CONSOLIDATED INCOME STATEMENT

for the year ended 31st December

HK$ million	Notes	2011	2010
Group turnover	5	**3,493**	2,814
Share of turnover of jointly controlled entities	5	**1,532**	1,337
		5,025	4,151
Group turnover	5	**3,493**	2,814
Other income	6	**701**	531
Operating costs	7	**(2,640)**	(2,223)
Finance costs	8	**(575)**	(450)
Exchange (loss)/gain		**(110)**	136
Share of results of associates		**6,974**	4,034
Share of results of jointly controlled entities		**423**	333
Profit before taxation	9	**8,266**	5,175
Taxation	10	**6**	(8)
Profit for the year	11	**8,272**	5,167
Attributable to:			
Shareholders of the Company		**7,745**	5,028
Owners of perpetual capital securities		**517**	133
Non-controlling interests		**10**	6
		8,272	5,167
Earnings per share	12	**HK$3.38**	HK$2.23

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31st December

HK$ million	2011	2010
Profit for the year	**8,272**	5,167
Other comprehensive income		
Gain/(Loss) from fair value changes of available-for-sale financial assets	**647**	(113)
(Loss)/Gain from fair value changes of derivatives designated as effective cash flow hedges	**(214)**	32
Gain from fair value changes of derivatives designated as effective net investment hedges	**79**	71
Actuarial (losses)/gains of defined benefit retirement schemes	**(43)**	48
Exchange differences on translation of financial statements of foreign operations	**388**	468
Share of other comprehensive (expense)/income of associates	**(3,699)**	954
Reserve released upon disposal of a subsidiary	**31**	–
Reserve released upon disposal of an associate	**(2)**	–
Income tax relating to components of other comprehensive income	**840**	(173)
Other comprehensive (expense)/income for the year	**(1,973)**	1,287
Total comprehensive income for the year	**6,299**	6,454
Attributable to:		
Shareholders of the Company	**5,768**	6,312
Owners of perpetual capital securities	**517**	133
Non-controlling interests	**14**	9
	6,299	6,454

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31st December

HK$ million	Notes	2011	2010
Property, plant and equipment	14	**845**	1,276
Investment properties	15	**206**	186
Interests in associates	16	**62,504**	50,573
Interests in jointly controlled entities	17	**942**	707
Investments in securities	18	**5,197**	4,824
Derivative financial instruments	19	**158**	209
Goodwill	20	**–**	151
Deferred tax assets	26	**15**	9
Other non-current assets	27(b) and (c)	**–**	29
Total non-current assets		**69,867**	57,964
Inventories	21	**223**	143
Derivative financial instruments	19	**262**	186
Debtors and prepayments	22	**524**	529
Bank balances and deposits	23	**5,947**	5,438
Total current assets		**6,956**	6,296
Bank and other loans	24	**11,342**	1,228
Derivative financial instruments	19	**12**	53
Creditors and accruals	25	**2,086**	1,670
Taxation		**87**	107
Total current liabilities		**13,527**	3,058
Net current (liabilities)/assets		**(6,571)**	3,238
Total assets less current liabilities		**63,296**	61,202
Bank and other loans	24	**3,126**	7,259
Derivative financial instruments	19	**201**	2
Deferred tax liabilities	26	**187**	254
Other non-current liabilities	27(b) and (c)	**10**	–
Total non-current liabilities		**3,524**	7,515
Net assets		**59,772**	53,687
Representing:			
Share capital	28	**2,339**	2,254
Reserves		**49,405**	43,419
Equity attributable to shareholders of the Company		**51,744**	45,673
Perpetual capital securities	29	**7,933**	7,933
Non-controlling interests		**95**	81
Total equity		**59,772**	53,687

LI TZAR KUOI, VICTOR
Director

IP TAK CHUEN, EDMOND
Director

8th March, 2012

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December

	Attributable to shareholders of the Company											
HK$ million	Share capital	Share premium	Contributed surplus	Property revaluation reserve	Investment revaluation reserve	Hedging reserve	Exchange translation reserve	Retained profits	Sub-total	Perpetual capital securities	Non-controlling interests	Total
At 1st January, 2010	2,254	3,836	6,062	68	310	(30)	404	29,311	42,215	–	72	42,287
Profit for the year	–	–	–	–	–	–	–	5,028	5,028	133	6	5,167
Loss from fair value changes of available-for-sale financial assets	–	–	–	–	(113)	–	–	–	(113)	–	–	(113)
Gain from fair value changes of derivatives designated as effective cash flow hedges	–	–	–	–	–	32	–	–	32	–	–	32
Gain from fair value changes of derivatives designated as effective net investment hedges	–	–	–	–	–	–	71	–	71	–	–	71
Actuarial gains of defined benefit retirement schemes	–	–	–	–	–	–	–	48	48	–	–	48
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	465	–	465	–	3	468
Share of other comprehensive income of associates	–	–	–	–	–	357	209	388	954	–	–	954
Income tax relating to components of other comprehensive income	–	–	–	–	(11)	(103)	–	(59)	(173)	–	–	(173)
Total comprehensive income for the year	–	–	–	–	(124)	286	745	5,405	6,312	133	9	6,454
Final dividend for the year 2009 paid	–	–	–	–	–	–	–	(1,983)	(1,983)	–	–	(1,983)
Interim dividend paid	–	–	–	–	–	–	–	(744)	(744)	–	–	(744)
Issue of perpetual capital securities	–	–	–	–	–	–	–	–	–	7,800	–	7,800
Direct costs for issue of perpetual capital securities	–	–	–	–	–	–	–	(127)	(127)	–	–	(127)
At 31st December, 2010	2,254	3,836	6,062	68	186	256	1,149	31,862	45,673	7,933	81	53,687
Profit for the year	–	–	–	–	–	–	–	7,745	7,745	517	10	8,272
Gain from fair value changes of available-for-sale financial assets	–	–	–	–	647	–	–	–	647	–	–	647
Loss from fair value changes of derivatives designated as effective cash flow hedges	–	–	–	–	–	(214)	–	–	(214)	–	–	(214)
Gain from fair value changes of derivatives designated as effective net investment hedges	–	–	–	–	–	–	79	–	79	–	–	79
Actuarial losses of defined benefit retirement schemes	–	–	–	–	–	–	–	(43)	(43)	–	–	(43)
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	384	–	384	–	4	388
Share of other comprehensive expense of associates	–	–	–	–	–	(1,374)	(67)	(2,258)	(3,699)	–	–	(3,699)
Reserve released upon disposal of a subsidiary	–	–	–	–	–	–	31	–	31	–	–	31
Reserve released upon disposal of an associate	–	–	–	–	–	–	(2)	–	(2)	–	–	(2)
Income tax relating to components of other comprehensive income	–	–	–	–	(63)	394	–	509	840	–	–	840
Total comprehensive income for the year	–	–	–	–	584	(1,194)	425	5,953	5,768	517	14	6,299
Final dividend for the year 2010 paid	–	–	–	–	–	–	–	(2,254)	(2,254)	–	–	(2,254)
Interim dividend paid	–	–	–	–	–	–	–	(854)	(854)	–	–	(854)
Coupon paid on perpetual capital securities	–	–	–	–	–	–	–	–	–	(517)	–	(517)
Issue of new ordinary shares	85	3,326	–	–	–	–	–	–	3,411	–	–	3,411
At 31st December, 2011	**2,339**	**7,162**	**6,062**	**68**	**770**	**(938)**	**1,574**	**34,707**	**51,744**	**7,933**	**95**	**59,772**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31st December

