequently, specific allowance for doubtful debts of HK$35 million (2011: HK$36 million) was recognised at 31st December, 2012. The Group does not hold any collateral over these balances.

The aging analysis of trade debtors that are neither individually nor collectively considered to be impaired is as follows:

HK$ million	**2012**	2011
Neither past due nor impaired	**192**	168
Less than 1 month past due	**122**	90
1 to 3 months past due	**30**	50
More than 3 months but less than 12 months past due	**6**	–
More than 12 months past due	**2**	2
Amount past due	**160**	142
Total	**352**	310

The trade debtors that were neither past due nor impaired related to customers for whom there was no recent history of default.

The trade debtors that were past due but not impaired related to customers that had good track records with the Group. Management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

23. BANK BALANCES AND DEPOSITS

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

24. BANK AND OTHER LOANS

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

24. BANK AND OTHER LOANS (CONT'D)

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

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

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

The Group's notes of HK$1,975 million (2011: HK$3,042 million) were arranged at fixed interest rate and exposed the Group to fair value interest rate risk. Other borrowings were arranged at floating rates, thus exposed the Group to cash flow interest rate risk.

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

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

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

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

24. BANK AND OTHER LOANS (CONT'D)

At 31st December, 2012, the remaining weighted average lease term was 2.7 years (2011: 4.5 years). All leases are denominated in GBP or RMB on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The Group's obligations under finance leases are secured by the lessors' charge over the leased assets (note 14).

25. CREDITORS AND ACCRUALS

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

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

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

26. DEFERRED TAX ASSETS/LIABILITIES

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

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

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

HK$ million	Accelerated tax depreciation	Tax losses	Fair value changes in securities	Others	Total
At 1st January, 2011	201	(9)	48	5	245
Charge/(Credit) to profit for the year	1	(29)	–	9	(19)
Charge to other comprehensive income for the year	–	–	63	–	63
Exchange translation differences	10	–	2	1	13
Disposal of a subsidiary	(158)	–	–	–	(158)
Others	9	24	–	(5)	28
At 31st December, 2011	63	(14)	113	10	172
(Credit)/Charge to profit for the year	(1)	(46)	–	16	(31)
Charge to other comprehensive income for the year	–	–	82	–	82
Exchange translation differences	2	(1)	4	–	5
Others	–	39	–	(7)	32
At 31st December, 2012	**64**	**(22)**	**199**	**19**	**260**

Apart from the unused tax losses of which the deferred tax assets were recognised as presented above, the Group had unused tax losses and other unused tax credits totalling HK$1,388 million (2011: HK$1,402 million) at 31st December, 2012. No deferred tax asset has been recognised in respect of these tax losses and tax credits due to the unpredictability of future profit streams to utilise the available tax losses and tax credits. An analysis of the expiry dates of the tax losses and tax credits is as follows:

HK$ million	**2012**	2011
Within 1 year	**4**	4
In the 2nd year	**8**	4
In the 3rd to 5th year, inclusive	**31**	13
No expiry date	**1,345**	1,381
Total	**1,388**	1,402

27. RETIREMENT PLANS

(a) Defined Contribution Retirement Plans

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

Contributions to the defined contribution plans in Hong Kong are made by either the employer only at 10 per cent of the employees' monthly basic salaries or by both the employer and the employees each at 10 or 15 per cent of the employees' monthly basic salaries. The Company and its Hong Kong subsidiaries also participate in master trust Mandatory Provident Fund ("MPF") schemes operated by independent service providers. Mandatory contributions to these MPF schemes are made by both the employers and employees at 5 per cent of the employees' monthly relevant income each capped at HK$25,000 (HK$20,000 prior to June 2012).

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

As the Group's retirement plans in Hong Kong, including the defined benefit plan mentioned in (b) below, are all MPF-exempted recognised occupational retirement schemes ("ORSO schemes"), except for certain subsidiaries of which the new Hong Kong employees have to join the MPF schemes, the Group offers an option to its new Hong Kong employees to elect between the ORSO schemes and the MPF schemes.

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

27. RETIREMENT PLANS (CONT'D)

(b) Defined Benefit Retirement Plan operating in Hong Kong

Certain subsidiaries of the Group operate a defined benefit retirement plan in Hong Kong for their eligible employees. Contributions to the defined benefit plan are made by the employees at either 5 or 7 per cent of the employees' salaries and contributions made by the employer are based on the recommendations of an independent actuary according to a periodic actuarial valuation of the plan.

Actuarial valuation of the defined benefit plan according to HKAS 19 "Employee Benefits" was carried out at 31st December, 2012, by Mr. Joseph Yip of Towers Watson Hong Kong Limited, who is a Fellow of the Society of Actuaries. The present value of the defined benefit obligations, the related current service cost and past service cost, if any, were measured using the Projected Unit Credit Method. The principal actuarial assumptions used are as follows:

	2012	2011
Discount rate at 31st December	**0.40% per annum**	1.20% per annum
Expected rate of salary increase	**4.00% per annum**	4.00% per annum
Expected return on plan assets	**6.00% per annum**	6.00% per annum

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

HK$ million	**2012**	2011
Current service cost	**2**	2
Interest cost	**1**	2
Expected return on plan assets	**(4)**	(4)
Net amount credited to the consolidated income statement	**(1)**	–

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

27. RETIREMENT PLANS (CONT'D)

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

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

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

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

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

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

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

27. RETIREMENT PLANS (CONT'D)

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

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

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

The expected rate of return on assets was 6 per cent per annum at 31st December, 2011. This rate was derived by taking the weighted average of the long term expected rate of return on each of the asset classes invested.

The experience adjustment is as follows:

HK$ million	**2012**	2011
Present value of defined benefit obligations	**85**	76
Fair value of the plan assets	**(72)**	(66)
Deficit	**13**	10
Experience adjustment on plan assets	**–**	(6)

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

27. RETIREMENT PLANS (CONT'D)

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

Another actuarial valuation was completed at 1st January, 2013 by Ms. Phoebe W. Y. Shair of Towers Watson Hong Kong Limited, who is a Fellow of the Society of Actuaries, to determine the funding rates to be adopted by the Group in accordance with requirements of Occupational Retirement Schemes Ordinance. The actuarial method adopted was Attained Age Funding Method. The major assumptions used were the long-term average annual rate of investment return on the plan assets at 5 per cent per annum, and the average annual salary increases at 4 per cent per annum. The actuarial valuation showed that the fair value of the plan assets attributable to the Group at 31st December, 2012 represented 108 per cent of the present value of the obligations as at that date. Contributions to fund the obligations were based upon the recommendations of actuary to fully fund the retirement plan on an ongoing basis. The funding rates will be reviewed no later than 1st January, 2016 as required by Occupational Retirement Schemes Ordinance.

The Group expects to make a contribution of HK$1 million to the defined benefit plan during the next financial year.

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

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

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

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

28. SHARE CAPITAL

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

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

29. PERPETUAL CAPITAL SECURITIES

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

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

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

30. CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can expand and generate attractive and predictable returns for shareholders and benefits for other stakeholders, by establishing and maintaining a quality investment portfolio with stable earnings and appropriate level of risks that the management are comfortable with.

The capital structure of the Group consists of debts, which includes bank borrowings, notes and obligations under finance leases as detailed in note 24, bank balances and deposits, equity attributable to shareholders of the Company, comprising issued share capital and reserves, and perpetual capital securities as detailed in the consolidated statement of changes in equity.

The management actively and regularly reviews and manages the Group's capital structure to maintain a balance between high shareholders' returns and strong capital position, and makes adjustments to the capital structure in light of changes in the global market conditions.

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

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

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

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

31. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash from Operations

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

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

(b) Disposal of a Subsidiary during the year 2011

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

Analysis of the net cash flow arising from the disposal:

HK$ million	2011
Cash consideration	588
Bank balances and deposits disposed of	(47)
Net cash inflow arising from the disposal	541

32. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' emoluments comprise payments to the Company's directors by the Group in connection with the management of the affairs of the Group. The independent non-executive directors ("INED") receive an annual director's fee of HK$75,000 each; and for those acting as the audit committee members ("ACM") and remuneration committee members ("RCM"), additional annual fee of HK$80,000 each is paid for the former and HK$25,000 each is paid for the latter. The emoluments of each of the Company's directors for the current year, excluding emoluments received from the Group's associates, are as follows:

HK$ million	Fees	Basic Salaries, Allowances and Other Benefits	Bonuses	Provident Fund Contributions	Inducement or Compensation Fees	**Total Emoluments 2012**	Total Emoluments 2011
Li Tzar Kuoi, Victor (1)	0.075	–	21.780	–	–	**21.855**	18.974
Kam Hing Lam (1)	0.075	4.200	9.312	–	–	**13.587**	11.706
Ip Tak Chuen, Edmond	0.075	1.800	9.032	–	–	**10.907**	9.741
Fok Kin Ning, Canning (1)	0.075	–	–	–	–	**0.075**	0.075
Andrew John Hunter (1)	0.075	9.121	8.049	0.912	–	**18.157**	15.087
Chan Loi Shun, Dominic (1 and 2)	0.075	4.014	2.164	0.400	–	**6.653**	6.243
Chow Woo Mo Fong, Susan (1)	0.075	–	–	–	–	**0.075**	0.075
Frank John Sixt (1)	0.075	–	–	–	–	**0.075**	0.075
Tso Kai Sum (1)	0.075	–	–	–	–	**0.075**	0.075
Cheong Ying Chew, Henry (3)	0.180	–	–	–	–	**0.180**	0.180
Kwok Eva Lee (3)	0.155	–	–	–	–	**0.155**	0.155
Sng Sow-Mei (3)	0.155	–	–	–	–	**0.155**	0.155
Colin Stevens Russel (3)	0.180	–	–	–	–	**0.180**	0.180
Lan Hong Tsung, David (3)	0.155	–	–	–	–	**0.155**	0.155
Lee Pui Ling, Angelina	0.075	–	–	–	–	**0.075**	0.075
Barrie Cook	0.075	–	–	–	–	**0.075**	0.075
George Colin Magnus (1)	0.075	–	–	–	–	**0.075**	0.075
Total for the year 2012	**1.725**	**19.135**	**50.337**	**1.312**	**–**	**72.509**	
Total for the year 2011	1.725	17.811	42.386	1.179	–		63.101

Notes:

(1) During the year, Mr. Li Tzar Kuoi, Victor, Mr. Kam Hing Lam, Mr. Andrew John Hunter, Mrs. Chow Woo Mo Fong, Susan, Mr. Frank John Sixt, Mr. Tso Kai Sum and Mr. George Colin Magnus each received directors' fees of HK$70,000 (2011: HK$70,000), Mr. Fok Kin Ning, Canning received director's fees of HK$120,000 (2011: HK$120,000), Mr. Chan Loi Shun, Dominic received director's fees of HK$40,929 (2011: Nil) from Power Assets. Except for HK$70,000 (2011: HK$70,000) received by Mr. George Colin Magnus, the directors' fees totalling HK$580,929 (2011: HK$540,000) were then paid back to the Company.

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

Notes (Cont'd):

(2) During the current year, part of the directors' emoluments in the sum of HK$1,000,000 (2011: Nil) received by Mr. Chan Loi Shun, Dominic from Power Assets were paid back to the Company.

(3) INED, ACM and RCM – During the year, Mr. Cheong Ying Chew, Henry, Mrs. Kwok Eva Lee, Mr. Lan Hong Tsung, David, Mr. Colin Stevens Russel and Mrs. Sng Sow-Mei have acted as INED and ACM of the Company. Mr. Cheong Ying Chew, Henry and Mr. Colin Stevens Russel have acted as RCM of the Company during the year. The total emoluments paid to these INED, ACM and RCM during the current year were HK$825,000 (2011: HK$825,000).

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

33. COMMITMENTS

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

	Contracted but not provided for		**Authorised but not contracted for**	
HK$ million	**2012**	2011	**2012**	2011
Investment in an associate	**–**	–	**245**	–
Plant and machinery	**156**	695	**296**	254
Total	**156**	695	**541**	254

(b) At 31st December, the Group had outstanding commitments under non-cancellable operating leases in respect of land and buildings, which fall due as follows:

HK$ million	**2012**	2011
Within 1 year	**11**	11
In the 2nd to 5th year, inclusive	**8**	19
Total	**19**	30

34. CONTINGENT LIABILITIES

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

35. MATERIAL RELATED PARTY TRANSACTIONS

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

During the year, the Group advanced HK$6 million (2011: HK$5 million) to its jointly controlled entities and received loan repayments of HK$16 million in 2011 from its jointly controlled entities. The total outstanding loan balances as at 31st December, 2012 amounted to HK$437 million (2011: HK$431 million), of which HK$251 million (2011: HK$251 million) bore interest with reference to Hong Kong dollar prime rate, and HK$186 million (2011: HK$180 million) was interest-free. The loans had no fixed terms of repayment.

Moreover, the Group's sales and purchases of infrastructure materials to/from a jointly controlled entity for the current year amounted to HK$312 million (2011: HK$297 million) and HK$20 million (2011: HK$13 million), respectively.

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

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

as at 31st December

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

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

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

37. EVENT AFTER THE REPORTING PERIOD

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

38. COMPARATIVE FIGURES

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

39. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

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

PRINCIPAL SUBSIDIARIES

APPENDIX 1

The table below shows the subsidiaries as at 31st December, 2012 which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of all the subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Name	Issued share capital Number	Par value per share	Proportion of nominal value of issued capital held by the Group (per cent)	Principal activities
Incorporated and operating in Hong Kong				
Anderson Asia (Holdings) Limited	2 ordinary	HK$0.5	100	Investment holding
	65,780,000 non-voting deferred	HK$0.5	–	
Anderson Asphalt Limited	300,000 ordinary	HK$100	100	Production and laying of asphalt and investment holding
China Cement Company (International) Limited	1,000,000 ordinary	HK$1	70	Investment holding
Green Island Cement Company, Limited	76,032,000 ordinary	HK$2	100	Manufacturing, sale and distribution of cement and property investment
Green Island Cement (Holdings) Limited	101,549,457 ordinary	HK$2	100	Investment holding
Incorporated in British Virgin Islands and operating in Hong Kong				
Cheung Kong Infrastructure Finance (BVI) Limited	1 ordinary	US$1	100	Financing
Capellini Limited	1 ordinary	US$1	100	Financing
Daredon Assets Limited	1 ordinary	US$1	100	Treasury
Green Island International (BVI) Limited	1 ordinary	US$1	100	Investment holding
Export Success International Limited	1 ordinary	US$1	100	Financing
Incorporated and operating in Australia				
Cheung Kong Infrastructure Finance (Australia) Pty Ltd	58,405,539 ordinary	A$1	100	Financing

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

PRINCIPAL ASSOCIATES

APPENDIX 2

The table below shows the associates as at 31st December, 2012 which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of all the associates would, in the opinion of the Directors, result in particulars of excessive length.

Name	Issued share capital Number	Par value per share	Approximate share of equity shares held by the Group (per cent)	Principal activities
Incorporated and operating in Hong Kong				
Power Assets Holdings Limited (note 1)	2,134,261,654 ordinary	HK$1	39	Electricity generation and distribution
Incorporated and operating in the United Kingdom				
UK Power Networks Holdings Limited	6,000,000 A ordinary	£1	40	Electricity distribution
	4,000,000 B ordinary	£1		
	360,000,000 A preference	£1		
	240,000,000 B preference	£1		
Northumbrian Water Group Limited	518,623,845 ordinary	£0.10	40	Water supply, sewerage and waste water businesses
Northern Gas Networks Holdings Limited	571,670,979 ordinary	£1	47	Gas distribution
	1 special	£1		
Wales & West Gas Networks (Holdings) Limited	290,272,506 ordinary	£1	30	Gas distribution
Electricity First Limited	4 ordinary	£1	50	Electricity generation
Incorporated and operating in Australia				
SA Power Networks Partnership (note 2)	N/A	N/A	23	Electricity distribution
CKI/HEI Electricity Distribution Pty Limited (note 3)	810,000,000 ordinary	A$1	23	Electricity distribution
CKI/HEI Electricity Distribution Two Pty Limited (note 4)	180,000,000 ordinary	A$1	23	Electricity distribution
	37,188,524,600 ordinary	A$0.01		
Incorporated and operating in Canada				
Stanley Power Inc.	139,000,000 ordinary	C$1	50	Electricity generation
Incorporated and operating in New Zealand				
Wellington Electricity Distribution Network Limited	117,000,100 ordinary	NZ$1	50	Electricity distribution

APPENDIX 2 (CONT'D)

Notes:

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

2. SA Power Networks Partnership (formerly known as ETSA Utilities Partnership), an unincorporated body, is formed by the following companies:

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

   CKI Utilities Development Limited and PAI Utilities Development Limited, both of which are associates of the Group, together own a 51 per cent interest in SA Power Networks Partnership.

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

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

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

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

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

   CitiPower 1 Pty Ltd
   CitiPower Pty
   The CitiPower Trust

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

SCHEDULE OF MAJOR PROPERTIES

APPENDIX 3

Location	Lot Number	Group's Interest (per cent)	Approximate floor/site area attributable to the Group (sq. m.)	Existing Usage	Lease Term
14-18 Tsing Tim Street, Tsing Yi	TYTL 98	100	3,355	I	Medium
TMTL 201 Tap Shek Kok	TMTL 201	100	152,855	I	Medium
Certain units of Harbour Centre Tower 2, 8 Hok Cheung Street, Hunghom	KML113	100	5,528	C	Medium

I: Industrial   C: Commercial

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 emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders. Save as disclosed below, 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 during the period from 1st January, 2012 to 31st March, 2012 and the Corporate Governance Code ("CG Code") during the period from 1st April, 2012 to 31st December, 2012 as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). In respect of code provisions A.5.1 to A.5.4 of the CG Code, the Company does not have a nomination committee. 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 and the appointment of new Directors 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 of the Board and the Group Managing Director. In respect of code provision A.6.7 of the CG Code, a Non-executive Director did not attend the annual general meeting of the Company held on 23rd May, 2012 due to an overseas commitment.

