CONSOLIDATED INCOME STATEMENT

for the year ended 31st December

HK$ million	Notes	2007	2006
Group turnover	6	**1,865**	1,822
Share of turnover of jointly controlled entities	6	**4,024**	2,977
		5,889	4,799
Group turnover	6	**1,865**	1,822
Other income	7	**734**	756
Operating costs	8	**(1,669)**	(1,587)
Finance costs	9	**(560)**	(523)
Gain on disposal of a jointly controlled entity	10	**815**	–
Impairment losses	11	**(654)**	(279)
Share of results of associates		**3,554**	2,751
Share of results of jointly controlled entities		**700**	737
Profit before taxation	12	**4,785**	3,677
Taxation	13	**(6)**	(4)
Profit for the year	14	**4,779**	3,673
Attributable to:			
Shareholders of the Company		**4,772**	3,670
Minority interests		**7**	3
		4,779	3,673
Earnings per share	15	**HK$2.12**	HK$1.63
Dividends	16		
Interim dividend paid		**609**	564
Proposed final dividend		**1,871**	1,690
		2,480	2,254

CONSOLIDATED BALANCE SHEET

as at 31st December

HK$ million	Notes	2007	2006
Property, plant and equipment	17	**1,121**	991
Investment properties	18	**160**	130
Leasehold land	19	**292**	301
Interests in associates	20	**30,389**	29,382
Interests in jointly controlled entities	21	**3,176**	4,238
Interests in infrastructure project investments	22	**377**	490
Investments in securities	23	**4,187**	3,064
Derivative financial instruments	24	**55**	38
Goodwill	25	**209**	205
Deferred tax assets	31	**5**	–
Other non-current assets	32(b)	**19**	13
Total non-current assets		**39,990**	38,852
Inventories	26	**75**	99
Interests in infrastructure project investments	22	**125**	127
Derivative financial instruments	24	**428**	369
Debtors and prepayments	27	**607**	455
Bank balances and deposits	28	**8,217**	7,720
Total current assets		**9,452**	8,770
Bank and other loans	29	**2,972**	3,813
Derivative financial instruments	24	**417**	485
Creditors and accruals	30	**1,292**	1,245
Taxation		**121**	105
Total current liabilities		**4,802**	5,648
Net current assets		**4,650**	3,122
Total assets less current liabilities		**44,640**	41,974
Bank and other loans	29	**4,607**	5,514
Derivative financial instruments	24	**187**	179
Deferred tax liabilities	31	**373**	401
Other non-current liabilities	32(c)	**16**	15
Total non-current liabilities		**5,183**	6,109
Net assets		**39,457**	35,865
Representing:			
Share capital	33	**2,254**	2,254
Reserves	34	**37,155**	33,570
Equity attributable to shareholders of the Company		**39,409**	35,824
Minority interests	34	**48**	41
Total equity		**39,457**	35,865

LI TZAR KUOI, VICTOR
Director

IP TAK CHUEN, EDMOND
Director

17th March, 2008

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

for the year ended 31st December

HK$ million	2007	2006
Surplus on revaluation of properties upon transfer to investment properties	**3**	44
Gain from fair value changes of available-for-sale financial assets	**65**	42
Gain / (Loss) from fair value changes of derivatives designated as effective cash flow hedges	**28**	(147)
Actuarial gains of defined benefit retirement schemes	**96**	190
Exchange differences on translation of financial statements of foreign operations	**682**	828
Share of reserve movement of an associate	**(31)**	–
Cumulative impact from adoption of Amendment to HKAS 19	**–**	(141)
Net gain recognised directly in equity	**843**	816
Reserves released upon disposal of investment in security	**3**	–
Reserves released upon disposals of interests in an associate	**29**	–
Reserve released relating to cash flow hedge	**237**	–
Profit for the year	**4,779**	3,673
Total recognised income and expense for the year	**5,891**	4,489
Attributable to:		
Shareholders of the Company	**5,884**	4,486
Minority interests	**7**	3
	5,891	4,489

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31st December

HK$ million	Note	2007	2006
OPERATING ACTIVITIES			
Cash generated from operations	36	**1,162**	1,182
Income taxes paid		**(7)**	(17)
Net cash from operating activities		**1,155**	1,165
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(183)**	(45)
Disposals of property, plant and equipment		**6**	12
Acquisitions of associates		**(8)**	(1,227)
Return of capital from an associate		**122**	33
Disposals of interests in an associate		**538**	–
Disposal of a jointly controlled entity		**1,160**	–
Advances to associates		**(30)**	(90)
Advances from an associate		**20**	–
Repayments from associates		**1**	3
Acquisition of a jointly controlled entity		**–**	(69)
Repayments from jointly controlled entities		**825**	270
Disposal of an infrastructure project investment		**–**	115
Purchases of securities		**(1,159)**	(837)
Disposals of securities		**200**	–
Repayments from finance lease debtors		**2**	4
Loan note repayments of stapled securities		**75**	52
Dividends received from associates		**2,047**	2,350
Interest received		**542**	376
Finance lease income received		**–**	1
Net cash from investing activities		**4,158**	948
Net cash before financing activities		**5,313**	2,113
FINANCING ACTIVITIES			
New bank and other loans		**1,659**	23
Repayments of bank and other loans		**(3,813)**	(13)
Finance costs paid		**(363)**	(353)
Dividends paid		**(2,299)**	(2,160)
Net cash utilised in financing activities		**(4,816)**	(2,503)
Net increase / (decrease) in cash and cash equivalents		**497**	(390)
Cash and cash equivalents at 1st January		**7,720**	8,110
Cash and cash equivalents at 31st December		**8,217**	7,720
Representing:			
Bank balances and deposits at 31st December		**8,217**	7,720

NOTES TO THE 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 financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

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

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"), Hong Kong Accounting Standards ("HKASs") and Interpretations ("HK(IFRIC)-Int") (hereinafter collectively referred to as "new 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, 2007. Except for the changes in disclosures as set out below, the adoption of those new HKFRSs has no material impact on the Group's results and financial position for the current or prior years, and does not result in any significant changes in the accounting policies of the Group.

On 1st January, 2007, the Group adopted HKFRS 7 "Financial Instruments: Disclosures" and HKAS 1 (Amendment) "Capital Disclosures", and has included various revised and new disclosures in its notes to the financial statements, which relate to the Group's financial instruments and capital management.

The Group has not early adopted the following new HKFRSs issued by HKICPA that are effective to the Group for accounting periods beginning on or after 1st January, 2008. The Directors anticipate that the adoption of these HKFRSs will have no material impact on the results and financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments
HK (IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions
HK (IFRIC) – Int 12	Service Concession Arrangements
HK (IFRIC) – Int 13	Customer Loyalty Programmes
HK (IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

3. Principal Accounting Policies

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

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

(a) Basis of Consolidation

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

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

(b) Goodwill

Goodwill represents the excess of costs of acquisition over the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the subsidiaries, associates and jointly controlled entities acquired. Goodwill is recognised as an asset less any identified impairment loss.

The Group has applied the relevant transitional provisions in HKFRS 3 "Business Combination". Goodwill recognised in reserves prior to 1st January, 2001 continues to be held in the reserves and are transferred to retained profits when the business to which the goodwill relates is disposed of or becomes impaired.

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

On disposal of a subsidiary, associate or jointly controlled entity, 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 subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities, where appropriate, are recognised at their fair values at the acquisition date.

(d) Associates and Jointly Controlled Entities

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

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

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

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

(e) Property, Plant and Equipment

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

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

Buildings	$1\frac{1}{4}\%$ to $3\frac{1}{3}\%$ or over the unexpired lease terms of the land, whichever is the higher
Mains, pipes, other plant and machinery	$3\frac{1}{3}\%$ to $33\frac{1}{3}\%$
Others	5% to $33\frac{1}{3}\%$

3. Principal Accounting Policies (Cont'd)

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

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

(f) Investment Property

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

(g) Leasehold Land

Leasehold land is classified as prepaid operating leases and are amortised over the unexpired lease terms using the straight-line method.

(h) Inventories

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

(i) Contract Work

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

When the outcome of a contract cannot be estimated reliably, 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 revenue, the expected loss is recognised as an expense immediately.

(j) Financial Instruments

Interests in infrastructure project investments

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

3. Principal Accounting Policies (Cont'd)

(j) Financial Instruments (Cont'd)

Interests in infrastructure project investments (Cont'd)

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

Investments in securities

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

The Group designates the securities intended to be held for long term strategic purposes as available-for-sale financial assets. Gains and losses arising from changes in fair values of these assets are dealt with as movements in investment revaluation reserve, until the assets are disposed of or are determined to be impaired, at which time the cumulative gains or losses previously recognised in the reserve is included in the consolidated income statement for the period. Impairment losses recognised in the consolidated income statement for equity 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 net gain or loss recognised in the consolidated income statement include dividend or interest accrued on the financial assets.