HK$ million	Notes	2011	2010
OPERATING ACTIVITIES			
Cash from operations	31(a)	**1,614**	1,810
Income taxes recovered		**8**	19
Net cash from operating activities		**1,622**	1,829
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(353)**	(71)
Deposits paid for property, plant and equipment		**–**	(70)
Disposals of property, plant and equipment		**9**	10
Acquisitions of associates		**(10,863)**	(14,974)
Disposal of interest in an associate		**212**	1,188
Return of capital from an associate		**–**	1
Shares redemption from an associate		**189**	–
Advances to associates		**(5)**	(5)
Repayment from associates		**164**	2
Advance to a jointly controlled entity		**(5)**	(3)
Repayment from a jointly controlled entity		**16**	16
Disposal of a subsidiary	31(b)	**541**	–
Purchases of securities		**(114)**	(283)
Disposals of securities		**404**	16
Loan note repayment from stapled securities		**11**	–
Dividends received from associates		**3,058**	2,385
Interest received		**230**	279
Net cash utilised in investing activities		**(6,506)**	(11,509)
Net cash before financing activities		**(4,884)**	(9,680)
FINANCING ACTIVITIES			
New bank and other loans		**7,441**	1,692
Repayments of bank and other loans		**(1,299)**	(1,722)
Pledged bank deposit released		**–**	1,334
Finance costs paid		**(535)**	(441)
Dividends paid		**(3,108)**	(2,727)
Coupon paid on perpetual capital securities		**(517)**	–
Issue of new ordinary shares		**3,411**	–
Issue of perpetual capital securities		**–**	7,800
Direct costs for issue of perpetual capital securities		**–**	(124)
Net cash from financing activities		**5,393**	5,812
Net increase/(decrease) in cash and cash equivalents		**509**	(3,868)
Cash and cash equivalents at 1st January		**5,438**	9,306
Cash and cash equivalents at 31st December	23	**5,947**	5,438

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

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

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

2. CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective to the Group for accounting periods beginning on or after 1st January, 2011, and has early adopted HKAS 12 (Amendments) "Deferred Tax: Recovery of Underlying Assets". The adoption of those HKFRSs and early adoption of HKAS 12 (Amendments) has no material impact on the Group's results and financial position for the current or prior years and does not result in any significant change in accounting policies of the Group.

The Group has not early adopted the following new and revised HKFRSs issued by HKICPA that are effective to the Group for the accounting periods beginning on or after 1st January, 2012. Except for the adoption of HKFRS 9 of which the Directors are assessing the impact on the results and financial position of the Group, the Directors anticipate that the adoption of the following new and revised HKFRSs will have no material impact on the results and financial position of the Group.

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

3. PRINCIPAL ACCOUNTING POLICIES

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

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

(a) Basis of Consolidation

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

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

(b) Goodwill

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

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(c) Subsidiaries

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

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

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

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

(d) Associates and Jointly Controlled Entities

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

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

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

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

(e) Property, Plant and Equipment

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

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

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

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

Leasehold land	over the unexpired lease term
Buildings	$1\frac{1}{4}\%$ 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 $33\frac{1}{3}\%$
Furniture, fixtures and others	5% to $33\frac{1}{3}\%$

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

(f) Investment Property

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

(g) Inventories

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

(h) Contract Work

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(i) Financial Instruments

Investments in securities

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

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

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

Derivative financial instruments and hedge accounting

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(i) Financial Instruments (Cont'd)

Derivative financial instruments and hedge accounting (Cont'd)

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

Debtors

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

Cash and cash equivalents

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

Bank and other loans

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

Creditors

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

Equity instruments

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

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

Financial guarantee contracts

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

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(i) Financial Instruments (Cont'd)

Fair value

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

(j) Revenue Recognition

Sales of goods

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

Interest income

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

Income from investments in securities

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

Contract revenue

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

(k) Foreign Currencies

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

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

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(k) Foreign Currencies (Cont'd)

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

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

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

(l) Taxation

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(l) Taxation (Cont'd)

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

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

(m) Operating Leases

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

(n) Finance Leases

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

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

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

(o) Employee Retirement Benefits

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

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

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(o) Employee Retirement Benefits (Cont'd)

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

(p) Borrowing Costs

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

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

(a) Currency Risk

The Group is exposed to currency risk primarily arising from foreign investments and borrowings denominated in currencies other than the functional currency of individual subsidiaries, which accounted for 21 per cent of the Group's borrowings (2010: 34 per cent). The Group generally hedges those investments with the appropriate level of borrowings denominated in the local currencies of relevant countries. The Group also entered into currency swaps to hedge most foreign investments financed by internal resources. Given this, the management considers that the net exposure to currency risk is kept to an appropriate level. Details of the currency swaps entered into by the Group at the end of the reporting period are set out in note 19.

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

(a) Currency Risk (Cont'd)

The Group is also exposed to currency risk arising from bank deposits denominated in foreign currencies, which accounted for 83 per cent of the Group's bank balances and deposits at the end of the reporting period (2010: 96 per cent). Those bank balances and deposits are mainly denominated in United States dollars, Australian dollars, Pounds sterling, Canadian dollars and New Zealand dollars. The management maintains the portfolio of bank deposits denominated in different currencies and the exposure to currency risk is kept to an appropriate level.

Sensitivity analysis

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

	2011		2010	
HK$ million	**Effect on profit for the year increase/ (decrease)**	**Effect on other comprehensive income increase/ (decrease)**	Effect on profit for the year increase/ (decrease)	Effect on other comprehensive income increase/ (decrease)
Australian dollars	**132**	**(156)**	221	(134)
Pounds sterling	**150**	**(1,943)**	150	(1,649)
Japanese yen	**(308)**	**–**	(290)	–
Canadian dollars	**14**	**(139)**	7	(175)
New Zealand dollars	**42**	**–**	28	–

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

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

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

(a) Currency Risk (Cont'd)

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the next reporting period. In this respect, the management does not expect any significant movements in the pegged rate of 7.8 between the United States dollars and Hong Kong dollars. It is also assumed that such pegged rate would be materially unaffected by any changes in movement in value of the United States dollars against other currencies. The analysis was performed on the same basis for 2010.

(b) Interest Rate Risk

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

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

Sensitivity analysis

At 31st December, 2011, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would decrease the Group's profit for the year by HK$13 million (2010: increase by HK$43 million). Other comprehensive income would increase by HK$114 million (2010: HK$140 million) in response to the general increase in interest rates. A decrease of 100 basis points in interest rate would have had an equal but opposite effect on the Group's profit for the year and other comprehensive income.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period. The analysis was performed on the same basis for 2010.