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

I. CODE PROVISIONS

Code Ref.	Code Provisions	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.* *The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether he is spending sufficient time performing them.*		
A.1.1	Regular board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of majority of directors.	C	• The Board meets regularly and held meetings in March, May, July and November of 2012. • Details of Directors' attendance records in 2012: **Members of the Board** — **Attendance** **Executive Directors** LI Tzar Kuoi, Victor *(Chairman)* 4/4 KAM Hing Lam *(Group Managing Director)* 4/4 IP Tak Chuen, Edmond *(Deputy Chairman)* 4/4 FOK Kin Ning, Canning *(Deputy Chairman)* 4/4 Andrew John HUNTER *(Deputy Managing Director)* 4/4 CHAN Loi Shun *(Chief Financial Officer)* 4/4 CHOW WOO Mo Fong, Susan 4/4 Frank John SIXT * 3/4 **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 Barrie COOK 4/4 **Non-executive Directors** LEE Pui Ling, Angelina 4/4 George Colin MAGNUS 4/4 TSO Kai Sum ** 4/4 * Attended three meetings in person and one meeting by his alternate Mrs. Chow Woo Mo Fong, Susan. ** Re-designated as a Non-executive Director with effect from 1st January, 2013. • 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. An updated and consolidated version of the Company's Memorandum of Association and Bye-laws (both English and Chinese versions) are available on the websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEx"). There are no significant changes in the Company's constitutional documents during the year 2012.
A.1.2	All directors are given an opportunity to include matters in the agenda for regular board meetings.	C	• All Directors are consulted as to whether they may wish to include any matter in the agenda before the agenda for each regular Board meeting is issued.

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.1.3	– At least 14 days notice for regular board meetings – Reasonable notice for other board meetings	C C	• 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.
A.1.4	Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting and should be open for inspection at any reasonable time on reasonable notice by any director.	C	• The Company Secretary prepares written resolutions or minutes and keeps records of substantive 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.
A.1.5	– Minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered and decisions reached. – Draft and final versions of minutes for all directors to comment and to keep records within a reasonable time after the board meeting	C C	• 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.
A.1.6	– 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 them to perform their duties to the company.	C C	• 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.
A.1.7	– 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 be dealt with by a physical board meeting rather than a written resolution. – Independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at that board meeting.	C C	• 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.
A.1.8	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 1996 including the year 2012/2013.
A.2	**CHAIRMAN AND CHIEF EXECUTIVE** *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.*		

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.2.1	– Separate roles of chairman and chief executive not to be performed by the same individual – Division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.	C C	• The positions of the Chairman of the Board and the Group Managing Director are currently held by separate individuals. • The Chairman of the Board 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.	C	• 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 May and November of 2012. Details of the attendance records of the meetings are as follows: **Attendance** **Chairman** LI Tzar Kuoi, Victor 2/2 **Independent Non-executive Directors** CHEONG Ying Chew, Henry 2/2 KWOK Eva Lee 2/2 SNG Sow-mei alias POON Sow Mei 2/2 Colin Stevens RUSSEL 2/2 LAN Hong Tsung, David 2/2 Barrie COOK 2/2 **Non-executive Directors** LEE Pui Ling, Angelina 2/2 George Colin MAGNUS 2/2 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.
A.2.3	The chairman should be responsible for ensuring that directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable.	C	• 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 as appropriate.
A.2.4	– The chairman to provide leadership for the board. – The chairman should ensure that the board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner. – The chairman should be primarily responsible for drawing up and approving the agenda for each board meeting. He should take into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda. The chairman may delegate this responsibility to a designated director or the company secretary.	C C C	• The Chairman of the Board is an Executive Director who is responsible for the leadership and effective running of the Board. • The Chairman of the Board 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 of 2012. • 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 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.

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.2.5	The chairman should take primary 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 it acts in the best interests of the company. – The chairman should encourage directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that board decisions fairly reflect board consensus.	C C	• Please refer to A.2.3 and A.2.4 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 May and November of 2012. Please refer to A.2.2 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 their views are communicated to the board as a whole.	C	• 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 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. • In March 2012, the Board has established a shareholders communication policy and has made it available on the Company's website. The policy is subject to review on a regular basis to ensure its effectiveness.
A.2.9	The chairman should promote a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors.	C	• The Chairman promotes a culture of openness and activity encourages Directors with different views to voice their opinion and be fully engaged in the Board's affairs so as to contribute to the Board's functions.
A.3	**BOARD COMPOSITION** *Corporate Governance Principle* *The Board should have a balance of skills and experience appropriate for the requirements of the Company's business and should include a balanced composition of Executive and Non-executive Directors so that independent judgement can effectively be exercised.*		

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.3.1	Independent non-executive directors should be identified in all corporate communications that disclose the names of directors.	C	• 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 eight Executive Directors, three Non-executive Directors and six 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 166. • The Directors' biographical information and the relationships among the Directors are set out on pages 36 to 43. • 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.
A.3.2	The company should maintain on its website and on HKEx's website an updated list of its directors identifying their role and function and whether they are independent non-executive directors.	C	• The Company maintains on its website an updated list of its Directors identifying their role and function together with their biographical information, and whether they are independent non-executive directors. Since March 2012, the updated list of Directors has been posted on the website of HKEx which has been revised from time to time. The Company has also posted on its website and the website of HKEx the Terms of Reference of the Board Committees to enable the shareholders to understand the roles played by those Independent Non-executive Directors who serve on the relevant Board Committees.
A.4	**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. All Directors should be subject to re-election at regular intervals.*		
A.4.1	Non-executive directors should be appointed for a specific term, subject to re-election.	C	• 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 CG Code.
A.4.2	– All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. – Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.	C C	• 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 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 CG Code. • 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. • The Company has published the procedures for shareholders to propose a person for election as a Director on its website.

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.4.3	– If an independent non-executive director serves more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders.	C	• 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 papers to shareholders accompanying that resolution should include the reasons why the board believes he is still independent and should be re-elected.	C	• 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. In respect of an Independent Non-executive Director who has served more than nine years, the Company had expressed its view in the circular for the 2012 Annual General Meeting as regards such Director's independence. In accordance with the CG Code, 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.
A.5	**NOMINATION COMMITTEE**		
A.5.1 – A.5.5	– The company should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. – The nomination committee should be established with specific written terms of reference which deal clearly with its authority and duties. – It should perform the following duties: (a) review the structure, size and composition (including the skills, knowledge and experience) of the board at least annually and make recommendations on any proposed changes to the board to complement the company's corporate strategy; (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 the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive. – The nomination committee should make available its terms of reference explaining its role and the authority delegated to it by the board by including them on HKEx's website and the company's website.	E	• 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. • 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.

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.5.1 – A.5.5 (Cont'd)	– The company should provide the nomination committee sufficient resources to perform its duties. Where necessary, the nomination committee should seek independent professional advice, at the company's expense, to perform its responsibilities. – 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 he should be elected and the reasons why they consider him to be independent.		• Please refer to A.4.3 above for the details.
A.6	**RESPONSIBILITIES OF DIRECTORS** *Corporate Governance Principle* *Every Director must always know his responsibilities as a Director of the Company and its conduct, business activities and development.*		
A.6.1	Every newly appointed director of the company should receive a comprehensive, formal and tailored induction on appointment. Subsequently he should receive any briefing and professional development necessary to ensure that he has a proper understanding of the company's operations and business and is fully aware of his responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the company's business and governance policies.	C	• 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 them with the duties and responsibilities as a Director of the Company and the business operation of the Company. • A package, which has been 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. Further 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 also been forwarded to each Director for his/her information and ready reference. • During the year, the Company had arranged at the cost of the Company Directors seminar sessions conducted by qualified professionals experienced on topics relating to the roles, functions and duties of the Directors. Certificates were issued to Directors who had attended the seminar sessions. • In addition, the Company has from time to time provided information and briefings to Directors on the latest developments in the laws, rules and regulations relating to Directors' duties and responsibilities. The Company had also, on an individual basis, advised Directors on queries raised or issues which arise in the performance of their duties as directors.
A.6.2	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 performance reporting	C C C C	• The Non-executive Directors exercise their independent judgement 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 Committee and Remuneration Committee of the Company.