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 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)

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

Cash and cash equivalents

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

Bank and other loans

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

Creditors

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

Equity instruments

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

Financial guarantee contracts

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

3. Principal Accounting Policies (Cont'd)

(j) 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.

(k) Revenue Recognition

Sales of goods

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

Return from infrastructure project investments

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

Interest income

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

Income from investments in securities

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

Contract revenue

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

(l) Foreign Currencies

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

3. Principal Accounting Policies (Cont'd)

(l) Foreign Currencies (Cont'd)

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair values are included in the income statement for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

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

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange difference arising are recognised in the exchange translation reserve.

(m) Taxation

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

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

3. Principal Accounting Policies (Cont'd)

(m) Taxation (Cont'd)

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

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

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

(n) Operating Leases

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

(o) Finance Leases

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

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

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

3. Principal Accounting Policies (Cont'd)

(p) Employee Retirement Benefits

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

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

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

(q) Borrowing Costs

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

4. Key Sources of Estimation Uncertainty

The key assumption concerning the future, and other key sources of estimation uncertainty at 31st December, 2007, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Impairment of Property, Plant and Equipment

Property, plant and equipment are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value. The carrying value of property, plant and equipment as at 31st December, 2007 is HK$1,121 million.

(b) Impairment of Interests in Infrastructure Project Investments

Determining whether interests in infrastructure project investments are impaired requires an estimation of the recoverable amounts of infrastructure project investments, which represent the present values of estimated future cash flows from those investments, discounted at the original effective interest rates. The carrying amount of interests in infrastructure project investments as at 31st December, 2007 is HK$502 million.

5. Financial Risk Management Objectives and Policies

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

(a) Currency Risk

The Group is exposed to currency risk primarily arising from foreign investments and borrowings denominated in currencies other than the functional currency of individual subsidiaries, which accounted for 27 per cent of the Group's borrowings (2006: 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 balance sheet date are set out in note 24.

The Group is also exposed to currency risk arising from bank deposits denominated in foreign currencies, which accounted for 85 per cent of the Group's cash and cash equivalents at the balance sheet date (2006: 76 per cent). Those bank deposits are mainly denominated in United States dollars, Australian dollars and Pounds Sterling. 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 components of consolidated equity in response to a 10 per cent strengthening in foreign currencies (except for United States dollars) against Hong Kong dollars to which the Group has significant exposure related to monetary items and derivative financial instruments in existence at the balance sheet date:

	2007		2006	
HK$ million	**Effect on profit for the year increase/(decrease)**	**Effect on other components of equity increase/(decrease)**	Effect on profit for the year increase/(decrease)	Effect on other components of equity increase/(decrease)
Australian Dollars	**210**	**252**	208	137
Pounds Sterling	**(6)**	**(290)**	(41)	(315)
Japanese Yen	**(209)**	**–**	(200)	–

5. Financial Risk Management Objectives and Policies (Cont'd)

(a) Currency Risk (Cont'd)

Sensitivity analysis (Cont'd)

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

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

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. In this respect, the management does not expect any significant movements in the pegged rate of 7.8 between the United States dollars and Hong Kong dollars. It is also assumed that such pegged rate would be materially unaffected by any changes in movement in value of the United States dollars against other currencies. The analysis is performed on the same basis for 2006.

(b) Interest Rate Risk

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

Details of the Group's interest rate swaps and borrowings entered into by the Group at the balance sheet date are set out in notes 24 and 29, respectively.

Sensitivity analysis

At 31st December, 2007, 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 approximately HK$66 million (2006: HK$39 million). Other components of consolidated equity would increase by approximately HK$30 million (2006: HK$38 million) in response to the general increase in interest rates. A decrease of 100 basis points in interest rate would have had an equal but opposite effect on the Group's profit for the year and other components of consolidated equity.

5. Financial Risk Management Objectives and Policies (Cont'd)

(b) Interest Rate Risk (Cont'd)

Sensitivity analysis (Cont'd)

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2006.

(c) Credit Risk

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

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

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

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the balance sheet date in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. Except for the guarantees given by the Group as set out in note 39, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these guarantees at the balance sheet date is disclosed in note 39.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors are set out in note 27.

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

5. Financial Risk Management Objectives and Policies (Cont'd)

(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 or Pounds Sterling. 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.

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

	2007						2006					
HK$ million	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
Unsecured bank loans	**5,416**	**5,900**	**3,294**	**2,146**	**457**	**3**	7,329	8,050	4,158	1,518	2,371	3
Secured bank loan	**44**	**100**	**5**	**5**	**10**	**80**	–	–	–	–	–	–
Obligations under finance leases	**49**	**60**	**10**	**10**	**27**	**13**	27	32	16	4	12	–
Unsecured notes	**2,070**	**3,880**	**72**	**72**	**217**	**3,519**	1,971	3,765	69	69	207	3,420
Trade creditors	**131**	**131**	**131**	**–**	**–**	**–**	150	150	150	–	–	–
Amount due to an unlisted associate	**175**	**176**	**176**	**–**	**–**	**–**	147	154	6	148	–	–
Other payables and accruals	**359**	**359**	**359**	**–**	**–**	**–**	422	422	422	–	–	–
	8,244	**10,606**	**4,047**	**2,233**	**711**	**3,615**	10,046	12,573	4,821	1,739	2,590	3,423
Derivatives settled gross:												
Forward foreign exchange contracts held as cash flow hedging instruments (note 24):												
– outflow	**5,706**	**5,932**	**1,586**	**1,046**	**3,300**	**–**	3,709	3,776	503	12	3,261	–
– inflow	**(5,530)**	**(5,664)**	**(1,584)**	**(1,035)**	**(3,045)**	**–**	(3,414)	(3,424)	(379)	–	(3,045)	–
	176	**268**	**2**	**11**	**255**	**–**	295	352	124	12	216	–

(e) Equity Price Risk

The Group is exposed to equity price risk through its investments in securities as set out in note 23. The management manages this exposure by maintaining a portfolio of investments with different risks. For strategic purposes, the Group holds primarily equity or debt instruments operating in energy or transportation sectors.

5. Financial Risk Management Objectives and Policies (Cont'd)

(e) Equity Price Risk (Cont'd)

Sensitivity analysis

At 31st December, 2007, 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 approximately HK$52 million (2006: HK$53 million). Other components of consolidated equity would decrease by approximately HK$96 million (2006: HK$86 million) in response to the decrease in the prices. A 5 per cent increase in prices would have had an equal but opposite effect on the Group's profit for the year and other components of consolidated equity.

The sensitivity analysis above has been determined assuming that the change in prices had occurred at the balance sheet date and had been applied to the exposure to price risk for the Group's investments in securities in existence at that date (as set out in note 23). The 5 per cent decrease in prices represents management's assessment of a reasonably possible change in the prices of those instruments over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2006.

(f) Fair Value

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

6. Group Turnover and Share of Turnover of Jointly Controlled Entities

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

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

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

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

7. Other Income

Other income includes the following:

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

8. Operating Costs

HK$ million	**2007**	2006
Staff costs including directors' emoluments	**315**	290
Depreciation of property, plant and equipment	**51**	52
Amortisation of prepayment for leasehold land	**9**	10
Raw materials and consumables used	**416**	438
Changes in inventories of finished goods and work-in-progress	**24**	(12)
Other operating expenses	**854**	809
Total	**1,669**	1,587

9. Finance Costs

HK$ million	**2007**	2006
Interest and other finance costs on		
Bank borrowings wholly repayable within 5 years	**488**	454
Notes repayable after 5 years	**72**	69
Total	**560**	523

10. Gain on Disposal of a Jointly Controlled Entity

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

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

11. Impairment Losses

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

HK$ million	2007	2006
Interests in associates (note 20)	**–**	279
Interests in a jointly controlled entity (note 21)	**31**	–
Investments in securities (note 23)	**623**	–
Total	**654**	279

12. Profit Before Taxation

HK$ million	2007	2006
Profit before taxation is arrived at after (crediting)/charging:		
Contract revenue	**(94)**	(290)
Loss on disposals of property, plant and equipment	**10**	2
Net exchange gain	**(88)**	(171)
Operating lease rental for land and buildings	**8**	12
Directors' emoluments (note 37)	**41**	35
Auditors' remuneration	**6**	5
Share of tax of associates	**719**	707
Share of tax of jointly controlled entities	**181**	163

13. Taxation

Hong Kong Profits Tax is provided for at the rate of 17.5 per cent (2006: 17.5 per cent) on the estimated assessable profits less available tax losses. Overseas tax is provided for at the applicable tax rate on the estimated assessable profits less available tax losses.