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

(c) Credit Risk

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

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

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

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

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

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

(d) Liquidity Risk

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

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

(d) Liquidity Risk (Cont'd)

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

HK$ million	2011 Carrying amount	2011 Total contractual undiscounted cash outflows	2011 Within 1 year or on demand	2011 More than 1 year but less than 2 years	2011 More than 2 years but less than 5 years	2011 More than 5 years	2010 Carrying amount	2010 Total contractual undiscounted cash outflows	2010 Within 1 year or on demand	2010 More than 1 year but less than 2 years	2010 More than 2 years but less than 5 years	2010 More than 5 years
Unsecured bank loans	11,318	11,529	11,529	–	–	–	5,482	5,940	1,458	4,107	365	10
Secured bank loans	29	39	3	3	6	27	30	39	3	3	6	27
Obligations under finance leases	79	88	26	24	38	–	97	113	29	23	61	–
Unsecured notes	3,042	5,192	106	106	319	4,661	2,878	5,013	101	101	302	4,509
Trade creditors	148	148	148	–	–	–	154	154	154	–	–	–
Amount due to a jointly controlled entity	32	32	32	–	–	–	3	3	3	–	–	–
Other payables and accruals	172	172	172	–	–	–	213	213	213	–	–	–
	14,820	17,200	12,016	133	363	4,688	8,857	11,475	1,961	4,234	734	4,546
Derivatives settled gross:												
Forward foreign exchange contracts held as net investment hedging instruments (note 19):												
– outflow		22,712	13,692	1,828	7,192	–		20,563	11,669	–	8,894	–
– inflow		(22,678)	(13,730)	(1,814)	(7,134)	–		(20,773)	(11,825)	–	(8,948)	–
		34	(38)	14	58	–		(210)	(156)	–	(54)	–

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

(e) Other Price Risk

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

Sensitivity analysis

At 31st December, 2011, it is estimated that a 5 per cent decrease in the prices of the respective instruments, with all other variables held constant, would decrease the Group's profit for the year by HK$75 million (2010: HK$96 million). Other comprehensive income would decrease by HK$144 million (2010: HK$109 million) in response to the decrease in the prices. A 5 per cent increase in prices would have had an equal but opposite effect on the Group's profit for the year and other comprehensive income.

The sensitivity analysis above has been determined assuming that the change in prices had occurred at the end of the reporting period and had been applied to the exposure to price risk for the Group's investments in securities in existence at that date (as set out in note 18). The 5 per cent decrease in prices represents management's assessment of a reasonably possible change in the prices of those instruments over the period until the end of the next reporting period. The analysis is performed on the same basis for 2010.

(f) Fair Value

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

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

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

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

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

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

(f) Fair Value (Cont'd)

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

Assets measured at fair value

	Level 1		Level 2		Level 3		Total	
HK$ million	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Financial assets at fair value through profit or loss (note 18)								
Notes, listed overseas	**1,341**	1,341	**–**	–	**–**	–	**1,341**	1,341
Equity securities, unlisted	**–**	–	**174**	174	**–**	–	**174**	174
Others, unlisted	**–**	–	**–**	410	**–**	–	**–**	410
Available-for-sale financial assets (note 18)								
Stapled securities, listed overseas	**1,222**	994	**–**	–	**–**	–	**1,222**	994
Equity securities, listed overseas	**1,670**	1,120	**–**	–	**–**	–	**1,670**	1,120
Debt securities, unlisted	**–**	–	**208**	205	**–**	–	**208**	205
Equity securities, unlisted	**–**	–	**27**	33	**–**	–	**27**	33
Derivative financial instruments (note 19)								
Forward foreign exchange contracts	**–**	–	**420**	380	**–**	–	**420**	380
Interest rate swaps	**–**	–	**–**	15	**–**	–	**–**	15
Total	**4,233**	3,455	**829**	1,217	**–**	–	**5,062**	4,672

Liabilities measured at fair value

	Level 1		Level 2		Level 3		Total	
HK$ million	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Derivative financial instruments (note 19)								
Forward foreign exchange contracts	**–**	–	**12**	53	**–**	–	**12**	53
Interest rate swaps	**–**	–	**201**	2	**–**	–	**201**	2
Total	**–**	–	**213**	55	**–**	–	**213**	55

There were no transfers between level 1 and 2 during the year (2010: nil).

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

Group turnover represents net sales of infrastructure materials, income from the supply of water, 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	**2011**	2010
Sales of infrastructure materials	**1,743**	1,508
Income from the supply of water	**184**	260
Interest income from loans granted to associates	**1,360**	842
Distribution from investments in securities	**206**	204
Group turnover	**3,493**	2,814
Share of turnover of jointly controlled entities	**1,532**	1,337
	5,025	4,151

6. OTHER INCOME

Other income includes the following:

HK$ million	**2011**	2010
Bank and other interest income	**234**	271
Gain on disposal of an associate	**145**	–
Gain on disposal of a subsidiary (note 31(b))	**96**	–
Change in fair values of investment properties	**20**	12

7. OPERATING COSTS

HK$ million	**2011**	2010
Staff costs including directors' emoluments	**349**	314
Depreciation of property, plant and equipment	**69**	79
Cost of inventories sold	**1,721**	1,419
Change in fair values of investments in securities	**6**	5
Change in fair values of derivative financial instruments	**19**	(13)
Other operating expenses	**476**	419
Total	**2,640**	2,223

8. FINANCE COSTS

HK$ million	**2011**	2010
Interest and other finance costs on		
Bank borrowings wholly repayable within 5 years	**470**	353
Notes repayable after 5 years	**105**	97
Total	**575**	450

9. PROFIT BEFORE TAXATION

HK$ million	**2011**	2010
Profit before taxation is arrived at after (crediting)/charging:		
Contract revenue	**(50)**	(26)
Gain on disposal of property, plant and equipment	**4**	–
Operating lease rental for land and buildings	**18**	17
Directors' emoluments (note 32)	**63**	45
Auditor's remuneration	**5**	5
Share of tax of associates	**871**	956
Share of tax of jointly controlled entities	**99**	78

10. TAXATION

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

HK$ million	2011	2010
Current taxation – overseas tax	**13**	5
Deferred taxation (note 26)	**(19)**	3
Total	**(6)**	8

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

HK$ million	2011	2010
Profit before taxation	**8,266**	5,175
Less: share of results of associates	**(6,974)**	(4,034)
share of results of jointly controlled entities	**(423)**	(333)
	869	808
Tax at 16.5% (2010: 16.5%)	**143**	133
Tax impact on:		
Different domestic rates of subsidiaries operating in other tax jurisdictions	**(102)**	(79)
Income not subject to tax	**(149)**	(129)
Expenses not deductible for tax purpose	**99**	96
Tax losses and other temporary differences not recognised	**(4)**	(15)
Others	**7**	2
Tax (credit)/charge	**(6)**	8