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.6.3	Every director should ensure that he can give sufficient time and attention to the company's affairs and should not accept the appointment if he cannot do so.	C	• There is satisfactory attendance at Board meetings during the year. Please refer to A.1.1 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 area of knowledge and expertise.
A.6.4	Board should establish written guidelines no less exacting than the Model Code for relevant employees.	C	• 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. The Model Code has been revised and adopted by the Company from time to time to comply with the new requirements set out in Appendix 10 to the Listing Rules. • 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, 2012. • 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. • The Company has established a policy on handling of confidential and price-sensitive information, and securities dealing for all employees of the Group to comply with when they are in possession of confidential or unpublished price-sensitive information in relation to the Group. In November 2011, such policy has been posted on the Company's intranet. A revised policy on handling of confidential information, information disclosure, and securities dealing has been adopted by the Company to comply with the new requirements set out in Part XIVA of the Securities and Futures Ordinance effective from 1st January, 2013. Such revised policy has been posted on the Company's intranet and disseminated to all employees of the Company in December 2012 to replace the previous policy on handling of confidential and price-sensitive information, and securities dealing.
A.6.5	All directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. The company should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director.	C	• A package, which has been 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. Further 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 also been forwarded to each Director for his/her information and ready reference. • In addition, the Company has from time to time provided information and briefings to Directors on the latest developments in the laws, rules and regulations relating to Directors' duties and responsibilities. The Company had also, on an individual basis, advised Directors on queries raised or issues which arise in the performance of their duties as directors. • The Directors have provided to the Company their records of continuous professional development during the year 2012. • During the year, the Company had arranged at the cost of the Company Directors seminar sessions conducted by qualified professionals experienced on topics relating to the roles, functions and duties of the Directors. Certificates were issued to Directors who had attended the seminar sessions. Directors have also participated in continuous professional training organised by professional bodies and/or government authorities.

<table>
<tr><th>Code Ref.</th><th>Code Provisions</th><th>Comply ("C")/
Explain ("E")</th><th>Corporate Governance Practices</th></tr>
<tr><td>A.6.5
(Cont'd)</td><td></td><td></td><td>

- The Directors' knowledge and skills are continuously developed and refreshed by, inter alia, the following means:

  (1) Reading memoranda issued or materials provided (for example, in-house directors' seminar) from time to time by the Company to Directors, and as applicable, briefings and reports by the Company Secretary, as regards legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties with the latest developments in public consultations, laws, rules and regulations relating to the duties and responsibilities of directors and corporate governance;

  (2) Participation in continuous professional training seminars/conferences/courses/workshops on subjects relating to directors' duties and corporate governance, etc. organised by the Company and/or professional bodies and/or government authorities; and

  (3) Reading news/journal/magazine/other reading materials as regards legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties.

- Records of the Directors' training during 2012 are as follows:

<table>
<tr><th>Members of the Board</th><th>Training received</th></tr>
<tr><td>Executive Directors</td><td></td></tr>
<tr><td>LI Tzar Kuoi, Victor (Chairman)</td><td>(1), (2) & (3)</td></tr>
<tr><td>KAM Hing Lam (Group Managing Director)</td><td>(1), (2) & (3)</td></tr>
<tr><td>IP Tak Chuen, Edmond (Deputy Chairman)</td><td>(1), (2) & (3)</td></tr>
<tr><td>FOK Kin Ning, Canning (Deputy Chairman)</td><td>(1) & (3)</td></tr>
<tr><td>Andrew John HUNTER (Deputy Managing Director)</td><td>(1) & (3)</td></tr>
<tr><td>CHAN Loi Shun (Chief Financial Officer)</td><td>(1), (2) & (3)</td></tr>
<tr><td>CHOW WOO Mo Fong, Susan</td><td>(1), (2) & (3)</td></tr>
<tr><td>Frank John SIXT</td><td>(1), (2) & (3)</td></tr>
<tr><td>Independent Non-executive Directors</td><td></td></tr>
<tr><td>CHEONG Ying Chew, Henry</td><td>(1), (2) & (3)</td></tr>
<tr><td>KWOK Eva Lee</td><td>(1), (2) & (3)</td></tr>
<tr><td>SNG Sow-mei alias POON Sow Mei</td><td>(1), (2) & (3)</td></tr>
<tr><td>Colin Stevens RUSSEL</td><td>(1), (2) & (3)</td></tr>
<tr><td>LAN Hong Tsung, David</td><td>(1), (2) & (3)</td></tr>
<tr><td>Barrie COOK</td><td>(1), (2) & (3)</td></tr>
<tr><td>Non-executive Directors</td><td></td></tr>
<tr><td>LEE Pui Ling, Angelina</td><td>(1) & (2)</td></tr>
<tr><td>George Colin MAGNUS</td><td>(1), (2) & (3)</td></tr>
<tr><td>TSO Kai Sum *</td><td>(1) & (3)</td></tr>
</table>

* Re-designated as a Non-executive Director with effect from 1st January, 2013.
</td></tr>
<tr><td>A.6.6</td><td>Each director should disclose to the company at the time of his appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments. The identity of the public companies or organisations and an indication of the time involved should also be disclosed. The board should determine for itself how frequently this disclosure should be made.</td><td>C</td><td>

- 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.
</td></tr>
<tr><td>A.6.7</td><td>Independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve 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.</td><td>E</td><td>

- There is satisfactory attendance at Board meetings, Board Committee meetings, the meetings between the Chairman and the Non-executive Directors (including the Independent Non-executive Directors) and the general meeting during the year except that a Non-executive Director did not attend the annual general meeting of the Company held on 23rd May, 2012 due to an overseas commitment. Please refer to A.1.1, A.2.2, B.1.2, C.3.1 and E.1.2 for details of attendance records.
- Extent of participation and contribution should be viewed both quantitatively and qualitatively.
</td></tr>
</table>

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.6.8	Independent non-executive directors and other 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	• Please refer to A.6.7 above.
A.7	**SUPPLY OF AND ACCESS TO INFORMATION** *Corporate Governance Principle* *Directors should be provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and perform their duties and responsibilities.*		
A.7.1	– Send agenda and full board papers to all directors at least 3 days before regular board or board committee meetings – As far as practicable for other board or board committee meetings	C C	• 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.7.2	– Management has an obligation to supply the board and its committees with adequate and reliable information in a timely manner to enable it to make informed decisions. – The board and individual directors should have separate and independent access to the company's senior management for making further enquiries where necessary.	C C	• 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.
A.7.3	– All directors are entitled to have access to board papers and related materials. – Queries raised by directors should receive a prompt and full response, if possible.	C C	• Please refer to A.7.1 and A.7.2 above.
B.	**REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION**		
B.1	**THE LEVEL AND MAKE-UP OF REMUNERATION AND DISCLOSURE** *Corporate Governance Principle* *The Company should disclose its Director's remuneration policy and other remuneration related matters. The procedure for setting policy on Executive Directors' remuneration and all Directors' remuneration packages should be formal and transparent.*		
B.1.1	The remuneration committee should consult the chairman and/or chief executive about their remuneration proposals for other executive directors and should have access to independent professional advice if necessary.	C	• 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 have been determined with reference to the skills, knowledge, involvement in the Company's affairs and the performance of each Director, and to the profitability of the Company and prevailing market conditions during the year. • 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, including the corporate philosophy in formulating employees' remuneration packages, and market trends and related 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.

<table>
<tr><th>Code Ref.</th><th>Code Provisions</th><th>Comply ("C")/
Explain ("E")</th><th>Corporate Governance Practices</th></tr>
<tr><td>B.1.2</td><td>The remuneration committee's terms of reference should include:
– recommend to the board on the company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy
– review and approve the management's remuneration proposals with reference to the board's corporate goals and objectives
– either to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management; or to make recommendations to the board on the remuneration packages of individual executive directors and senior management
– recommend to the board on the remuneration of non-executive directors
– consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group
– review and approve compensation payable on loss or termination of office or appointment
– review and approve compensation arrangements relating to dismissal or removal of directors for misconduct
– ensure that no director or any of his associates is involved in deciding his own remuneration</td><td>C</td><td>• The Company established its Remuneration Committee ("Remuneration Committee") on 1st January, 2005. A majority of the members are Independent Non-executive Directors.
• The Remuneration Committee comprises the Chairman of the Board, Mr. Li Tzar Kuoi, Victor, and two Independent Non-executive Directors, namely, Mr. Cheong Ying Chew, Henry (Chairman of the Remuneration Committee) and Mr. Colin Stevens Russel.
• The terms of reference of the Remuneration Committee (both English and Chinese versions) follow closely the requirements of the CG Code. The same as modified from time to time and adopted by the Board, are posted on the websites of the Company and HKEx.
• The Remuneration Committee, with delegated responsibility, determines the remuneration packages of individual Executive Directors and senior management, and reviews the remuneration of Non-executive Directors.
• Since the publication of the annual report 2011 in April 2012, meetings of the Remuneration Committee were held in November 2012 and January 2013. Details of the attendance records of the members of the Remuneration Committee are as follows:

Members of the Remuneration Committee — Attendance
CHEONG Ying Chew, Henry
(Chairman of the Remuneration Committee) — 2/2
LI Tzar Kuoi, Victor — 2/2
Colin Stevens RUSSEL — 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 of the Remuneration Committee during the said meetings:
1. Review the remuneration policy for 2012/2013;
2. Recommend to the Board the Company's policy and structure for the remuneration of Directors and the management;
3. Review the remuneration packages of Executive Directors and the management with reference to the established system of the Company for determining the remuneration review;
4. Review and approve the remuneration of Non-executive Directors; and
5. Review the annual bonus policy.
• No Director or any of his/her associates is involved in deciding his/her own remuneration at the meetings of the Remuneration Committee held in November 2012 and January 2013.</td></tr>
<tr><td>B.1.3</td><td>The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on HKEx's website and the company's website.</td><td>C</td><td>• The terms of reference of the Remuneration Committee are posted on the websites of the Company and HKEx.
• 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 the management, and reviewing the remuneration packages of all Executive Directors and the management with reference to the corporate goals and objectives of the Board resolved from time to time.</td></tr>
<tr><td>B.1.4</td><td>The remuneration committee should be provided with sufficient resources to perform its duties.</td><td>C</td><td>• The Human Resources Department provides administrative support and implements the approved remuneration packages and other human resources related decisions approved by the Remuneration Committee.</td></tr>
<tr><td>B.1.5</td><td>The company should disclose details of any remuneration payable to members of senior management by band in the annual reports.</td><td>C</td><td>• The Board has resolved that the senior management of the Company comprises only the Executive Directors of the Company. Please refer to note 32 in the Notes to the Consolidated Financial Statements for details of the remuneration payable to the Directors.</td></tr>
</table>

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
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 sufficient explanation and information to the board to enable it to make an informed assessment of financial and other information put before it for approval.	C	• Directors are provided with a review of the Group's major business activities and key financial information on a quarterly basis.
C.1.2	Management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the company's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties.	C	• Monthly updates had been provided to all members of the Board since April 2012, the effective date of code provision C.1.2, for the purpose of providing a balance and understandable assessment of the Company's performance, position and prospects in sufficient detail and to enable the Board as a whole and each Director to discharge their duties.
C.1.3	– 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 auditor's 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. – Where the directors are aware of material uncertainties relating to events or conditions that may cast significant doubt on the company's ability to continue as a going concern, they should be clearly and prominently disclosed and discussed at length in the Corporate Governance Report.	C C C N/A	• The Directors acknowledged in writing on an annual basis 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.1.3 of the CG Code. • 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 66.
C.1.4	The directors should include in the separate statement containing a discussion and analysis of the group's performance in the annual report, an explanation of the basis on which the company generates or preserves value over the longer term (the business model) and the strategy for delivering the company's objectives	C	• The Board has included the separate statement containing a discussion and analysis of the Group's Long Term Development Strategy in the Annual Report 2012.
C.1.5	The board should present a balanced, clear and understandable assessment in annual and interim reports, other price-sensitive announcements and other financial disclosures required by the Listing Rules. It should also do so for reports to regulators and information disclosed under statutory requirements.	C	• 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 and update with 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.

<table>
<tr><th>Code Ref.</th><th>Code Provisions</th><th>Comply ("C")/ Explain ("E")</th><th>Corporate Governance Practices</th></tr>
<tr><td>C.2</td><td colspan="3">INTERNAL CONTROLS

Corporate Governance Principle
The Board should ensure that the Company maintains sound and effective internal controls to safeguard shareholders' investment and the Company's assets.</td></tr>
<tr><td>C.2.1</td><td>– Directors to review the effectiveness of the company's and its subsidiaries' internal control systems 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.</td><td>C

C</td><td>• 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 unauthorised 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.</td></tr>
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<tr><th>Code Ref.</th><th>Code Provisions</th><th>Comply ("C")/
Explain ("E")</th><th>Corporate Governance Practices</th></tr>
<tr><td>C.2.1
(Cont'd)</td><td></td><td></td><td>Controls on inside Information
• Regarding the procedures and internal controls for handling inside information, the Group:
(1) is well aware of its statutory and regulatory obligations to announce any inside information;
(2) makes reference to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012;
(3) has implemented policy and procedure which strictly prohibit unauthorised use of confidential information and insider trading, 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 CG Code.</td></tr>
<tr><td>C.2.2</td><td>The board's annual review should, in particular, consider the adequacy of resources, staff qualifications and experience, training programmes and budget of the company's accounting and financial reporting function.</td><td>C</td><td>• The Board, through the Audit Committee and with the appraisal performed by the Internal Audit Department, reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function at the Board meeting held in March 2013 and noted that the Company has been in compliance with the Code Provision for the year 2012. Please also refer to C.3.3 below.</td></tr>
<tr><td>C.3</td><td colspan="3">AUDIT COMMITTEE
Corporate Governance Principle
The Board should establish formal and transparent arrangements to consider how it will apply financial reporting and internal control principles and maintain an appropriate relationship with the Company's auditors.</td></tr>
<tr><td>C.3.1</td><td>– Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting.
– Draft and final versions of minutes should be sent to all committee members for their comment and records within a reasonable time after the meeting.</td><td>C
C</td><td>• 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 of 2012. Details of the attendance records of members of the Audit Committee are as follows:
<table><tr><th>Members of the Audit Committee</th><th>Attendance</th></tr><tr><td>Colin Stevens RUSSEL (Chairman of the Audit Committee)</td><td>2/2</td></tr><tr><td>CHEONG Ying Chew, Henry</td><td>2/2</td></tr><tr><td>KWOK Eva Lee</td><td>2/2</td></tr><tr><td>SNG Sow-mei alias POON Sow Mei</td><td>2/2</td></tr><tr><td>LAN Hong Tsung, David</td><td>2/2</td></tr></table>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 2012:
1. Review the financial reports for 2011 annual results and 2012 interim results;
2. Review the findings and recommendations of the Group Internal Audit on the work of various divisions/departments and related companies;
3. Review the effectiveness of the internal control system;
4. Review the external auditor's audit findings;
5. Review the auditor's remuneration;
6. Review the risks of different business units and analysis thereof provided by the relevant business units;
7. Review the control mechanisms for such risks advising on action plans for improvement of the situations;
8. Review the arrangements employees can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters; and
9. Perform the corporate governance functions and review the corporate governance policies and practices.</td></tr>
</table>

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.3.1 (Cont'd)			• After due and careful consideration of reports from management and the internal and external auditors, the Audit Committee noted 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 5th March, 2013 that the internal control system was adequate and effective. • On 5th March, 2013, the Audit Committee met to review the Group's 2012 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 Annual Report 2012 complied with the applicable accounting standards and Appendix 16 to the Listing Rules. The Audit Committee therefore resolved to recommend for the Board's approval the consolidated financial statements for the year ended 31st December, 2012. • The Audit Committee also recommended to the Board the re-appointment of Deloitte as the Company's external auditor for 2013 and that the related resolution shall be put forth for shareholders' consideration and approval at the 2013 annual general meeting. • The Group's Annual Report for the year ended 31st December, 2012 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 from the date of his ceasing to be a partner of or to have any financial interest in, the firm, whichever is later.	C	• 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	The audit committee's terms of reference should include: – recommendations to the board on the appointment, reappointment and removal of external auditor and approval of their terms of engagement – review and monitor external auditor's independence and objectivity and effectiveness of audit process – review of the company's financial information – oversight of the company's financial reporting system and internal control procedures, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the company's accounting and financial reporting function	C	• The terms of reference of the Audit Committee (both English and Chinese versions), which follow closely the requirements of the CG Code and are modified from time to time and adopted by the Board, are posted on the websites of the Company and HKEx.

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
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 by including them on HKEx's and the company's website	C	• 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 CG Code, 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 CG Code. The latest version of the terms of reference of the Audit Committee is available on the websites of the Company and HKEx. • 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, review of the relationship with the external auditor of the Company and performance of the corporate governance functions delegated by the Board. 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 2012.
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 2013. • For the year ended 31st December, 2012, the external auditor of the Company received approximately HK$4.4 million for annual audit services and approximately HK$1.4 million for tax and other services.
C.3.6	The audit committee should be provided with sufficient resources to perform its duties.	C	• 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.
C.3.7	The terms of reference of the audit committee should also require it: – to review arrangements employees of the company can use, in confidence, to 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 fair and independent investigation of these matters and for appropriate follow-up action; and – to act as the key representative body for overseeing the company's relations with the external auditor.	 C C	• The terms of reference of the Audit Committee were revised with effect from 1st January, 2012 to include the requirement to review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. • The Company has established the Procedures for Reporting Possible Improprieties in Matters of Financial Reporting, Internal Control or Other Matters for employees and those who deal with the Group to raise concerns, in confidence, with the Audit Committee about possible improprieties in matters of financial reporting, internal control or other matters relating to the Group. Such procedures were included into the Company's employees handbook and posted on the Company's website. • 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 heads and to the human resources department for necessary action (whether these relate to their career development or any other grievances and complaints they may have).