HK$ million	**2007**	2006
Current taxation		
– Hong Kong Profits Tax	**3**	6
– Overseas tax	**22**	9
Deferred taxation (note 31)	**(19)**	(11)
Total	**6**	4

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

HK$ million	**2007**	2006
Profit before taxation	**4,785**	3,677
Less: share of results of associates	**(3,554)**	(2,751)
share of results of jointly controlled entities	**(700)**	(737)
	531	189
Tax at 17.5% (2006: 17.5%)	**93**	33
Tax impact on:		
Different domestic rates of subsidiaries operating in other tax jurisdictions	**(211)**	(188)
Income not subject to tax	**(199)**	(42)
Expenses not deductible for tax purpose	**304**	199
Tax losses and other temporary differences not recognised	**30**	29
Others	**(11)**	(27)
Tax charge	**6**	4

14. Profit for the Year and Segment Information

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographic regions as the secondary reporting format.

By business segment

for the year ended 31st December

	Investment in Hongkong Electric*		Infrastructure investments		Infrastructure related business		Unallocated items		Consolidated	
HK$ million	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Group turnover	**–**	–	**969**	807	**896**	1,015	**–**	–	**1,865**	1,822
Share of turnover of jointly controlled entities	**–**	–	**3,447**	2,371	**577**	606	**–**	–	**4,024**	2,977
	–	–	**4,416**	3,178	**1,473**	1,621	**–**	–	**5,889**	4,799
Segment revenue										
Group turnover	**–**	–	**969**	807	**896**	1,015	**–**	–	**1,865**	1,822
Others	**–**	–	**69**	55	**57**	75	**–**	–	**126**	130
	–	–	**1,038**	862	**953**	1,090	**–**	–	**1,991**	1,952
Segment result	**–**	–	**762**	633	**(41)**	(28)	**–**	–	**721**	605
Net gain on disposals of infrastructure project investment and listed securities	**–**	–	**13**	115	**–**	–	**67**	–	**80**	115
Change in fair values of investments in securities and derivative financial instruments	**–**	–	**–**	–	**(5)**	(26)	**(277)**	(47)	**(282)**	(73)
Interest and finance lease income	**–**	–	**55**	2	**140**	126	**343**	257	**538**	385
Exchange gain	**–**	–	**–**	–	**–**	–	**88**	171	**88**	171
Corporate overheads and others	**–**	–	**–**	–	**–**	–	**(294)**	(212)	**(294)**	(212)
Finance costs	**–**	–	**(83)**	(20)	**–**	–	**(477)**	(503)	**(560)**	(523)
Gain on disposals of interests in an associate	**–**	–	**79**	–	**–**	–	**–**	–	**79**	–
Gain on disposal of a jointly controlled entity	**–**	–	**815**	–	**–**	–	**–**	–	**815**	–
Impairment losses	**–**	–	**(654)**	(279)	**–**	–	**–**	–	**(654)**	(279)
Share of results of associates and jointly controlled entities	**2,864**	2,632	**1,335**	820	**55**	36	**–**	–	**4,254**	3,488
Profit/(Loss) before taxation	**2,864**	2,632	**2,322**	1,271	**149**	108	**(550)**	(334)	**4,785**	3,677
Taxation	**–**	–	**(4)**	(3)	**1**	5	**(3)**	(6)	**(6)**	(4)
Profit/(Loss) for the year	**2,864**	2,632	**2,318**	1,268	**150**	113	**(553)**	(340)	**4,779**	3,673
Attributable to:										
Shareholders of the Company	**2,864**	2,632	**2,318**	1,268	**143**	110	**(553)**	(340)	**4,772**	3,670
Minority interests	**–**	–	**–**	–	**7**	3	**–**	–	**7**	3
	2,864	2,632	**2,318**	1,268	**150**	113	**(553)**	(340)	**4,779**	3,673
Other information										
Capital expenditure	**–**	–	**164**	35	**19**	10	**–**	–	**183**	45
Depreciation and amortisation	**–**	–	**30**	26	**30**	36	**–**	–	**60**	62

14. Profit for the Year and Segment Information (Cont'd)

By business segment (Cont'd)

as at 31st December

HK$ million	Investment in Hongkong Electric* 2007	2006	Infrastructure investments 2007	2006	Infrastructure related business 2007	2006	Unallocated items 2007	2006	Consolidated 2007	2006
Assets										
Segment assets	**–**	–	**6,826**	3,937	**2,725**	2,547	**–**	–	**9,551**	6,484
Interests in associates and jointly controlled entities	**19,844**	18,313	**13,553**	15,106	**168**	201	**–**	–	**33,565**	33,620
Unallocated corporate assets	**–**	–	**–**	–	**–**	–	**6,326**	7,518	**6,326**	7,518
Total assets	**19,844**	18,313	**20,379**	19,043	**2,893**	2,748	**6,326**	7,518	**49,442**	47,622
Liabilities										
Segment liabilities	**–**	–	**2,339**	845	**261**	270	**–**	–	**2,600**	1,115
Taxation, deferred taxation and unallocated corporate liabilities	**–**	–	**361**	361	**133**	143	**6,891**	10,138	**7,385**	10,642
Total liabilities	**–**	–	**2,700**	1,206	**394**	413	**6,891**	10,138	**9,985**	11,757

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

14. Profit for the Year and Segment Information (Cont'd)

By geographic region

for the year ended 31st December

	Hong Kong		Mainland China		Australia		United Kingdom		Canada and Others		Unallocated Items		Consolidated	
HK$ million	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Group turnover	**652**	728	**380**	279	**538**	458	**292**	250	**3**	107	**–**	–	**1,865**	1,822
Share of turnover of jointly controlled entities	**441**	475	**3,583**	2,502	**–**	–	**–**	–	**–**	–	**–**	–	**4,024**	2,977
	1,093	1,203	**3,963**	2,781	**538**	458	**292**	250	**3**	107	**–**	–	**5,889**	4,799
Segment revenue														
Group turnover	**652**	728	**380**	279	**538**	458	**292**	250	**3**	107	**–**	–	**1,865**	1,822
Others	**12**	46	**70**	50	**–**	–	**43**	36	**1**	(2)	**–**	–	**126**	130
	664	774	**450**	329	**538**	458	**335**	286	**4**	105	**–**	–	**1,991**	1,952
Segment result	**(66)**	(29)	**177**	87	**538**	465	**94**	97	**(22)**	(15)	**–**	–	**721**	605
Net gain on disposals of infrastructure project investment and listed securities	**–**	–	**–**	115	**13**	–	**–**	–	**–**	–	**67**	–	**80**	115
Change in fair values of investments in securities and derivative financial instruments	**–**	–	**–**	–	**–**	–	**–**	–	**(5)**	(26)	**(277)**	(47)	**(282)**	(73)
Interest and finance lease income	**140**	126	**–**	–	**–**	–	**55**	2	**–**	–	**343**	257	**538**	385
Exchange gain	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**88**	171	**88**	171
Corporate overheads and others	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(294)**	(212)	**(294)**	(212)
Finance costs	**–**	–	**–**	–	**–**	–	**(83)**	(20)	**–**	–	**(477)**	(503)	**(560)**	(523)
Gain on disposals of interest in an associate	**–**	–	**–**	–	**79**	–	**–**	–	**–**	–	**–**	–	**79**	–
Gain on disposal of a jointly controlled entity	**–**	–	**815**	–	**–**	–	**–**	–	**–**	–	**–**	–	**815**	–
Impairment losses	**–**	–	**(31)**	–	**(623)**	(279)	**–**	–	**–**	–	**–**	–	**(654)**	(279)
Share of results of associates and jointly controlled entities	**2,939**	2,692	**643**	696	**282**	(122)	**392**	240	**(2)**	(18)	**–**	–	**4,254**	3,488
Profit/(Loss) before taxation	**3,013**	2,789	**1,604**	898	**289**	64	**458**	319	**(29)**	(59)	**(550)**	(334)	**4,785**	3,677
Taxation	**1**	5	**(4)**	–	**–**	–	**–**	(3)	**–**	–	**(3)**	(6)	**(6)**	(4)
Profit/(Loss) for the year	**3,014**	2,794	**1,600**	898	**289**	64	**458**	316	**(29)**	(59)	**(553)**	(340)	**4,779**	3,673
Attributable to:														
Shareholders of the Company	**3,014**	2,794	**1,593**	895	**289**	64	**458**	316	**(29)**	(59)	**(553)**	(340)	**4,772**	3,670
Minority interests	**–**	–	**7**	3	**–**	–	**–**	–	**–**	–	**–**	–	**7**	3
	3,014	2,794	**1,600**	898	**289**	64	**458**	316	**(29)**	(59)	**(553)**	(340)	**4,779**	3,673
Other information														
Capital expenditure	**3**	7	**16**	3	**–**	–	**164**	35	**–**	–	**–**	–	**183**	45