11. PROFIT FOR THE YEAR AND SEGMENT INFORMATION

for the year ended 31st December

	Investment in Power Assets*		Infrastructure Investments										Infrastructure related business		Unallocated items		Consolidated	
			United Kingdom		Australia		Mainland China		Canada and New Zealand		Sub-total							
HK$ million	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Group turnover #	**–**	–	**776**	412	**729**	645	**–**	–	**245**	249	**1,750**	1,306	**1,743**	1,508	**–**	–	**3,493**	2,814
Share of turnover of jointly controlled entities	**–**	–	**–**	–	**–**	–	**625**	543	**–**	–	**625**	543	**907**	794	**–**	–	**1,532**	1,337
	–	–	**776**	412	**729**	645	**625**	543	**245**	249	**2,375**	1,849	**2,650**	2,302	**–**	–	**5,025**	4,151
Group turnover	**–**	–	**776**	412	**729**	645	**–**	–	**245**	249	**1,750**	1,306	**1,743**	1,508	**–**	–	**3,493**	2,814
Bank and other interest income	**–**	–	**10**	11	**–**	–	**–**	–	**–**	–	**10**	11	**84**	70	**140**	190	**234**	271
Gain on disposal of an associate	**–**	–	**–**	–	**145**	–	**–**	–	**–**	–	**145**	–	**–**	–	**–**	–	**145**	–
Gain on disposal of a subsidiary	**–**	–	**96**	–	**–**	–	**–**	–	**–**	–	**96**	–	**–**	–	**–**	–	**96**	–
Other income	**–**	–	**28**	62	**–**	–	**106**	136	**–**	–	**134**	198	**88**	57	**4**	5	**226**	260
Change in fair values of investments in securities and derivative financial instruments	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	1	**(25)**	7	**(25)**	8
Depreciation	**–**	–	**(22)**	(34)	**–**	–	**–**	–	**–**	–	**(22)**	(34)	**(47)**	(45)	**–**	–	**(69)**	(79)
Other operating expenses	**–**	–	**(211)**	(157)	**–**	–	**(2)**	(3)	**–**	–	**(213)**	(160)	**(1,716)**	(1,409)	**(617)**	(583)	**(2,546)**	(2,152)
Finance costs	**–**	–	**(18)**	(37)	**–**	–	**–**	–	**–**	–	**(18)**	(37)	**(3)**	(4)	**(554)**	(409)	**(575)**	(450)
Exchange gain/(loss)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**9**	3	**(119)**	133	**(110)**	136
Share of results of associates and jointly controlled entities	**3,503**	2,770	**3,060**	927	**432**	381	**283**	249	**(16)**	(40)	**3,759**	1,517	**135**	80	**–**	–	**7,397**	4,367
Profit/(Loss) before taxation	**3,503**	2,770	**3,719**	1,184	**1,306**	1,026	**387**	382	**229**	209	**5,641**	2,801	**293**	261	**(1,171)**	(657)	**8,266**	5,175
Taxation	**–**	–	**16**	(1)	**–**	–	**(9)**	(8)	**–**	–	**7**	(9)	**(1)**	1	**–**	–	**6**	(8)
Profit/(Loss) for the year	**3,503**	2,770	**3,735**	1,183	**1,306**	1,026	**378**	374	**229**	209	**5,648**	2,792	**292**	262	**(1,171)**	(657)	**8,272**	5,167
Attributable to:																		
Shareholders of the Company	**3,503**	2,770	**3,735**	1,183	**1,306**	1,026	**378**	374	**229**	209	**5,648**	2,792	**282**	256	**(1,688)**	(790)	**7,745**	5,028
Owners of perpetual capital securities	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**517**	133	**517**	133
Non-controlling interests	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**10**	6	**–**	–	**10**	6
	3,503	2,770	**3,735**	1,183	**1,306**	1,026	**378**	374	**229**	209	**5,648**	2,792	**292**	262	**(1,171)**	(657)	**8,272**	5,167

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

for the year ended 31st December

	Investment in Power Assets*		Infrastructure Investments: United Kingdom		Australia		Mainland China		Canada and New Zealand		Sub-total		Infrastructure related business		Unallocated items		Consolidated	
HK$ million	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Other information																		
Expenditure for segment non-current assets:																		
– Addition to property, plant and equipment	–	–	29	44	–	–	–	–	–	–	29	44	324	25	–	2	353	71
– Acquisitions of associates	–	–	10,866	15,083	–	–	–	–	–	–	10,866	15,083	–	–	–	–	10,866	15,083
– Disposal of an associate	–	–	–	(1,188)	6	–	–	–	–	–	6	(1,188)	–	–	–	–	6	(1,188)
– Disposal of a subsidiary	–	–	(461)	–	–	–	–	–	–	–	(461)	–	–	–	–	–	(461)	–
as at 31st December																		
Assets																		
Interests in associates and jointly controlled entities	22,876	22,171	29,690	17,793	7,344	7,626	695	499	2,594	2,983	40,323	28,901	247	208	–	–	63,446	51,280
Property, plant and equipment and investment properties §	–	–	98	814	–	–	–	–	–	–	98	814	951	646	2	2	1,051	1,462
Other segment assets	–	–	792	2,359	2,892	2,118	25	3	1	2	3,710	4,482	1,736	1,357	–	–	5,446	5,839
Unallocated corporate assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–	6,880	5,679	6,880	5,679
Total assets	22,876	22,171	30,580	20,966	10,236	9,744	720	502	2,595	2,985	44,131	34,197	2,934	2,211	6,882	5,681	76,823	64,260
Liabilities																		
Segment liabilities	–	–	66	1,831	113	48	49	13	4	9	232	1,901	540	538	–	–	772	2,439
Unallocated corporate liabilities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	16,279	8,134	16,279	8,134
Total liabilities	–	–	66	1,831	113	48	49	13	4	9	232	1,901	540	538	16,279	8,134	17,051	10,573

Notes:

Sales of infrastructure materials comprise of sales in Hong Kong of HK$1,199 million (2010: HK$1,042 million), sales in Mainland China of HK$541 million (2010: HK$464 million) and sales in other region of HK$3 million (2010: HK$2 million).

§ The carrying value of HK$496 million (2010: HK$480 million) and HK$455 million (2010: HK$166 million) of the property, plant and equipment and investment properties of infrastructure related business are located in Hong Kong and Mainland China respectively.

* During the year, the Group has a 38.87 per cent (2010: 38.87 per cent) equity interest in Power Assets Holdings Limited ("Power Assets"), which is listed on Hong Kong Stock Exchange.

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

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

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

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

12. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of the Company of HK$7,745 million (2010: HK$5,028 million) and on the weighted average of 2,290,788,027 shares (2010: 2,254,209,945 shares) in issue during the year.

13. DIVIDENDS

HK$ million	**2011**	2010
Interim dividend paid of HK$0.365 (2010: HK$0.33) per share	**854**	744
Proposed final dividend of HK$1.165 (2010: HK$1) per share	**2,724**	2,254
Total	**3,578**	2,998

14. PROPERTY, PLANT AND EQUIPMENT

HK$ million	Medium term leasehold land in Hong Kong	Medium term leasehold land outside Hong Kong	Freehold land outside Hong Kong	Buildings	Mains, pipes, other plant and machinery	Furniture, fixtures and others	Total
Cost							
At 1st January, 2010	400	47	2	625	2,596	35	3,705
Additions	–	–	–	1	66	4	71
Disposals	(7)	–	–	–	(16)	(1)	(24)
Exchange translation differences	–	1	–	7	(26)	1	(17)
At 31st December, 2010	393	48	2	633	2,620	39	3,735
Additions	–	–	–	–	347	6	353
Disposals							
– through disposal of a subsidiary	–	–	(2)	–	(1,147)	–	(1,149)
– others	–	–	–	–	(9)	(1)	(10)
Exchange translation differences	–	3	–	14	102	1	120
At 31st December, 2011	393	51	–	647	1,913	45	3,049
Accumulated depreciation and impairment loss							
At 1st January, 2010	140	35	–	591	1,592	27	2,385
Charge for the year	9	1	–	4	62	3	79
Disposals	–	–	–	–	(13)	(1)	(14)
Exchange translation differences	–	–	–	7	1	1	9
At 31st December, 2010	149	36	–	602	1,642	30	2,459
Charge for the year	8	1	–	4	53	3	69
Disposals							
– through disposal of a subsidiary	–	–	–	–	(384)	–	(384)
– others	–	–	–	–	(4)	(1)	(5)
Exchange translation differences	–	2	–	14	48	1	65
At 31st December, 2011	157	39	–	620	1,355	33	2,204
Carrying value							
At 31st December, 2011	**236**	**12**	**–**	**27**	**558**	**12**	**845**
At 31st December, 2010	244	12	2	31	978	9	1,276

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

The carrying value of the Group's mains, pipes, other plant and machinery includes an amount of HK$73 million (2010: HK$275 million) in respect of assets held under finance leases, and another amount of HK$66 million (2010: HK$52 million) in respect of assets pledged as security for certain bank loans of the Group.