Code Ref.	Code Provisions	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 for Board approval 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 management's power, in particular, where management should report back and obtain prior board approval before making decisions or entering into any commitments on the company's behalf.	C	• 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 152. • 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. • Specifically, the Board has had in place Guidelines for Treasury Investments stating the authority limits of treasury investments under different scenarios beyond which Board approval will be required.
D.1.2	Formalise functions reserved to the board and those delegated to management and to review those arrangements periodically to ensure that they remain appropriate to the company's needs.	C	• 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.1.3	The company should disclose the respective responsibilities, accountabilities and contributions of the board and management.	C	• Please refer to the Management Structure Chart set out on page 152.
D.1.4	Directors should clearly understand delegation arrangements in place. The company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.	C	• In February 2012, formal letters of appointment have been issued to all Directors setting out the key terms and conditions of their respective appointment. Each newly appointed Director will also be issued with a letter of appointment.
D.2	**BOARD COMMITTEES** *Corporate Governance Principle* *Board Committees should be formed with specific written terms of reference which deal clearly with their authority and duties.*		
D.2.1	Where board committees are established to deal with matters, the board should give them sufficiently clear terms of reference to enable them to perform their functions properly.	C	• 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 them 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).	C	• Board Committees report to the Board of their decisions and recommendations at the Board meetings.

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
D.3	**CORPORATE GOVERNANCE FUNCTIONS**		
D.3.1	The terms of reference of the board (or a committee or committees performing this function) should include: – develop and review the company's policies and practices on corporate governance and make recommendations to the board; – review and monitor the training and continuous professional development of directors and senior management; – review and monitor the company's policies and practices on compliance with legal and regulatory requirements; – develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and – review the company's compliance with the CG Code and disclosure in the Corporate Governance Report.	C	• The terms of reference of the Audit Committee were revised with effect from 1st January, 2012 to include the following corporate governance functions delegated by the Board: 1. Develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; 2. Review and monitor the training and continuous professional development of Directors and senior management; 3. Review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; 4. Develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and 5. Review the Company's compliance with the CG Code and disclosure in this Corporate Governance Report. • At the Audit Committee's meeting held in March 2013, members of the Audit Committee had performed the above-mentioned corporate governance functions by reviewing the Company's policies and practices on corporate governance as well as legal and regulatory compliance.
D.3.2	The board should be responsible for performing the corporate governance duties set out in the terms of reference in D.3.1 or it may delegate the responsibility to a committee or committees.	C	• The Board has delegated the responsibility of performing the corporate governance duties to the Audit Committee. To that effect, the terms of reference of the Audit Committee as set out in D.3.1 above were revised with effect from 1st January, 2012 to include the corporate governance functions delegated by the Board.
E.	**COMMUNICATION WITH SHAREHOLDERS**		
E.1	**EFFECTIVE COMMUNICATION** *Corporate Governance Principle* *The Board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with them and encourage their participation.*		
E.1.1	For each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting. The company should avoid "bundling" resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are "bundled", the company should explain the reasons and material implications in the notice of meeting.	C	• Separate resolutions are proposed at the general meetings of the Company on each substantially separate issue, including the election of individual directors.

<table>
<tr><th>Code Ref.</th><th>Code Provisions</th><th>Comply ("C")/ Explain ("E")</th><th>Corporate Governance Practices</th></tr>
<tr><td>E.1.2</td><td>– The chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite 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 requires independent shareholders' approval. The company's management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.</td><td>C

C</td><td>• In 2012, the Chairman of the Board, Chairman of the Audit Committee and Chairman of the Remuneration Committee attended the 2012 annual general meeting and were available to answer questions.

• Details of Directors' attendance records of the 2012 annual general meeting are as follows:
<table>
<tr><th>Members of the Board</th><th>Attendance</th></tr>
<tr><td>Executive Directors</td><td></td></tr>
<tr><td>LI Tzar Kuoi, Victor (Chairman of the Board)</td><td>1/1</td></tr>
<tr><td>KAM Hing Lam</td><td>1/1</td></tr>
<tr><td>IP Tak Chuen, Edmond</td><td>1/1</td></tr>
<tr><td>FOK Kin Ning, Canning</td><td>1/1</td></tr>
<tr><td>Andrew John HUNTER</td><td>1/1</td></tr>
<tr><td>CHAN Loi Shun</td><td>1/1</td></tr>
<tr><td>CHOW WOO Mo Fong, Susan</td><td>1/1</td></tr>
<tr><td>Frank John SIXT</td><td>1/1</td></tr>
<tr><td>Independent Non-executive Directors</td><td></td></tr>
<tr><td>CHEONG Ying Chew, Henry (Chairman of the Remuneration Committee)</td><td>1/1</td></tr>
<tr><td>KWOK Eva Lee</td><td>1/1</td></tr>
<tr><td>SNG Sow-mei alias POON Sow Mei</td><td>1/1</td></tr>
<tr><td>Colin Stevens RUSSEL (Chairman of the Audit Committee)</td><td>1/1</td></tr>
<tr><td>LAN Hong Tsung, David</td><td>1/1</td></tr>
<tr><td>Barrie COOK</td><td>1/1</td></tr>
<tr><td>Non-executive Directors</td><td></td></tr>
<tr><td>LEE Pui Ling, Angelina</td><td>1/1</td></tr>
<tr><td>George Colin MAGNUS</td><td>0/1</td></tr>
<tr><td>TSO Kai Sum *</td><td>1/1</td></tr>
</table>
* Re-designated as a Non-executive Director with effect from 1st January, 2013.

• In 2012, the Company's external auditor attended the annual general meeting and was available to answer questions.</td></tr>
<tr><td>E.1.3</td><td>The company should arrange for the notice to shareholders to be sent for annual general meeting at least 20 clear business days before the meeting and to be sent at least 10 clear business days for all other general meetings.</td><td>C</td><td>• The Company's notice to shareholders for the 2012 annual general meeting of the Company was sent at least 20 clear business days before the meeting.</td></tr>
<tr><td>E.1.4</td><td>The board should establish a shareholders' communication policy and review it on a regular basis to ensure its effectiveness</td><td>C</td><td>• In March 2012, the Board has established a shareholders communication policy and has made it available on the Company's website. The policy is subject to review on a regular basis to ensure its effectiveness.

• The particulars of shareholders' rights relating to, inter alia, convening of special general meetings and making enquiries to the Company are as follows:

1. The Company has only one class of shares. All shares have the same voting rights and are entitled to the dividends declared. The Company Bye-laws set out the rights of shareholders.

2. Shareholder(s) holding not less than one-tenth of the paid-up capital of the Company may, in accordance with the requirements and procedures set out in the Companies Act of Bermuda, request the Board to convene a special general meeting pursuant to Bye-law 58 of the Company's Bye-laws. The objects of the meeting must be stated in the related requisition which must be signed by the requisitionist(s) and deposited at the registered office of the Company.

3. (a) Shareholder(s) holding not less than one-twentieth of the total voting rights or (b) not less than 100 shareholders, may at their expense, unless the Company otherwise resolves, propose any resolution at any general meeting under the Companies Act of Bermuda. A written notice to that effect signed by the requisitionists together with a sum reasonably sufficient to meet the expenses in giving effect thereto must be deposited at the registered office of the Company at Clarendon House, Church Street, Hamilton HM11, Bermuda (addressed to the Company Secretary) not less than six weeks before the meeting. The notice shall contain, inter alia, a description of the proposed resolution desired to be put forward at the meeting, the reasons for such proposal and any material interest of the proposing shareholder in such proposal.</td></tr>
</table>

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
E.1.4 (Cont'd)			4. Pursuant to Bye-laws 88 of the Company's Bye-laws, if a shareholder wishes to propose a person other than a retiring Director for election as a Director at any general meeting (including annual general meeting), the shareholder should lodge a written notice at the registered office or the head office of the Company provided that the minimum length of the period, during which such written notice may be given, shall be at least seven days that the period for lodgment of such written notice shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting. Such written notice must be accompanied by a notice signed by the person to be proposed of his/her willingness to be elected as a Director. 5. In conducting a poll, subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Company's Bye-laws, every shareholder present in person or by proxy or, in the case of a shareholder being a corporation, by its duly authorised representative, shall have one vote for every fully paid share of which he/she/it is the holder. A person entitled to more than one vote on a poll need not use all his/her votes or cast all the votes he/she uses in the same way. 6. Shareholders have the right to receive corporate communications issued by the Company in hard copies or through electronic means in accordance with the manner as specified in Bye-law 160 of the Company's Bye-laws. 7. Shareholders whose shares are held in the Central Clearing and Settlement System (CCASS) may notify the Company from time to time through Hong Kong Securities Clearing Company Limited if they wish to receive the Company's corporate communications. 8. Shareholders and other stakeholders may send their enquiries and concerns, in written form, to the Board by addressing them to the Company Secretary at 12th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.
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 ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll.	C	• At the 2012 annual general meeting, the Chairman of the meeting explained (through the Company Secretary) the detailed procedures for conducting a poll, and answered questions from shareholders. • At the 2012 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 2012 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 HKEx.
F.	**COMPANY SECRETARY**		
	Corporate Governance Principle *The Company Secretary plays an important role in supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. The Company Secretary is responsible for advising the Board through the Chairman and/or the Group Managing Director on governance matters and should also facilitate induction and professional development of Directors.*		

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
F.1.1	The company secretary should be an employee of the company and have day-to-day knowledge of the company's affairs.	C	• The Company Secretary of the Company has been appointed from 1996 to 2008 and re-appointed in 2008 and has day-to-day knowledge of the Group's affairs. • The Company Secretary ensures the effective conduct of board meetings and that Board procedures are duly followed. • The Company Secretary prepares written resolutions or minutes and keeps records of substantive matters discussed and decisions resolved at all Board and Board Committee meetings. • The Company Secretary also advises on compliance with all applicable laws, rules and regulations abreast with the investments of the Group and keeps the Board fully updated with all legislative, regulatory and corporate governance developments.
F.1.2	The board should approve the selection, appointment or dismissal of the company secretary	C	• The appointment and removal of the Company Secretary is subject to Board approval in accordance with the Company's Bye-laws.
F.1.3	The company secretary should report to the board chairman and/or the chief executive	C	• The Company Secretary reports to the Board through the Chairman whilst all members of the Board have access to the advice of the Company Secretary.
F.1.4	All directors should have access to the advice and services of the company secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed.	C	• 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.