14. Profit for the Year and Segment Information (Cont'd)

By geographic region (Cont'd)

as at 31st December

HK$ million	Hong Kong 2007	Hong Kong 2006	Mainland China 2007	Mainland China 2006	Australia 2007	Australia 2006	United Kingdom 2007	United Kingdom 2006	Canada and Others 2007	Canada and Others 2006	Unallocated Items 2007	Unallocated Items 2006	Consolidated 2007	Consolidated 2006
Assets														
Segment assets	**1,441**	2,213	**736**	869	**2,451**	2,193	**3,908**	1,160	**1,015**	49	**–**	–	**9,551**	6,484
Interests in associates and jointly controlled entities	**20,169**	18,668	**3,029**	4,058	**6,932**	7,554	**3,424**	3,340	**11**	–	**–**	–	**33,565**	33,620
Unallocated corporate assets	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**6,326**	7,518	**6,326**	7,518
Total assets	**21,610**	20,881	**3,765**	4,927	**9,383**	9,747	**7,332**	4,500	**1,026**	49	**6,326**	7,518	**49,442**	47,622

15. Earnings Per Share

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

16. Dividends

HK$ million	2007	2006
Interim dividend paid of HK$0.27 (2006: HK$0.25) per share	**609**	564
Proposed final dividend of HK$0.83 (2006: HK$0.75) per share	**1,871**	1,690
Total	**2,480**	2,254

17. Property, Plant and Equipment

HK$ million	Freehold land outside Hong Kong	Buildings	Mains, pipes, other plant and machinery	Furniture, fixtures and others	Total
Cost					
At 1st January, 2006	3	740	2,788	38	3,569
Additions	–	–	41	4	45
Disposals	–	(9)	(130)	(7)	(146)
Exchange translation differences	–	15	159	1	175
Transfers *	–	(4)	(6)	–	(10)
At 31st December, 2006	3	742	2,852	36	3,633
Additions	–	4	177	2	183
Disposals	–	(31)	(265)	(2)	(298)
Exchange translation differences	–	22	83	2	107
Transfers *	–	(1)	–	–	(1)
At 31st December, 2007	3	736	2,847	38	3,624
Accumulated depreciation and impairment loss					
At 1st January, 2006	–	680	1,932	38	2,650
Charge for the year	–	5	46	1	52
Disposals	–	(8)	(117)	(7)	(132)
Exchange translation differences	–	13	60	1	74
Transfers*	–	3	(5)	–	(2)
At 31st December, 2006	–	693	1,916	33	2,642
Charge for the year	–	5	45	1	51
Disposals	–	(29)	(250)	(3)	(282)
Exchange translation differences	–	21	69	2	92
At 31st December, 2007	–	690	1,780	33	2,503
Carrying value					
At 31st December, 2007	**3**	**46**	**1,067**	**5**	**1,121**
At 31st December, 2006	3	49	936	3	991

* During the year, certain properties of the Group were transferred to investment properties with revaluation gain of HK$3 million (2006: HK$44 million).

17. Property, Plant and Equipment (Cont'd)

The carrying value of the Group's mains, pipes, other plant and machinery includes an amount of HK$263 million (2006: HK$225 million) in respect of assets held under finance leases, and another amount of HK$67 million (2006: nil) 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 (2006: 8.5 per cent). No impairment loss has been recognised for the property, plant and equipment during the year.

18. Investment Properties

HK$ million	
Medium term leases in Hong Kong, at fair value	
At 1st January, 2006	59
Transfer from property, plant and equipment and leasehold land	68
Change in fair values	3
At 31st December, 2006	130
Transfer from property, plant and equipment and leasehold land	5
Change in fair values	25
At 31st December, 2007	**160**

The fair values of the Group's investment properties at 31st December, 2007 are determined based on a valuation carried out by DTZ Debenham Tie Leung, independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung is a member of the Institute of Valuers with appropriate qualifications and recent experiences in the valuation of similar locations. The valuation, which conforms to International Valuation Standards, was completed by reference to market evidence of transaction prices for similar properties.

19. Leasehold Land

HK$ million	Medium term leasehold land in Hong Kong	Medium term leasehold land outside Hong Kong	Total
Operating lease prepayment			
At 1st January, 2006	430	46	476
Transfers *	(27)	–	(27)
Exchange translation differences	–	2	2
At 31st December, 2006	403	48	451
Transfers *	(1)	–	(1)
Exchange translation differences	–	3	3
At 31st December, 2007	402	51	453
Accumulated amortisation and impairment loss			
At 1st January, 2006	118	32	150
Charge for the year	9	1	10
Transfers *	(11)	–	(11)
Exchange translation differences	–	1	1
At 31st December, 2006	116	34	150
Charge for the year	8	1	9
Exchange translation differences	–	2	2
At 31st December, 2007	124	37	161
Carrying value			
At 31st December, 2007	**278**	**14**	**292**
At 31st December, 2006	287	14	301

* During the year, certain leasehold land of the Group was transferred to investment properties with no revaluation gain (2006: nil).

The Directors reviewed the Group's leasehold land based on value in use calculation. The discount rate used was 8.5 per cent (2006: 8.5 per cent). No impairment loss has been recognised for the leasehold land during the year.

20. Interests in Associates

HK$ million	2007	2006
Investment costs		
– Listed in Hong Kong	**8,687**	8,687
– Unlisted	**5,960**	7,444
Share of post-acquisition reserves	**12,049**	9,871
	26,696	26,002
Impairment losses	**(857)**	(857)
	25,839	25,145
Amounts due by unlisted associates	**4,550**	4,237
At 31st December	**30,389**	29,382
Market value of investment in a listed associate	**37,208**	31,608

Included in the amounts due by unlisted associates are subordinated loans of HK$4,006 million (2006: HK$3,644 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, 2007 based on value in use calculation. No further impairment loss (2006: HK$279 million) against interests in associate was recognised in current year.

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

HK$ million	2007	2006
Total assets	**169,655**	170,012
Total liabilities	**(104,880)**	(108,538)
Net assets	**64,775**	61,474
Total turnover	**30,203**	26,480
Total profit for the year	**8,718**	7,036
Shared by the Group:		
Net assets of the associates	**26,696**	26,002
Profit of the associates for the year	**3,554**	2,751

Particulars of the principal associates are set out in Appendix 2 on pages 173 and 174.

21. Interests in Jointly Controlled Entities

HK$ million	2007	2006
Investment costs	**3,079**	3,456
Share of post-acquisition reserves	**(54)**	(380)
	3,025	3,076
Impairment losses	**(245)**	(214)
	2,780	2,862
Shareholders' loans to jointly controlled entities	**396**	1,376
At 31st December	**3,176**	4,238

The Group's interests in a jointly controlled entity with carrying value of HK$2,082 million as at 31st December, 2007 (2006: HK$1,773 million) have been pledged as part of the security to secure certain bank borrowings granted to the jointly controlled entity.

The Directors reviewed certain jointly controlled entities' operations and financial positions as at 31st December, 2007 based on value in use calculation. Due to unsatisfactory operating performance, an impairment loss of HK$31 million (2006: nil) was made against interest in a jointly controlled entity, which operated Tangshan Tangle Road in Hebei province, China. A discount rate of 9 per cent (2006: 9 per cent) 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	2007	2006
Total assets	**18,567**	19,490
Total liabilities	**(11,947)**	(13,295)
Net assets	**6,620**	6,195
Total turnover	**9,155**	6,738
Total profit for the year	**1,761**	1,410
Shared by the Group:		
Net assets of the jointly controlled entities	**3,025**	3,076
Profit of jointly controlled entities for the year	**700**	737

Particulars of the principal jointly controlled entities are set out in Appendix 3 on page 175.

22. Interests in Infrastructure Project Investments

HK$ million	2007	2006
Classified as:		
Non-current assets	**377**	490
Current assets	**125**	127
At 31st December	**502**	617

Interests in infrastructure project investments carry effective interest rates which range from 13.7 per cent to 16.2 per cent (2006: range from 13.7 per cent to 16.5 per cent). The interests in infrastructure project investments were not past due as at 31st December, 2007 (2006: nil).

The Directors reviewed certain infrastructure projects' operations and financial positions as at 31st December, 2007 based on the present values of estimated future cash flows from those investments, discounted at the original effective interest rates. No impairment loss against the interests in infrastructure project investments was recognised in current year.