The Directors reviewed the Group's property, plant and equipment based on value in use calculation. The discount rate used was 8.5 per cent (2010: 8.5 per cent) per annum. No impairment loss has been recognised for the property, plant and equipment during the year.

15. INVESTMENT PROPERTIES

HK$ million	
Medium term leases in Hong Kong, at fair value	
At 1st January, 2010	174
Change in fair values	12
At 31st December, 2010	186
Change in fair values	20
At 31st December, 2011	**206**

The fair values of the Group's investment properties at 31st December, 2011 are determined based on a valuation carried out by Mr. K. B. Wong for and on behalf of DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. Mr. K. B. Wong is a member of the Hong Kong Institute of Surveyors. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

16. INTERESTS IN ASSOCIATES

HK$ million	2011	2010
Investment costs		
– Listed in Hong Kong	**8,687**	8,687
– Unlisted	**20,482**	14,914
Share of post-acquisition reserves	**16,501**	15,246
	45,670	38,847
Amounts due by unlisted associates	**16,834**	11,726
	62,504	50,573
Market value of investment in a listed associate	**47,660**	40,650

Included in the amounts due by unlisted associates are subordinated loans of HK$15,345 million (2010: HK$10,321 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, 2011 based on value in use calculation.

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

HK$ million	2011	2010
Total assets	**399,021**	305,148
Total liabilities	**(288,601)**	(208,164)
Net assets	**110,420**	96,984
Total turnover	**64,165**	37,793
Total profit for the year	**15,303**	9,894
Shared by the Group:		
Net assets of the associates	**45,670**	38,847
Profit of the associates for the year	**6,974**	4,034
Other comprehensive (expense)/income of the associates for the year	**(2,796)**	792

Particulars of the principal associates are set out in Appendix 2 on pages 122 and 123.

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES

HK$ million	2011	2010
Investment costs	**925**	925
Share of post-acquisition reserves	**(169)**	(414)
	756	511
Impairment losses	**(245)**	(245)
	511	266
Shareholders' loans to jointly controlled entities	**431**	441
	942	707

The Directors reviewed certain jointly controlled entities' operations and financial positions as at 31st December, 2011 based on value in use calculation. A discount rate 9 per cent (2010: 9 per cent) per annum was applied on projected cash flows for value in use calculation.

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

HK$ million	2011	2010
Total assets	**4,811**	4,602
Total liabilities	**(2,767)**	(3,286)
Net assets	**2,044**	1,316
Total turnover	**3,708**	3,217
Total profit for the year	**1,053**	823
Shared by the Group:		
Net assets of the jointly controlled entities	**756**	511
Profit of jointly controlled entities for the year	**423**	333

18. INVESTMENTS IN SECURITIES

HK$ million	2011	2010
Financial assets at fair value through profit or loss*		
Notes, listed overseas	**1,341**	1,341
Equity securities, unlisted	**174**	174
Others, unlisted	**–**	410
Available-for-sale financial assets		
Stapled securities, listed overseas, at fair value	**1,222**	994
Equity securities, listed overseas, at fair value	**1,670**	1,120
Equity securities, unlisted, at cost	**555**	547
Debt securities, unlisted, at fair value	**208**	205
Equity securities, unlisted, at fair value	**27**	33
Total	**5,197**	4,824

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

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

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

19. DERIVATIVE FINANCIAL INSTRUMENTS

	2011		2010	
HK$ million	**Assets**	**Liabilities**	Assets	Liabilities
Forward foreign exchange contracts	**420**	**(12)**	380	(53)
Interest rate swaps	**–**	**(201)**	15	(2)
	420	**(213)**	395	(55)
Portion classified as:				
Non-current	**158**	**(201)**	209	(2)
Current	**262**	**(12)**	186	(53)
	420	**(213)**	395	(55)

19. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

Currency Derivatives

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

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

As at 31st December, 2011 Notional amount	Maturity
Sell AUD 172.5 million*	2012
Sell CAD 184.2 million*	2012
Sell GBP 897.6 million*	2012
Sell GBP 150.0 million*	2013
Sell GBP 200.0 million*	2014
Sell GBP 390.0 million*	2015

As at 31st December, 2010 Notional amount	Maturity
Sell AUD174.0 million*	2011
Sell CAD227.5 million*	2011
Sell GBP687.5 million*	2011
Sell GBP26.6 million	2011
Sell GBP150.0 million*	2013
Sell GBP200.0 million*	2014
Sell GBP390.0 million*	2015

* designated as hedging instrument in accordance with HKAS 39

The fair values of the above currency derivatives that are designated and effective as net investment hedges totalling HK$408 million (net assets to the Group) (2010: HK$323 million (net assets to the Group)) have been deferred in equity at 31st December, 2011.

None of above currency derivatives is designated and effective as cash flow hedges at 31st December, 2011 and 31st December, 2010.

Change in fair value of currency derivative not designated for hedging amounting to HK$19 million (net loss) has been debited (2010: HK$13 million (net gain) credited) to the consolidated income statement for the current year.

19. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

Interest Rate Swaps

During the current year, the Group utilised interest rate swaps to manage its exposure to interest rate movements on its bank borrowings by swapping a proportion of those borrowings from floating rates to fixed rates. The notional principal amounts of the interest rate swap contracts outstanding as at 31st December, 2011, their remaining terms and estimated total fair value are as follows:

HK$ million	Floating interest rate	Weighted average fixed interest rate	Notional principal amount	Estimated fair value
Contracts maturing in 2015	BBSW*	5.66%	3,996	(201)
Fair value deferred in equity at 31st December, 2011				**(201)**
Contracts maturing in 2015	BBSW or LIBOR*	5.39%	4,270	13
Fair value deferred in equity at 31st December, 2010				13

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

All of the above interest rate swaps are designated and effective as cash flow hedges and the fair values (net liabilities to the Group (2010: net assets to the Group)) have been deferred in equity at 31st December, 2011.

20. GOODWILL

HK$ million	2011	2010
At 1st January	**151**	158
Disposal of a subsidiary	**(164)**	–
Exchange difference	**13**	(7)
At 31st December	**–**	151

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

21. INVENTORIES

HK$ million	2011	2010
Raw materials	**105**	67
Work-in-progress	**20**	22
Stores, spare parts and supplies	**14**	16
Finished goods	**84**	38
Total	**223**	143

22. DEBTORS AND PREPAYMENTS

HK$ million	2011	2010
Trade debtors	**310**	267
Prepayments, deposits and other receivables	**214**	262
Total	**524**	529

22. DEBTORS AND PREPAYMENTS (CONT'D)

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

HK$ million	2011	2010
Current	**174**	129
Less than 1 month past due	**90**	73
1 to 3 months past due	**51**	48
More than 3 months but less than 12 months past due	**11**	21
More than 12 months past due	**20**	51
Amount past due	**172**	193
Allowance for doubtful debts	**(36)**	(55)
Total after allowance	**310**	267

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	2011	2010
At 1st January	**55**	60
Impairment loss recognised	**–**	11
Impairment loss written back	**(10)**	(10)
Uncollective amounts written off	**(1)**	(7)
Released upon disposal of a subsidiary	**(10)**	–
Exchange translation differences	**2**	1
At 31st December	**36**	55

22. DEBTORS AND PREPAYMENTS (CONT'D)

At 31st December, 2011, gross trade debtors' balances totalling HK$36 million (2010: HK$55 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$36 million (2010: HK$55 million) was recognised at 31st December, 2011. The Group does not hold any collateral over these balances.