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.* *The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether he is spending sufficient time performing them.*		
There is no recommended best practice under Section A.1 in the CG Code.			
A.2	**CHAIRMAN AND CHIEF EXECUTIVE** *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.*		
There is no recommended best practice under Section A.2 in the CG Code.			
A.3	**BOARD COMPOSITION** *Corporate Governance Principle* *The Board should have a balance of skills and experience appropriate for the requirements of the Company's business and should include a balanced composition of Executive and Non-executive Directors so that independent judgement can effectively be exercised.*		
There is no recommended best practice under Section A.3 in the CG Code.			
A.4	**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 appointment. All Directors should be subject to re-election at regular intervals.*		
There is no recommended best practice under Section A.4 in the CG Code.			
A.5	**NOMINATION COMMITTEE**		
There is no recommended best practice under Section A.5 in the CG Code.			
A.6	**RESPONSIBILITIES OF DIRECTORS** *Corporate Governance Principle* *Every Director must always know his responsibilities as a Director of the Company and its conduct, business activities and development.*		
There is no recommended best practice under Section A.6 in the CG Code.			
A.7	**SUPPLY OF AND ACCESS TO INFORMATION** *Corporate Governance Principle* *Directors should be provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and perform their duties and responsibilities.*		
There is no recommended best practice under Section A.7 in the CG Code.			
B.	**REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION**		
B.1	**THE LEVEL AND MAKE-UP OF REMUNERATION AND DISCLOSURE** *Corporate Governance Principle* *The Company should disclose its Director's remuneration policy and other remuneration related matters. The procedure for setting policy on Executive Directors' remuneration and all Directors' remuneration packages should be formal and transparent.*		

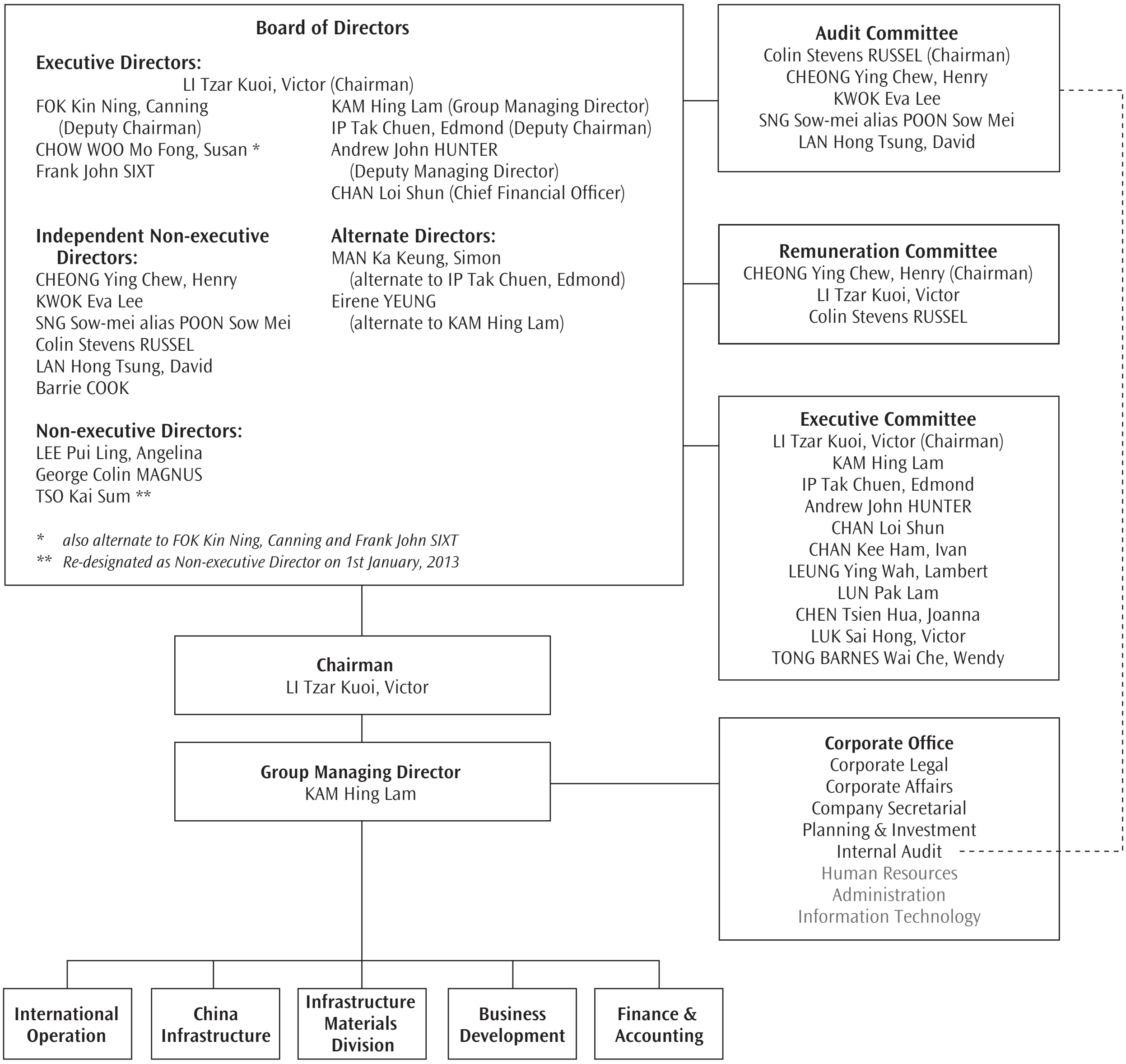
Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
B.1.6	Where the board resolves to approve any remuneration or compensation arrangements with which the remuneration committee disagrees, the board should disclose the reasons for its resolution in its next Corporate Governance Report.	N/A	• The Board has never approved any remuneration or compensation arrangements which have previously been rejected by the Remuneration Committee.
B.1.7	A significant proportion of executive directors' remuneration should link rewards to corporate and individual performance.	C	• In 2012, a significant proportion of Executive Directors' remuneration has been structured to link rewards to corporate and individual performance. Please refer to note 32 in the Notes to the Consolidated Financial Statements for details of discretionary bonus.
B.1.8	The company should disclose details of any remuneration payable to members of senior management, on an individual and named basis, in the annual reports.	C	• The Board has resolved that the senior management of the Company comprises only the Executive Directors of the Company. Please refer to note 32 in the Notes to the Consolidated Financial Statements for details of the remuneration payable to the Directors.
B.1.9	The board should conduct a regular evaluation of its performance.	E	• The performances of the Board or individual Directors are best reflected by the Company's results and stock price performance, as well as the Company's decisions to retain the individuals as its Directors.
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.1.6 – C.1.7	– The company should announce and publish quarterly financial results within 45 days after the end of the relevant quarter. These should disclose sufficient information to enable shareholders to assess the company's performance, financial position and prospects. The company's quarterly financial results should be prepared using the accounting policies of its half-year and annual accounts. – Once the company announces quarterly financial results, it should continue to do so for each of the first 3 and 9 months periods of subsequent financial years. Where it decides not to continuously announce and publish its financial results for a particular quarter, it should announce the reason(s) for this 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.1.6 above for details.
C.2	**INTERNAL CONTROLS** *Corporate Governance Principle* *The Board should ensure that the Company maintains sound and effective internal controls to safeguard shareholders' investment and the Company's assets.*		

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.2.3	The board's annual review should, in particular, consider: – 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; – the scope and quality of management's ongoing monitoring of risks and of the internal control system, and where applicable, the work of its internal audit function and other assurance providers; – the extent and frequency of communication of monitoring results to the board (or board committee(s)) which enables it to assess control of the company and the effectiveness of risk management; – significant control failings or weaknesses that have been identified during the period. Also, 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 – the effectiveness of the company's processes for financial reporting and Listing Rule compliance.	 C C C C C	• In the review of the effectiveness of internal control system, the Board, through the Audit Committee, considers: • 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 internal control system, and the work of the internal audit function; • the communication of the monitoring results to the Board that enables it to assess control of the Company and the effectiveness of the risk management; • any 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 effectiveness of the Company's processes for financial reporting and Listing Rules compliance.
C.2.4	The company should disclose in the Corporate Governance Report a narrative statement on how they have complied with internal control code provisions during the reporting period. The disclosures should also include: – the process used to identify, evaluate and manage significant risks; – additional information to explain its risk management processes and internal control system; – an acknowledgement by the board that it is responsible for the internal control system and reviewing its effectiveness; – the process used to review the effectiveness of the internal control system; and – the process used to resolve material internal control defects for any significant problems disclosed in its annual reports and accounts.	 C C C C C	• In the Corporate Governance Report, the Company, in particular item C.2.1 above, discloses: • the process used to identify, evaluate and manage the significant risks; • any additional information to explain its 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 used to review the effectiveness of internal control system; and • the process used to resolve material internal control defects for significant problems disclosed in its Annual Reports and Financial Statements.