23. Investments in Securities

HK$ million	2007	2006
Financial assets at fair value through profit or loss*		
Notes, unlisted	**787**	777
Equity securities, unlisted	**240**	262
Equity securities, listed overseas	**14**	19
Available-for-sale financial assets		
Stapled securities, listed overseas, at fair value	**2,113**	2,006
Equity securities, unlisted, at cost	**706**	–
Debt securities, unlisted, at fair value	**265**	–
Equity securities, unlisted, at fair value	**62**	–
Total	**4,187**	3,064

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

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

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

As at 31st December, 2007, the Group's available-for-sale equity securities amounting to HK$623 million (2006: nil) were individually determined to be fully impaired due to unsatisfactory operating performance which indicated that the cost of the Group's investment in the investee may not be recovered. Impairment loss on such investment was recognised in the consolidated income statement for the current year.

24. Derivative Financial Instruments

HK$ million	2007 Assets	2007 Liabilities	2006 Assets	2006 Liabilities
Forward foreign exchange contracts	**428**	**(604)**	369	(664)
Interest rate swaps	**55**	**–**	38	–
At 31st December	**483**	**(604)**	407	(664)
Portion classified as:				
Non-current	**55**	**(187)**	38	(179)
Current	**428**	**(417)**	369	(485)
	483	**(604)**	407	(664)

Currency Derivatives

During the current year, the Group utilised currency derivatives to hedge significant future transactions and cash flows. The Group is a party to a variety of foreign currency forward contracts in the management of its exchange rate exposures.

The following contracts are outstanding as at the balance sheet dates and the major terms of these contracts are as follows:

As at 31st December 2007 Notional amount	Maturity
Sell AUD155.5 million*	9th May, 2008
Sell GBP26.6 million	30th April, 2008
Sell GBP62.6 million*	21st December, 2009
Sell GBP212.4 million*	24th May, 2010

As at 31st December 2006 Notional amount	Maturity
Sell AUD179.7 million*	23rd March, 2007
Sell GBP26.6 million	30th April, 2007
Sell GBP212.4 million*	24th May, 2010

* designated as hedging instrument in accordance with HKAS 39

24. Derivative Financial Instruments (Cont'd)

Currency Derivatives (Cont'd)

The fair values of the above currency derivatives that are designated and effective as cash flow hedges totalling HK$128 million (net liabilities to the Group) (2006: HK$255 million (net liabilities to the Group)) have been deferred in equity at 31st December, 2007.

Change in fair values of currency derivative not designated for hedging amounting to HK$247 million (2006: HK$49 million) has been debited to the consolidated income statement for the current year.

The Group utilised currency derivatives to hedge long term foreign investments. No material cash flow is expected to occur in the coming year.

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, 2007, their remaining terms and estimated total fair value are as follows:

HK$ million	Floating interest rate	Weighted average fixed interest rate	Notional principal amount	Estimated fair value
Contracts maturing in 2010	BBSW or LIBOR*	5.62%	1,872	55
Fair value deferred in equity at 31st December, 2007				**55**
Contracts maturing in 2010	BBSW or LIBOR*	5.62%	1,726	38
Fair value deferred in equity at 31st December, 2006				38

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

The fair value estimation covering the above interest rate swap contracts is based on the fair value estimated by independent professionals for equivalent instruments at 31st December, 2007. All of the above interest rate swaps are designated and effective as cash flow hedges and the fair values (net assets to the Group) have been deferred in equity.

25. Goodwill

HK$ million	**2007**	2006
At 1st January	**205**	175
Exchange difference	**4**	30
At 31st December	**209**	205

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

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

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

The Group prepares cash flow forecasts derived from Cambridge Water's approved budget for 2008 to 2012 and extrapolates cash flows for the subsequent 10 years using the same cashflows as that in 2012. The rate used to discount the forecast cash flows is 8 per cent (2006: 8 per cent) per annum.

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

The results of the reviews undertaken as at 31st December, 2007 indicated that no further impairment charge was necessary for current year.

26. Inventories

HK$ million	2007	2006
Raw materials	**42**	42
Work-in-progress	**10**	20
Stores, spare parts and supplies	**9**	9
Finished goods	**14**	28
Total	**75**	99

The cost of inventories charged to the consolidated income statement during the year was HK$896 million (2006: HK$948 million).

27. Debtors and Prepayments

HK$ million	2007	2006
Trade debtors	**235**	240
Prepayments, deposits and other receivables	**372**	215
Total	**607**	455

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

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

27. Debtors and Prepayments (Cont'd)

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

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

HK$ million	**2007**	2006
At 1st January	**122**	127
Impairment loss recognised	**8**	24
Impairment loss written back	**(37)**	(27)
Uncollective amounts written off	**(14)**	(7)
Exchange translation differences	**4**	5
At 31st December	**83**	122

At 31st December, 2007, gross trade debtors' balances totalling HK$92 million (2006: HK$171 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$83 million (2006: HK$122 million) was recognised as at 31st December, 2007. 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 are as follows:

HK$ million	**2007**	2006
Neither past due nor impaired	**138**	110
Less than 1 month past due	**49**	39
1 to 3 months past due	**17**	13
More than 3 months but less than 12 months past due	**20**	27
More than 12 months past due	**2**	2
Amount past due	**88**	81
Total	**226**	191

27. Debtors and Prepayments (Cont'd)

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.

28. Bank Balances and Deposits

Bank balances and deposits carry effective interest rate at 5.85 per cent (2006: 4.66 per cent).

29. Bank and Other Loans

HK$ million	**2007**	2006
Unsecured bank loans repayable:		
Within 1 year	**2,964**	3,800
In the 2nd year	**2,019**	1,285
In the 3rd to 5th year, inclusive	**430**	2,241
After 5 years	**3**	3
	5,416	7,329
Obligations under finance leases repayable:		
Within 1 year	**8**	13
In the 2nd year	**8**	3
In the 3rd to 5th year, inclusive	**23**	11
After 5 years	**10**	–
	49	27
Unsecured notes, 3.5%, repayable after 5 years	**2,070**	1,971
Secured bank loan, repayable after 5 years (note 17)	**44**	–
Total	**7,579**	9,327
Portion classified as:		
Current liabilities	**2,972**	3,813
Non-current liabilities	**4,607**	5,514
Total	**7,579**	9,327

29. Bank and Other Loans (Cont'd)

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

HK$ million	HK$ 2007	HK$ 2006	AU$ 2007	AU$ 2006	GBP 2007	GBP 2006	JPY 2007	JPY 2006	Total 2007	Total 2006
Bank loans	**–**	3,800	**3,432**	3,121	**2,028**	408	**–**	–	**5,460**	7,329
Finance leases	**–**	–	**–**	–	**49**	27	**–**	–	**49**	27
Notes	**–**	–	**–**	–	**–**	–	**2,070**	1,971	**2,070**	1,971
Total	**–**	3,800	**3,432**	3,121	**2,077**	435	**2,070**	1,971	**7,579**	9,327

The average effective interest rates of the Group's bank loans and finance leases are 5.20 per cent (2006: 4.93 per cent) and 7.87 per cent (2006: 9.19 per cent), respectively.

The Group's notes of HK$2,070 million (2006: HK$1,971 million) and an unsecured bank loan of HK$3 million as at 31st December, 2007 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 determined with reference to Hong Kong Interbank Offered Rate, Australian Bank Bill Swap Reference Rate or London Interbank Offered Rate plus a margin less than one per cent.

Fixed rate notes, other loans and finance leases carried interest at 3.5 per cent to 13.3 per cent (2006: 3.5 per cent to 13.3 per cent).

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

HK$ million	2007	2006
Minimum lease payments:		
Within 1 year	**10**	15
In the 2nd year	**11**	4
In the 3rd to 5th year, inclusive	**27**	13
After 5 years	**13**	–
	61	32
Less: future finance charges	**(12)**	(5)
Present value of lease payments	**49**	27
Less: Amount due for settlement within 12 months	**(8)**	(13)
Amount due for settlement after 12 months	**41**	14

29. Bank and Other Loans (Cont'd)

At 31st December, 2007, the remaining weighted average lease term was 5.8 years (2006: 2.8 years). All leases are denominated in GBP on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The Group's obligations under finance leases are secured by the lessors' charge over the leased assets (note 17).