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

HK$ million	**2011**	2010
Neither past due nor impaired	**168**	129
Less than 1 month past due	**90**	73
1 to 3 months past due	**50**	48
More than 3 months but less than 12 months past due	**–**	10
More than 12 months past due	**2**	7
Amount past due	**142**	138
Total	**310**	267

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

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

23. BANK BALANCES AND DEPOSITS

Bank balances and deposits carry effective interest rate at 2.66 per cent (2010: 2.51 per cent) per annum.

24. BANK AND OTHER LOANS

HK$ million	**2011**	2010
Unsecured bank loans repayable:		
Within 1 year	**11,318**	1,202
In the 2nd year	**–**	3,947
In the 3rd to 5th year, inclusive	**–**	331
After 5 years	**–**	2
	11,318	5,482
Obligations under finance leases repayable:		
Within 1 year	**22**	24
In the 2nd year	**20**	18
In the 3rd to 5th year, inclusive	**37**	55
	79	97
Unsecured notes, 3.5%, repayable after 5 years	**3,042**	2,878
Secured bank loans repayable:		
Within 1 year (note 14)	**2**	2
In the 2nd year (note 14)	**2**	2
In the 3rd to 5th year, inclusive (note 14)	**7**	7
After 5 years (note 14)	**18**	19
	29	30
Total	**14,468**	8,487
Portion classified as:		
Current liabilities	**11,342**	1,228
Non-current liabilities	**3,126**	7,259
Total	**14,468**	8,487

24. BANK AND OTHER LOANS (CONT'D)

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

	AU$		GBP		JPY		RMB		Total	
HK$ million	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Bank loans	**4,004**	3,947	**7,343**	1,565	**–**	–	**–**	–	**11,347**	5,512
Finance leases	**–**	–	**14**	21	**–**	–	**65**	76	**79**	97
Notes	**–**	–	**–**	–	**3,042**	2,878	**–**	–	**3,042**	2,878
Total	**4,004**	3,947	**7,357**	1,586	**3,042**	2,878	**65**	76	**14,468**	8,487

The average effective interest rates of the Group's bank loans and finance leases are 4.45 per cent (2010: 4.30 per cent) per annum and 3.54 per cent (2010: 3.68 per cent) per annum, respectively.

The Group's notes of HK$3,042 million (2010: HK$2,878 million) and an unsecured bank loan of HK$2 million in 2010 were arranged at fixed interest rate and exposed the Group to fair value interest rate risk. Other borrowings were arranged at floating rates, thus exposed the Group to cash flow interest rate risk.

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

Fixed rate notes, other loans and finance leases carried interest at 3.5 per cent to 6.74 per cent (2010: 3.5 per cent to 9.93 per cent) per annum.

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

HK$ million	**2011**	2010
Minimum lease payments:		
Within 1 year	**26**	29
In the 2nd year	**23**	23
In the 3rd to 5th year, inclusive	**40**	61
	89	113
Less: Future finance charges	**(10)**	(16)
Present value of lease payments	**79**	97
Less: Amount due for settlement within 12 months	**(22)**	(24)
Amount due for settlement after 12 months	**57**	73

24. BANK AND OTHER LOANS (CONT'D)

At 31st December, 2011, the remaining weighted average lease term was 4.5 years (2010: 5.3 years). All leases are denominated in GBP or RMB on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The Group's obligations under finance leases are secured by the lessors' charge over the leased assets (note 14).

25. CREDITORS AND ACCRUALS

HK$ million	**2011**	2010
Trade creditors	**148**	154
Other payables and accruals	**1,938**	1,516
Total	**2,086**	1,670

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

HK$ million	**2011**	2010
Current	**106**	105
1 month	**24**	24
2 to 3 months	**11**	2
Over 3 months	**7**	23
Total	**148**	154

26. DEFERRED TAX ASSETS/LIABILITIES

HK$ million	**2011**	2010
Deferred tax assets	**15**	9
Deferred tax liabilities	**(187)**	(254)
Total	**(172)**	(245)

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

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

HK$ million	Accelerated tax depreciation	Tax losses	Fair value changes in securities	Others	Total
At 1st January, 2010	191	(7)	33	–	217
Charge/(Credit) to profit for the year	13	(18)	–	8	3
Charge to other comprehensive income for the year	–	–	11	–	11
Exchange translation differences	(3)	–	4	–	1
Others	–	16	–	(3)	13
At 31st December, 2010	201	(9)	48	5	245
Charge/(Credit) to profit for the year	1	(29)	–	9	(19)
Charge to other comprehensive income for the year	–	–	63	–	63
Exchange translation differences	10	–	2	1	13
Disposal of a subsidiary	(158)	–	–	–	(158)
Others	9	24	–	(5)	28
At 31st December, 2011	**63**	**(14)**	**113**	**10**	**172**

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$1,402 million (2010: HK$1,428 million) at 31st December, 2011. 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	**2011**	2010
Within 1 year	**4**	20
In the 2nd year	**4**	4
In the 3rd to 5th year, inclusive	**13**	21
No expiry date	**1,381**	1,383
Total	**1,402**	1,428

27. RETIREMENT PLANS

(a) Defined Contribution Retirement Plans

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

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

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

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

The Group's costs in respect of defined contribution plans for the year amounted to HK$16 million (2010: HK$12 million). No forfeited contributions and earnings for the year under the defined contribution plans were used to reduce the existing level of contributions (2010: nil). At 31st December, 2011, there were no forfeited contributions and earnings available to the Group to reduce its contributions to the defined contribution plans in future years (2010: nil).

27. RETIREMENT PLANS (CONT'D)

(b) Defined Benefit Retirement Plan operating in Hong Kong

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

Actuarial valuation of the defined benefit plan according to HKAS 19 "Employee Benefits" was carried out at 31st December, 2011, by Mr. Joseph Yip of Towers Watson Hong Kong Limited, who is a Fellow of the Society of Actuaries. The present value of the defined benefit obligations, the related current service cost and past service cost, if any, were measured using the Projected Unit Credit Method. The principal actuarial assumptions used are as follows:

	2011	2010
Discount rate at 31st December	**1.20% per annum**	2.50% per annum
Expected rate of salary increase	**4.00% per annum**	3.00% for 2011 and 4.00% per annum thereafter
Expected return on plan assets	**6.00% per annum**	6.25% per annum

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

HK$ million	**2011**	2010
Current service cost	**2**	2
Interest cost	**2**	1
Expected return on plan assets	**(4)**	(4)
Net amount credited to the consolidated income statement	**–**	(1)

The actual return on plan assets for the year ended 31st December, 2011 was a loss of HK$2 million (2010: HK$1 million).