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
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 this review in the Corporate Governance Report.	N/A	• Please refer to C.2 above for the details.
C.3	**AUDIT COMMITTEE** *Corporate Governance Principle* *The Board should establish formal and transparent arrangements to consider how it will apply financial reporting and internal control principles and maintain an appropriate relationship with the Company's auditors.*		
C.3.8	The audit committee should establish a whistleblowing policy and system for employees and those who deal with the company (e.g. customers and suppliers) to raise concerns, in confidence, with the audit committee about possible improprieties in any matter related to the company.	C	• Please refer to C.3.7 above for the details.
D.	**DELEGATION BY THE BOARD**		
D.1	**MANAGEMENT FUNCTIONS** *Corporate Governance Principle* *The Company should have a formal schedule of matters specifically reserved for Board approval and those delegated to management.*		
There is no recommended best practice under Section D.1 in the CG Code.			
D.2	**BOARD COMMITTEES** *Corporate Governance Principle* *Board Committees should be formed with specific written terms of reference which deal clearly with their authority and duties.*		
There is no recommended best practice under Section D.2 in the CG Code.			
D.3	**CORPORATE GOVERNANCE FUNCTIONS**		
There is no recommended best practice under Section D.3 in the CG Code.			

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
E.	**COMMUNICATION WITH SHAREHOLDERS**		
E.1	**EFFECTIVE COMMUNICATION** *Corporate Governance Principle* *The Board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with them and encourage their participation.*		
There is no recommended best practice under Section E.1 in the CG Code.			
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 CG Code.			
F.	**COMPANY SECRETARY**		
	Corporate Governance Principle *The Company Secretary plays an important role in supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. The Company Secretary is responsible for advising the Board through the Chairman and/or the Group Managing Director on governance matters and should also facilitate induction and professional development of Directors.*		
There is no recommended best practice under Section F in the CG Code.			

MANAGEMENT STRUCTURE CHART



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.

ECONOMIC ENVIRONMENT AND CONDITIONS

Global economy has remained highly uncertain as the European sovereign debt crisis and the financial problems of the United States continue to threaten the global financial markets and risks of a prolonged period of slowing growth in the advanced economies are increasing. The negative repercussions of a tight global credit market have led to unprecedented volatility in stock and commodity markets, high unemployment rate, and a contraction of economic activities in emerging markets as well as major developed economies. The Group is a diversified infrastructure investment company with businesses in Hong Kong, Mainland China, the United Kingdom, Australia, New Zealand and Canada. 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, water, 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 and transmission networks of the Group's utilities investments are also exposed to supply interruptions. If a severe earthquake, storm, flood, 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 and transmission 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 fulfill 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, Mainland China 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.

CONNECTED TRANSACTIONS

Hutchison Whampoa Limited ("Hutchison") is also listed on The Stock Exchange of Hong Kong Limited. Although the Group believes that its relationship with Hutchison provides it with significant business advantages, the relationship results in various connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and accordingly any transactions entered into between the Group and Hutchison, its subsidiaries or associates are connected transactions, which, unless one of the exemptions is available, will be subject to compliance with the applicable requirements of the Listing Rules, including the issuance of announcements, the obtaining of independent shareholders' approval at general meetings and disclosure in annual reports and accounts. Independent shareholders' approval requirements may also lead to unpredictable outcomes causing disruptions to as well as increase the risks of the Group's business activities. Independent shareholders may also take actions that are in conflict with the interests of the Group.

RISK FACTORS

THE GROUP'S FINANCIAL CONDITIONS OR RESULTS OF OPERATIONS ARE AFFECTED BY THOSE OF THE POWER ASSETS 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 Mainland China, 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.

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
More than 567,000 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%

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
More than 8 million customers

CKI's shareholding
40% (another 40% held by Power Assets)

NORTHUMBRIAN WATER GROUP LIMITED
THE UNITED KINGDOM

Business
One of the ten regulated water and sewerage companies in England and Wales. It supplies water and sewerage services in the North East of England and supplies water services to the South East of England

Network length
Water mains – 25,545 km
Sewers – 29,724 km
Water treatment works – 57
Sewage treatment works – 418
Water service reservoirs – 338

Consumer coverage
Serves a total population of 4.5 million

CKI's shareholding
40%

Infrastructure Investment in UNITED KINGDOM (CONT'D)

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
Serves a total population of 6.7 million

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 near Bristol. The electricity is sold under a long-term contract to SSE Energy Supply Ltd.

Generating Capacity
Approximately 1,140 MW

CKI's shareholding
25% (another 25% held by Power Assets)

WALES & WEST UTILITIES LIMITED
THE UNITED KINGDOM

Business
A gas distribution network that serves Wales and the South West of England

Natural gas distribution network
35,000 km

Consumer coverage
Serves a total population of 7.5 million

CKI's shareholding
30% (another 30% held by Power Assets)

SOUTHERN WATER SERVICES LIMITED
THE UNITED KINGDOM

Business
Supplies water and waste water services to the South East of England

Length of mains/sewers
Water mains – 13,700 km
Length of sewers – 39,000 km

Consumer coverage
Water – Serves a population of more than 2.4 million
Recycles wastewater – Serves a population of 4.4 million

CKI's shareholding
4.75%

Infrastructure Investment in AUSTRALIA

SA POWER NETWORKS
SOUTH AUSTRALIA, AUSTRALIA

Business
Primary electricity distribution business for the state of South Australia

Electricity distribution network
More than 87,500 km

Consumer coverage
Over 834,000 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
Approximately 6,500 km

Consumer coverage
Approximately 320,000 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
Approximately 84,000 km

Consumer coverage
Approximately 740,000 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
About 22,500 km

Consumer coverage
Over 1.1 million customers

CKI's shareholding
Approximately 19%

Infrastructure Investment in AUSTRALIA (CONT'D)

SPARK INFRASTRUCTURE GROUP
AUSTRALIA

Business
An infrastructure company listed in Australia with seed assets being a 49% stake in each of SA Power Networks, Powercor and CitiPower

CKI's shareholding
8.5%

AQUATOWER PTY LTD
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%

TRANSMISSION OPERATIONS (AUSTRALIA) PTY LTD
VICTORIA, AUSTRALIA

Business
To operate a transmission link which transports renewable energy from the wind farm to Victoria's power grid; construction is scheduled to complete in 2013

Electricity transmission network
21 km

CKI's shareholding
50% (another 50% held by Power Assets)

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
Over 4,600 km

Consumer coverage
About 165,000 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 five power plants in the provinces of Ontario and Alberta as well as 100% of the Meridian Cogeneration Plant in Saskatchewan

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

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%

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%

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%

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%

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%

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%

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%

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 and 1 quarry in China, with sole distribution rights for another quarry in China for sales into Hong Kong

Total capacity (aggregates)
5 million tonnes per annum

CKI's interest
50%

ANDERSON ASPHALT LIMITED
HONG KONG

Business
Hong Kong's largest asphalt producer, pavement contractor and recycler

Total capacity
Asphalt – 1 million tonnes per annum
Recycling – 0.5 million tonnes per annum

CKI's interest
100%

GREEN ISLAND CEMENT COMPANY, LIMITED
HONG KONG

Business
The only fully 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%

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 early 2013

Estimated project cost
RMB 1,000 million

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%

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

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
Barrie COOK

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
George Colin MAGNUS
TSO Kai Sum

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

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

COMPANY SECRETARY

Eirene YEUNG

AUTHORISED REPRESENTATIVES

IP Tak Chuen, Edmond
Eirene YEUNG

PRINCIPAL BANKERS

Australia and New Zealand Banking Group Limited
Bank of China (Hong Kong) Limited
Bank of Nova Scotia
Barclays Bank PLC
Credit Agricole Corporate and Investment Bank
Mizuho Corporate Bank, Ltd
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
26 Burnaby Street,
Hamilton HM 11,
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

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12th Floor, Cheung Kong Center,
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Hong Kong
Telephone: (852) 2122 3986
Facsimile: (852) 2501 4550
Email: contact@cki.com.hk

KEY DATES

Annual Results Announcement	7th March, 2013
Closure of Register of Members (for determination of shareholders who are entitled to attend and vote at Annual General Meeting)	14th May, 2013 to 20th May, 2013 *(both days inclusive)*
Annual General Meeting	20th May, 2013
Record Date (for determination of shareholders who qualify for the Final Dividend)	24th May, 2013
Payment of Final Dividend	5th June, 2013

This annual report 2012 ("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.

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