30. Creditors and Accruals

HK$ million	**2007**	2006
Trade creditors	**131**	150
Amount due to an unlisted associate	**175**	147
Other payables and accruals	**986**	948
Total	**1,292**	1,245

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

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

31. Deferred Tax Assets / Liabilities

HK$ million	**2007**	2006
Deferred tax assets	**5**	–
Deferred tax liabilities	**(373)**	(401)
Total	**(368)**	(401)

31. Deferred Tax Assets / Liabilities (Cont'd)

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

HK$ million	Accelerated tax depreciation	Tax losses	Fair value changes in securities	Others	Total
At 1st January, 2006	224	(1)	145	(6)	362
(Credit) / Debit to profit for the year	(13)	–	–	2	(11)
Charge to equity for the year	–	–	18	–	18
Exchange translation differences	21	–	12	(1)	32
At 31st December, 2006	232	(1)	175	(5)	401
Credit to profit for the year	(10)	(9)	–	–	(19)
Charge to equity for the year	–	–	(38)	–	(38)
Exchange translation differences	3	–	17	–	20
Others	–	4	–	–	4
At 31st December, 2007	**225**	**(6)**	**154**	**(5)**	**368**

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$1,748 million (2006: HK$1,618 million) at 31st December, 2007. 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	**2007**	2006
Within 1 year	**29**	38
In the 2nd year	**37**	27
In the 3rd to 5th year, inclusive	**88**	98
No expiry date	**1,594**	1,455
Total	**1,748**	1,618

32. Retirement Plans

(a) Defined Contribution Retirement Plans

The Group provides defined contribution retirement plans for its eligible employees except for 2 defined benefit plans for the employees of certain subsidiaries as detailed in (b) and (c) below.

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

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

The Group's costs in respect of defined contribution plans for the year amounted to HK$11 million (2006: HK$10 million). Forfeited contributions and earnings for the year under the defined contribution plans amounting to HK$2 million (2006: HK$1 million) were used to reduce the existing level of contributions. At 31st December, 2007, there was no forfeited contributions and earnings available to the Group to reduce its contributions to the defined contribution plans in future years (2006: nil).

(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, 2007, by Mr. Billy Y.L. Wong of Watson Wyatt Hong Kong Limited, who is a Fellow of the Society of Actuaries. The present value of the defined benefit obligations, the related current service cost and past service cost, if any, were measured using the Projected Unit Credit Method. The principal actuarial assumptions used are as follows:

	2007	2006
Discount rate at 31st December	**3.3% per annum**	3.75% per annum
Expected rate of salary increase	**5% per annum**	5% per annum
Expected return on plan assets	**6.25% per annum**	6.5% per annum

32. Retirement Plans (Cont'd)

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

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

HK$ million	2007	2006
Current service cost	**2**	2
Interest cost	**2**	2
Expected return on plan assets	**(4)**	(4)
Amortisation of transitional liability	**–**	1
Net amount charged to consolidated income statement	**–**	1

The actual return on plan assets for the year ended 31st December, 2007 was a gain of HK$10 million (2006: HK$11 million).

The amount included in the consolidated balance sheet at 31st December, 2007 arising from the Group's obligations in respect of its defined benefit plan in Hong Kong is as follows:

HK$ million	2007	2006
Present value of defined benefit obligations	**55**	62
Fair value of plan assets	**(74)**	(75)
Employee retirement benefit assets classified as other non-current assets included in the consolidated balance sheet	**(19)**	(13)

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

HK$ million	2007	2006
At 1st January	**62**	56
Current service cost	**2**	2
Interest cost	**2**	2
Actual benefits paid	**(13)**	(2)
Actual employee contributions	**1**	1
Actuarial loss on obligation	**1**	3
At 31st December	**55**	62

32. Retirement Plans (Cont'd)

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

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

HK$ million	**2007**	2006
At 1st January	**75**	62
Expected return	**4**	4
Actuarial gain on plan assets	**6**	7
Actual company contributions	**1**	3
Actual employee contributions	**1**	1
Actual benefits paid	**(13)**	(2)
At 31st December	**74**	75

Major categories of the plan assets at the balance sheet date are analysed as follows:

As at 31st December	**2007**	2006
Equity instruments	**49%**	52%
Debt instruments	**51%**	48%
Total	**100%**	100%

The expected rate of return on assets was 6.25 per cent per annum (2006: 6.5 per cent per annum). This rate is derived by taking the weighted average of the long term expected rate of return on each of the asset classes invested.

The experience adjustment is as follows:

HK$ million	**2007**	2006
Present value of defined benefit obligations	**55**	62
Fair value of the plan assets	**(74)**	(75)
Surplus	**(19)**	(13)
Experience adjustment on plan assets	**6**	7

The Group recognised actuarial gains amounting to HK$5 million (2006: HK$4 million) for the year ended 31st December, 2007 directly in the consolidated statement of recognised income and expense. The cumulative amount of actuarial gains recognised directly in the consolidated statement of recognised income and expense amounted to HK$20 million (2006: HK$15 million) as at 31st December, 2007.

32. Retirement Plans (Cont'd)

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

On 1st January, 2002, the Group adopted Statement of Standard Accounting Practice 34 "Employee Benefits" and determined the transitional liability for its defined benefit plan to be HK$13 million. This amount is being recognised on a straight-line basis over a period of 5 years from 1st January, 2002. No charge for transitional liability (2006: HK$1 million) was recognised in the current year.

Another actuarial valuation was completed at 1st January, 2007 by Mr. Billy Y.L. Wong, the same actuary as mentioned above, to determine the funding rates to be adopted by the Group in accordance with requirements of Occupational Retirement Schemes Ordinance. The actuarial method adopted was Attained Age Funding Method. The major assumptions used were the long-term average annual rate of investment return on the plan assets at 6 per cent per annum, and the average annual salary increases at 5 per cent per annum. The actuarial valuation showed that the fair value of the plan assets attributable to the Group of HK$75 million at 31st December, 2006 represents 135 per cent of the present value of the obligations as at that date. Contributions to fund the obligations are based upon the recommendations of actuary to fully fund the retirement plan on an ongoing basis. The funding rates will be reviewed no later than 1st January, 2010 as required by Occupational Retirement Schemes Ordinance.

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

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

Cambridge Water PLC, a wholly-owned subsidiary acquired by the Group on 28th April, 2004, operates a defined benefit retirement plan in the United Kingdom. The retirement plan is covered under the Water Companies Pension Scheme of which the Company is a member. Contributions to the defined benefit plan are made by the employees at 6 per cent of the employees' salaries and contributions made by the employer are based on the recommendations of an independent actuary according to a periodic actuarial valuation of the plan.

Actuarial valuation of the defined benefit plan was updated to 31st December, 2007, by Mr. Paul Metcalf of Lane Clark & Peacock LLP, who is a Fellow of the Institute of Actuaries. The principal actuarial assumptions used are as follows:

	2007	2006
Discount rate at 31st December	**6.1% per annum**	5.0% per annum
Expected rate of pension increase	**3.4% per annum**	3.1% per annum
Expected rate of salary increase	**5.4% per annum**	5.1% per annum

32. Retirement Plans (Cont'd)

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

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

HK$ million	2007	2006
Current service cost	**9**	9
Interest cost	**25**	20
Expected return on plan assets	**(29)**	(23)
Others	**–**	(8)
Net amount charge / (credited) to consolidated income statement	**5**	(2)

The actual return on plan assets for the year ended 31st December, 2007 was a gain of HK$32 million (2006: HK$35 million).

The amount included in the consolidated balance sheet at 31st December, 2007 arising from the Group's obligations in respect of its defined benefit plan in the United Kingdom is as follows:

HK$ million	2007	2006
Present value of defined benefit obligations	**513**	478
Fair value of plan assets	**(497)**	(463)
Employee retirement benefit liabilities classified as other non–current liabilities included in the consolidated balance sheet	**16**	15

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

HK$ million	2007	2006
At 1st January	**478**	395
Current service cost	**9**	9
Interest cost	**25**	20
Employee contributions	**2**	2
Actuarial (gain) / loss	**(62)**	7
Benefits paid	**(14)**	(12)
Exchange translation differences	**75**	57
At 31st December	**513**	478

32. Retirement Plans (Cont'd)

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

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

HK$ million	2007	2006
At 1st January	463	374
Expected return	29	23
Actuarial gain	4	12
Employer contributions	7	6
Employee contributions	2	2
Benefits paid	(14)	(12)
Exchange translation differences	6	58
At 31st December	**497**	463

Major categories of the plan assets at the balance sheet date are analysed as follows:

As at 31st December	2007	2006
Equity instruments	47%	63%
Debt instruments	53%	37%
Total	**100%**	100%

The expected rate of return on assets was 6.3 per cent per annum (2006: 6.0 per cent per annum). This rate is derived by taking the weighted average of the long term expected rate of return on each of the asset classes invested.

The experience adjustments are as follows:

HK$ million	2007	2006
Present value of the defined benefit obligations	513	478
Fair value of the plan assets	(497)	(463)
Deficit	**16**	15
Experience adjustment on plan liabilities	(1)	–
Experience adjustment on plan assets	(3)	(12)

32. Retirement Plans (Cont'd)

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

The above actuarial valuation showed that the fair value of the plan assets attributable to the Group of HK$497 million (2006: HK$463 million) at 31st December, 2007 represents 97 per cent (2006: 95 per cent) of the present value of the obligations as at that day. The Group's future annual contribution is designed to fund the shortfall over a period of time and the employer funding rates have been increased since 1st April, 2005. The funding rates are subject to annual review.