27. RETIREMENT PLANS (CONT'D)

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

The amount included in the consolidated statement of financial position at 31st December, 2011 arising from the Group's obligations in respect of its defined benefit plan in Hong Kong is as follows:

HK$ million	**2011**	2010
Present value of defined benefit obligations	**76**	66
Fair value of plan assets	**(66)**	(68)
Employee retirement benefit liabilities/(assets) classified as other non-current liabilities/(assets) included in the consolidated statement of financial position	**10**	(2)

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

HK$ million	**2011**	2010
At 1st January	**66**	64
Current service cost	**2**	2
Interest cost	**2**	1
Actual benefits paid	**(2)**	(3)
Actual employee contributions	**1**	1
Actuarial loss on obligation	**7**	1
At 31st December	**76**	66

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

HK$ million	**2011**	2010
At 1st January	**68**	65
Expected return	**4**	4
Actuarial loss on plan assets	**(6)**	–
Actual company contributions	**1**	1
Actual employee contributions	**1**	1
Actual benefits paid	**(2)**	(3)
At 31st December	**66**	68

27. RETIREMENT PLANS (CONT'D)

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

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

As at 31st December	2011	2010
Equity instruments	49%	52%
Debt instruments	51%	48%
Total	**100%**	100%

The expected rate of return on assets was 6 per cent per annum (2010: 6.25 per cent per annum). This rate is derived by taking the weighted average of the long term expected rate of return on each of the asset classes invested.

The experience adjustment is as follows:

HK$ million	2011	2010
Present value of defined benefit obligations	76	66
Fair value of the plan assets	(66)	(68)
Deficit/(Surplus)	**10**	(2)
Experience adjustment on plan assets	(6)	–

The Group recognised actuarial loss amounting to HK$13 million (2010: HK$1 million) for the year ended 31st December, 2011 directly in the consolidated statement of comprehensive income. The cumulative amount of actuarial losses recognised directly in the consolidated statement of comprehensive income amounted to HK$15 million (2010: HK$2 million) as at 31st December, 2011.

27. RETIREMENT PLANS (CONT'D)

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

Another actuarial valuation was completed at 1st January, 2010 by Ms. Elaine Hwang of Towers Watson Hong Kong Limited, who was a Fellow of the Society of Actuaries, to determine the funding rates to be adopted by the Group in accordance with requirements of Occupational Retirement Schemes Ordinance. The actuarial method adopted was Attained Age Funding Method. The major assumptions used were the long-term average annual rate of investment return on the plan assets at 6 per cent per annum, and the average annual salary increases at 5 per cent per annum. The actuarial valuation showed that the fair value of the plan assets attributable to the Group of HK$65 million at 31st December, 2009 represented 121 per cent of the present value of the obligations as at that date. Contributions to fund the obligations were based upon the recommendations of actuary to fully fund the retirement plan on an ongoing basis. The funding rates will be reviewed no later than 1st January, 2013 as required by Occupational Retirement Schemes Ordinance.

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

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

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

The amount in respect of defined benefit plan recognised in the consolidated financial statements during the year are as follows:

HK$ million	**2011**	2010
Net amount credited to the consolidated income statement	**(1)**	(4)
Actuarial loss/(gain) recognised in the consolidated statement of comprehensive income	**30**	(49)
Employee retirement benefit assets classified as other non-current assets included in the consolidated statement of financial position	**–**	(27)

28. SHARE CAPITAL

	Number of Shares		Amount	
	2011	2010	**2011 HK$ million**	2010 HK$ million
Authorised:				
Ordinary shares of HK$1 each	**4,000,000,000**	4,000,000,000	**4,000**	4,000
Issued and fully paid:				
At 1st January	**2,254,209,945**	2,254,209,945	**2,254**	2,254
Issue of new shares via a share placement exercise	**84,500,000**	–	**85**	–
At 31st December	**2,338,709,945**	2,254,209,945	**2,339**	2,254

On 19th July, 2011 and 26th July, 2011, Hutchison Infrastructure Holdings Limited ("HIHL"), a controlling shareholder of the Company, sold 84,500,000 existing shares of the Company via a share placement exercise at a price of HK$40.41 per share, and has subscribed for 84,500,000 new shares of the Company at a price which is equivalent to the placing price less the costs and expenses incurred in connection with the placing and subscription, respectively. The net proceeds from the subscription were approximately HK$3,411 million. Accordingly, the Company's share capital and share premium were increased by HK$85 million and HK$3,326 million, respectively. The new shares issued rank pari passu in all aspects with the existing shares of the Company.

29. PERPETUAL CAPITAL SECURITIES

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

30. CAPITAL MANAGEMENT

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

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

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

The Group maintained a low net debt to total equity ratio of 14 per cent (2010: 6 per cent) as at 31st December, 2011. The management targets to maintain a solid capital position to pursue more new investment opportunities. The Group's overall strategy remains unchanged from 2010.

The net debt to total equity ratio at 31st December, 2011 and 2010 was as follows:

HK$ million	**2011**	2010
Total debts	**14,468**	8,487
Bank balances and deposits	**(5,947)**	(5,438)
Net debt	**8,521**	3,049
Total equity	**59,772**	53,687
Net debt to total equity ratio	**14%**	6%

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.

31. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash from Operations

HK$ million	2011	2010
Profit before taxation	8,266	5,175
Share of results of associates	(6,974)	(4,034)
Share of results of jointly controlled entities	(423)	(333)
Interest income from loans granted to associates	(1,360)	(842)
Interest income from banks	(138)	(175)
Interest income from investments in securities	(188)	(207)
Finance costs	575	450
Depreciation of property, plant and equipment	69	79
Change in fair values of investment properties	(20)	(12)
Gain on disposal of property, plant and equipment	(4)	–
Gain on disposal of a subsidiary	(96)	–
Gain on disposal of an associate	(145)	–
Change in fair values of investments in securities	6	5
Change in fair values of derivative financial instruments	19	(13)
Dividend from investments in securities	(114)	(93)
Pension costs of defined benefit retirement plans	(1)	(5)
Unrealised exchange loss	210	284
Returns received from jointly controlled entities	191	218
Distribution received from investment in securities	206	179
Interest received from associates	1,304	644
Contributions to defined benefit retirement plans	(1)	(9)
Net cash (paid)/received at close of derivative financial instruments	(24)	162
Others	–	(121)
Operating cash flows before changes in working capital	1,358	1,352
(Increase)/Decrease in inventories	(82)	27
(Increase)/Decrease in debtors and prepayments	(176)	33
Increase in creditors and accruals	464	388
Exchange translation differences	50	10
Cash from operations	**1,614**	**1,810**

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

(b) Disposal of a Subsidiary during the year 2011

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

Analysis of the net cash flow arising from the disposal:

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

32. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

HK$ million	Fees	Basic Salaries, Allowances and Other Benefits	Bonuses	Provident Fund Contributions	Inducement or Compensation Fees	**Total Emoluments 2011**	Total Emoluments 2010
Li Tzar Kuoi, Victor (1)	0.075	–	18.899	–	–	**18.974**	13.407
Kam Hing Lam (1)	0.075	4.200	7.431	–	–	**11.706**	10.099
Ip Tak Chuen, Edmond	0.075	1.800	7.866	–	–	**9.741**	8.541
Fok Kin Ning, Canning (1)	0.075	–	–	–	–	**0.075**	0.075
Andrew John Hunter (1)	0.075	8.193	6.000	0.819	–	**15.087**	12.089
Chan Loi Shun, Dominic	0.075	3.618	2.190	0.360	–	**6.243**	N/A
Chow Woo Mo Fong, Susan (1)	0.075	–	–	–	–	**0.075**	0.075
Frank John Sixt (1)	0.075	–	–	–	–	**0.075**	0.075
Tso Kai Sum (1)	0.075	–	–	–	–	**0.075**	0.075
Cheong Ying Chew, Henry (2)	0.180	–	–	–	–	**0.180**	0.180
Kwok Eva Lee (2)	0.155	–	–	–	–	**0.155**	0.155
Sng Sow-Mei (2)	0.155	–	–	–	–	**0.155**	0.155
Colin Stevens Russel (2)	0.180	–	–	–	–	**0.180**	0.180
Lan Hong Tsung, David (2)	0.155	–	–	–	–	**0.155**	0.155
Lee Pui Ling, Angelina	0.075	–	–	–	–	**0.075**	0.075
Barrie Cook	0.075	–	–	–	–	**0.075**	0.075
George Colin Magnus (1)	0.075	–	–	–	–	**0.075**	0.075
Total for the year 2011	**1.725**	**17.811**	**42.386**	**1.179**	**–**	**63.101**	
Total for the year 2010	1.650	12.831	30.322	0.683	–		45.486