The Group expects to make a contribution of HK$8 million to the defined benefit plan during the next financial year.

33. Share Capital

HK$ million	**2007**	2006
Authorised:		
4,000,000,000 shares of HK$1 each	**4,000**	4,000
Issued and fully paid:		
2,254,209,945 shares of HK$1 each	**2,254**	2,254

34. Reserves and Minority Interests

HK$ million	Share premium	Contributed surplus	Property revaluation reserve	Investment revaluation reserve	Hedging reserve	Exchange translation reserve	Retained profits	Sub-total	Minority interests	Total
	Attributable to shareholders of the Company									
At 1st January, 2006	3,836	6,062	12	34	1	153	21,146	31,244	38	31,282
Surplus on revaluation of properties upon transfer to investment properties	–	–	44	–	–	–	–	44	–	44
Gain from fair value changes of available-for-sale financial assets	–	–	–	42	–	–	–	42	–	42
Loss from fair value changes of derivatives designated as effective cash flow hedges	–	–	–	–	(147)	–	–	(147)	–	(147)
Actuarial gains of defined benefit retirement schemes	–	–	–	–	–	–	190	190	–	190
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	828	–	828	–	828
Cumulative impact from adoption of Amendment to HKAS 19	–	–	–	–	–	–	(141)	(141)	–	(141)
Net gain / (loss) recognised directly in equity	–	–	44	42	(147)	828	49	816	–	816
Profit for the year	–	–	–	–	–	–	3,670	3,670	3	3,673
Total recognised income and expense for the year	–	–	44	42	(147)	828	3,719	4,486	3	4,489
Final dividend for the year 2005 paid	–	–	–	–	–	–	(1,596)	(1,596)	–	(1,596)
Interim dividend paid	–	–	–	–	–	–	(564)	(564)	–	(564)
At 31st December, 2006	3,836	6,062	56	76	(146)	981	22,705	33,570	41	33,611
Surplus on revaluation of properties upon transfer to investment properties	–	–	3	–	–	–	–	3	–	3
Gain from fair value changes of available-for-sale financial assets	–	–	–	65	–	–	–	65	–	65
Gain from fair value changes of derivatives designated as effective cash flow hedges	–	–	–	–	4	–	24	28	–	28
Actuarial gains of defined benefit retirement schemes	–	–	–	–	–	–	96	96	–	96
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	682	–	682	–	682
Share of other reserve movement of an associate	–	–	–	–	–	–	(31)	(31)	–	(31)
Net gain recognised directly in equity	–	–	3	65	4	682	89	843	–	843
Reserves released upon disposal of investment in security	–	–	–	3	–	–	–	3	–	3
Reserves released upon disposals of interests in an associate	–	–	–	–	96	(67)	–	29	–	29
Reserve released relating to cash flow hedge	–	–	–	–	237	–	–	237	–	237
Profit for the year	–	–	–	–	–	–	4,772	4,772	7	4,779
Total recognised income and expense for the year	–	–	3	68	337	615	4,861	5,884	7	5,891
Final dividend for the year 2006 paid	–	–	–	–	–	–	(1,690)	(1,690)	–	(1,690)
Interim dividend paid	–	–	–	–	–	–	(609)	(609)	–	(609)
At 31st December, 2007	**3,836**	**6,062**	**59**	**144**	**191**	**1,596**	**25,267**	**37,155**	**48**	**37,203**

35. Capital Management

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

The capital structure of the Group consists of debts, which includes bank borrowings, notes and obligations under finance leases as detailed in note 29, bank balances and deposits, and equity attributable to shareholders of the Company, comprising issued share capital and reserves as detailed in note 34.

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

The Group maintained low net debt to shareholders' equity ratio of less than 5 per cent from late December 2005 and has turned into net cash position as at 31st December, 2007. The management targets to maintain a solid capital position to pursue more new investment opportunities. The Group's overall strategy remains unchanged from 2006.

The net debt to shareholders' equity ratio at 31st December, 2007 and 2006 was as follows:

HK$ million	**2007**	2006
Total debt	**7,579**	9,327
Bank balances and deposits	**(8,217)**	(7,720)
Net (cash)/debt	**(638)**	1,607
Shareholders' equity	**39,409**	35,824
Net debt to shareholders' equity ratio	**N/A**	4%

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

36. Notes to Consolidated Cash Flow Statement

HK$ million	2007	2006
Profit before taxation	**4,785**	3,677
Impairment losses	**654**	279
Share of results of associates	**(3,554)**	(2,751)
Share of results of jointly controlled entities	**(700)**	(737)
Interest income from loans granted to associates	**(432)**	(392)
Interest income from banks	**(538)**	(384)
Interest income from investment in securities	**(97)**	(63)
Finance lease income	**–**	(1)
Return from infrastructure project investments	**(139)**	(99)
Finance costs	**560**	523
Depreciation of property, plant and equipment	**51**	52
Amortisation of prepayment for leasehold land	**9**	10
Change in fair values of investment properties	**(25)**	(3)
Loss on disposals of property, plant and equipment	**10**	2
Gain on disposals of infrastructure project investment	**–**	(115)
Gain on disposals of interests in an associate	**(79)**	–
Gain on disposal of a jointly controlled entity	**(815)**	–
Gain on disposal of listed securities	**(80)**	–
Write back on allowance for investment in a jointly controlled entity	**–**	(27)
Change in fair values of investments in securities	**35**	24
Change in fair values of derivative financial instruments	**247**	49
Dividend from investment in securities	**(9)**	(3)
Pension costs of defined benefit retirement plans	**–**	(1)
Unrealised exchange loss / (gain)	**99**	(24)
Returns received from jointly controlled entities	**572**	660
Returns received from infrastructure project investments	**254**	147
Distribution received from investment in securities	**106**	66
Interest received from associates	**334**	212
Contributions to defined benefit retirement plans	**(1)**	(9)
Net cash (paid) / received at close of derivative financial instruments	**(238)**	12
Operating cash flows before changes in working capital	**1,009**	1,104
Decrease in inventories	**24**	6
Decrease / (increase) in debtors and prepayments	**75**	(60)
Increase in creditors and accruals	**56**	136
Exchange translation differences	**(2)**	(4)
Cash generated from operations	**1,162**	1,182

37. Emoluments of Directors and Five Highest Paid Individuals

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

HK$ million	Fees	Basic Salaries, Allowances and Other Benefits	Bonuses	Provident Fund Contributions	Inducement or Compensation Fees	Total Emoluments 2007	Total Emoluments 2006
Li Tzar Kuoi, Victor (1)	0.075	–	11.000	–	–	**11.075**	8.070
Kam Hing Lam (1)	0.075	4.200	4.800	–	–	**9.075**	8.140
Ip Tak Chuen, Edmond	0.075	1.800	5.500	–	–	**7.375**	6.020
Fok Kin Ning, Canning (1)	0.075	–	–	–	–	**0.075**	0.070
Andrew John Hunter (1)	0.075	6.025	3.706	0.602	–	**10.408**	1.980
Chow Woo Mo Fong, Susan (1)	0.075	–	–	–	–	**0.075**	0.070
Frank John Sixt (1)	0.075	–	–	–	–	**0.075**	0.070
Tso Kai Sum (1)	0.075	–	–	–	–	**0.075**	0.070
Cheong Ying Chew, Henry (2)	0.180	–	–	–	–	**0.180**	0.160
Barrie Cook	0.075	–	–	–	–	**0.075**	0.070
Kwan Bing Sing, Eric	0.018	1.815	–	0.180	–	**2.013**	9.610
Kwok Eva Lee (2)	0.155	–	–	–	–	**0.155**	0.140
Lan Hong Tsung, David (2)	0.155	–	–	–	–	**0.155**	0.140
Lee Pui Ling, Angelina	0.075	–	–	–	–	**0.075**	0.070
George Colin Magnus (1)	0.075	–	–	–	–	**0.075**	0.070
Colin Stevens Russel (2)	0.180	–	–	–	–	**0.180**	0.160
Sng Sow-Mei (2)	0.155	–	–	–	–	**0.155**	0.140
Total for the year 2007	**1.668**	**13.840**	**25.006**	**0.782**	**–**	**41.296**	
Total for the year 2006	1.520	13.700	19.060	0.770	–		35.050

Notes:

(1) During the current year, Mr. Li Tzar Kuoi, Victor, Mr. Kam Hing Lam, Mr. Andrew John Hunter, Mrs. Chow Woo Mo Fong, Susan, Mr. Frank John Sixt, Mr. Tso Kai Sum and Mr. George Colin Magnus each received directors' fees of HK$70,000 (2006: HK$70,000), Mr. Fok Kin Ning, Canning received director's fees of HK$120,000 (2006: HK$120,000) from Hongkong Electric. Except for HK$70,000 (2006: HK$70,000) received by Mr. George Colin Magnus and HK$70,000 received by Mr. Andrew John Hunter in 2006, the directors' fees totalling HK$540,000 (2006: HK$470,000) were then paid back to the Company.

(2) INED, ACM and RCM - During the year, Mr. Cheong Ying Chew, Henry, Ms. Kwok Eva Lee, Mr. Lan Hong Tsung, David, Mr. Colin Stevens Russel and Ms. Sng Sow-Mei have acted as INED and ACM of the Company. Mr. Cheong Ying Chew, Henry and Mr. Colin Stevens Russel have acted as RCM of the Company during the year. The total emoluments paid to these INED, ACM and RCM during the current year are HK$825,000 (2006: HK$740,000).

37. Emoluments of Directors and Five Highest Paid Individuals (Cont'd)

Of the 5 individuals with the highest emoluments in the Group, 4 (2006: 4) are directors whose emoluments are disclosed above. The aggregate of the emoluments in respect of the remaining 1 (2006: 1) individual falls within the band of HK$4,500,001 to HK$5,000,000, details of which are set out below:

HK$ million	2007	2006
Salaries and benefits in kind	**3**	2
Contributions to retirement plan	**–**	1
Bonuses	**2**	2
Total	**5**	5

38. Commitments

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

	Contracted but not provided for		Authorised but not contracted for	
HK$ million	2007	2006	2007	2006
Investments in associates and jointly controlled entities	**831**	13	**–**	–
Plant and machinery	**12**	4	**97**	33
Total	**843**	17	**97**	33

(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	2007	2006
Within 1 year	**3**	4
In the 2nd to 5th year, inclusive	**–**	3
Total	**3**	7

39. Contingent Liabilities

HK$ million	2007	2006
Guarantee in respect of bank loan drawn by an associate	**2,522**	–
Guarantee in respect of bank loans drawn by a jointly controlled entity	**–**	586
Guarantee in respect of performance bonds	**59**	141
Total	**2,581**	727

40. Material Related Party Transactions

During the year, the Group advanced HK$30 million (2006: HK$90 million) to its unlisted associates. The Group received repayments totalling HK$1 million (2006: HK$3 million) from unlisted associates. The total outstanding loan balances as at 31st December, 2007 amounted to HK$4,550 million (2006: HK$4,237 million), of which HK$31 million (2006: HK$29 million) bore interest with reference to Australian Bank Bill Swap Reference Rate and HK$4,186 million (2006: HK$3,791 million) at fixed rates ranging from 10.5 per cent to 11.19 per cent (2006: from 10.5 per cent to 20.0 per cent) and HK$333 million (2006: HK$417 million) was interest-free. The average effective interest rate of the loan granted to associates is 10.5 per cent (2006: 10.8 per cent). As stated in note 6, interest from loans granted to associates during the year amounted to HK$432 million (2006: HK$392 million). Except for a loan of HK$94 million (2006: HK$94 million) which was repayable within fourteen years (2006: fifteen years), the loans had no fixed terms of repayment. As stated in note 30, the amount due to an unlisted associate of HK$175 million (2006: HK$147 million) include HK$155 million (2006: HK$147 million) bore interest at HIBOR plus 0.75 per cent (2006: HIBOR plus 0.75 per cent) and HK$20 million (2006: nil) with no fixed terms of repayment and interest-free.

During the current year, the Group received repayments totalling HK$825 million (2006: HK$270 million) from jointly controlled entities. The total outstanding loan balances as at 31st December, 2007 amounted to HK$396 million (2006: HK$1,376 million), of which HK$251 million (2006: HK$251 million) bore interest with reference to Hong Kong dollar prime rate, and HK$145 million (2006: HK$1,125 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$186 million (2006: HK$190 million) and HK$9 million (2006: HK$37 million), respectively.

The emoluments of key management have been presented in note 37 above.

41. Balance Sheet of the Company

as at 31st December

HK$ million	**2007**	2006
Total assets	**30,729**	30,701
Total liabilities	**(202)**	(182)
Net assets	**30,527**	30,519
Representing:		
Share capital	**2,254**	2,254
Reserves	**28,273**	28,265
Total equity	**30,527**	30,519

Of the Group's profit attributable to shareholders of the Company for the current year, HK$2,308 million (2006: HK$2,177 million) has been dealt with in the financial statements of the Company.

42. Comparative Figures

As a result of adopting HKFRS 7 "Financial Instruments: Disclosures" and HKAS 1 (Amendment) "Capital Disclosures", certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2007. Further details are disclosed in note 3.

43. Approval of Financial Statements

The financial statements set out on pages 117 to 175 were approved by the Board of Directors on 17th March, 2008.

PRINCIPAL SUBSIDIARIES

APPENDIX 1

The table below shows the subsidiaries as at 31st December, 2007 which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of all the subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Name	Issued share capital Number	Issued share capital Par value per share	Proportion of nominal value of issued capital held by the Group (per cent)	Principal activities
Incorporated and operating in Hong Kong				
Anderson Asia (Holdings) Limited	2 ordinary 65,780,000 non-voting deferred	HK$0.5 HK$0.5	100	Investment holding
Anderson Asphalt Limited	36,000 ordinary	HK$100	100	Production and laying of asphalt and investment holding
Cheung Kong China Infrastructure Limited	2 ordinary	HK$1	100	Investment holding and investment in infrastructure projects in Mainland China
China Cement Company (International) Limited	1,000,000 ordinary	HK$1	70	Investment holding
Green Island Cement Company, Limited	76,032,000 ordinary	HK$2	100	Manufacturing, sale and distribution of cement and property investment
Green Island Cement (Holdings) Limited	101,549,457 ordinary	HK$2	100	Investment holding
Incorporated in British Virgin Islands and operating in Hong Kong				
Cheung Kong Infrastructure Finance (BVI) Limited	1 ordinary	US$1	100	Financing
Daredon Assets Limited	1 ordinary	US$1	100	Treasury
Green Island International (BVI) Limited	1 ordinary	US$1	100	Investment holding
Incorporated and operating in Australia				
Cheung Kong Infrastructure Finance (Australia) Pty Ltd	1 ordinary	A$1	100	Financing
Incorporated and operating in the United Kingdom				
Cambridge Water PLC	14,621,152 ordinary	£0.05	100	Water supply

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

PRINCIPAL ASSOCIATES

APPENDIX 2

The table below shows the associates as at 31st December, 2007 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				
Hongkong Electric Holdings Limited (note 1)	2,134,261,654 ordinary	HK$1	39	Electricity generation and distribution
Eastern Harbour Crossing Company Limited	35,000,000 ordinary	HK$10	50	Exercise of a franchise to operate the rail section of a tunnel
Incorporated and operating in Australia				
ETSA Utilities Partnership (note 2)	N/A	N/A	23	Electricity distribution
CKI/HEI Electricity Distribution Pty Limited (note 3)	810,000,000 ordinary	A$1	23	Electricity distribution
CKI/HEI Electricity Distribution Two Pty Limited (note 4)	180,000,000 ordinary	A$1	23	Electricity distribution
	37,188,524,600 ordinary	A$0.01		
Incorporated and operating in the United Kingdom				
Northern Gas Networks Holdings Limited	571,670,979 ordinary	£1	40	Gas Distribution
	1 Special	£1		

APPENDIX 2 (Cont'd)

Notes:

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

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

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

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

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

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

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

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

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

PRINCIPAL JOINTLY CONTROLLED ENTITIES

APPENDIX 3

The table below shows the jointly controlled entities as at 31st December, 2007 which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of all the jointly controlled entities would, in the opinion of the Directors, result in particulars of excessive length.

Name	Percentage of interest held by the Group	Profit sharing percentage	Principal activities
Incorporated and operating in Mainland China			
Guangdong Shantou Bay Bridge Co. Ltd.	30	30	Operation of Shantou Bay Bridge
Guangdong Zhuhai Power Station Co., Ltd.	45	45	Operation of Zhuhai Power Station
Guangdong Shenzhen-Shantou Highway (East) Co., Ltd.	33.5	33.5	Operation of Shenzhen-Shantou Highway (Eastern Section)
Incorporated and operating in Hong Kong			
Alliance Construction Materials Limited	50	50	Quarry operation and production and sale of concrete and aggregates

SCHEDULE OF MAJOR PROPERTIES

APPENDIX 4

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

I : Industrial C : Commercial