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 (2010: HK$70,000), Mr. Fok Kin Ning, Canning received director's fees of HK$120,000 (2010: HK$120,000) from Power Assets. Except for HK$70,000 (2010: HK$70,000) received by Mr. George Colin Magnus, the directors' fees totalling HK$540,000 (2010: HK$540,000) were then paid back to the Company.

(2) INED, ACM and RCM – During the year, Mr. Cheong Ying Chew, Henry, Mrs. Kwok Eva Lee, Mr. Lan Hong Tsung, David, Mr. Colin Stevens Russel and Mrs. Sng Sow–Mei have acted as INED and ACM of the Company. Mr. Cheong Ying Chew, Henry and Mr. Colin Stevens Russel have acted as RCM of the Company during the year. The total emoluments paid to these INED, ACM and RCM during the current year are HK$825,000 (2010: HK$825,000).

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

Of the 5 individuals with the highest emoluments in the Group, all (2010: 4) are directors whose emoluments are disclosed above. The aggregate of the 2010 emoluments in respect of the remaining 1 individual falls within the band of HK$5,000,001 to HK$5,500,000, details of which were set out below:

HK$ million	2010
Salaries and benefits in kind	3
Bonuses	2
Total	5

33. COMMITMENTS

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

	Contracted but not provided for		**Authorised but not contracted for**	
HK$ million	**2011**	2010	**2011**	2010
Investment in an associate	**–**	465	**–**	–
Plant and machinery	**695**	34	**254**	952
Total	**695**	499	**254**	952

(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	**2011**	2010
Within 1 year	**11**	6
In the 2nd to 5th year, inclusive	**19**	–
Total	**30**	6

34. CONTINGENT LIABILITIES

HK$ million	2011	2010
Guarantee in respect of bank loan drawn by an associate	–	1,214
Other guarantees given in respect of associates	1,144	431
Sub-contractor warranties	11	22
Total	**1,155**	1,667

35. MATERIAL RELATED PARTY TRANSACTIONS

During the year, the Group advanced HK$5 million (2010: HK$5 million) to its unlisted associates. The Group received repayments totalling HK$164 million (2010: HK$2 million) from unlisted associates. The total outstanding loan balances as at 31st December, 2011 amounted to HK$16,834 million (2010: HK$11,726 million), of which HK$29 million (2010: HK$30 million) bore interest with reference to Australian Bank Bill Swap Reference Rate and HK$16,253 million (2010: HK$11,215 million) at fixed rates ranging from 9.95 per cent to 12.25 per cent (2010: from 10.85 per cent to 12.25 per cent) per annum and HK$552 million (2010: HK$481 million) was interest-free. The average effective interest rate of the loan granted to associates is 10.97 per cent (2010: 10.45 per cent) per annum. As stated in note 5, interest from loans granted to associates during the year amounted to HK$1,360 million (2010: HK$842 million). Except for a loan of HK$94 million (2010: HK$94 million) which was repayable within ten years (2010: eleven years), the loans had no fixed terms of repayment.

During the year, the Group advanced HK$5 million (2010: HK$3 million) to and received loan repayments totalling HK$16 million (2010: HK$16 million) from its jointly controlled entities. The total outstanding loan balances as at 31st December, 2011 amounted to HK$431 million (2010: HK$441 million), of which HK$251 million (2010: HK$251 million) bore interest with reference to Hong Kong dollar prime rate, and HK$180 million (2010: HK$190 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$297 million (2010: HK$257 million) and HK$13 million (2010: HK$14 million), respectively.

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

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

as at 31st December

HK$ million	2011	2010
Total assets	34,040	30,610
Total liabilities	(57)	(48)
Net assets	**33,983**	30,562
Representing:		
Share capital	2,339	2,254
Reserves	31,644	28,308
Total equity	**33,983**	30,562

Of the Group's profit attributable to shareholders of the Company for the current year, HK$3,118 million (2010: HK$2,736 million) has been dealt with in the financial statements of the Company.

Total distributable reserves of the Company amounted to HK$24,482 million as at 31st December, 2011 (2010: HK$24,472 million).

37. EVENT AFTER THE REPORTING PERIOD

On 17th February, 2012, the Company and The Bank of New York Mellon (Luxembourg) S.A. (the "Fiduciary") have entered into share subscription agreement under which the Fiduciary has agreed to subscribe as principal for, and the Company has agreed to issue 56,234,455 new ordinary shares for a consideration of approximately US$295.4 million (equivalent to approximately HK$2,291 million) at the subscription price of the U.S. dollar equivalent of approximately HK$40.7381 per share.

On 17th February, 2012, the Company, the Fiduciary and Goldman Sachs (Asia) L.L.C. and J.P. Morgan Securities Ltd. (the "Joint Lead Managers") have entered into the securities subscription agreement under which the Fiduciary agreed to issue the securities and each Joint Lead Manager has severally, and not jointly, agreed to subscribe and pay for, or to procure subscriptions and payment for, the principal amount of securities. The aggregate principal amount of the securities to be issued is US$300 million.

38. COMPARATIVE FIGURES

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

39. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements set out on pages 67 to 123 were approved by the Board of Directors on 8th March, 2012.

PRINCIPAL SUBSIDIARIES

APPENDIX 1

The table below shows the subsidiaries as at 31st December, 2011 which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of all the subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

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

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

PRINCIPAL ASSOCIATES

APPENDIX 2

The table below shows the associates as at 31st December, 2011 which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of all the associates would, in the opinion of the Directors, result in particulars of excessive length.

Name	Issued share capital Number	Par value per share	Approximate share of equity shares held by the Group (per cent)	Principal activities
Incorporated and operating in Hong Kong				
Power Assets Holdings Limited (note 1)	2,134,261,654 ordinary	HK$1	39	Electricity generation and distribution
Incorporated and operating in the United Kingdom				
UK Power Networks Holdings Limited	6,000,000 A ordinary	£1	40	Electricity distribution
	4,000,000 B ordinary	£1		
	360,000,000 A preference	£1		
	240,000,000 B preference	£1		
Northern Gas Networks Holdings Limited	571,670,979 ordinary	£1	47	Gas distribution
	1 special	£1		
Electricity First Limited	4 ordinary	£1	50	Electricity generation
Northumbrian Water Group Limited	518,623,845 ordinary	£0.10	40	Water supply, sewerage and waste water businesses
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 Canada				
Stanley Power Inc.	107,000,000 ordinary	C$1	50	Electricity generation
Incorporated and operating in New Zealand				
Wellington Electricity Distribution Network Limited	117,000,000 ordinary	NZ$1	50	Electricity distribution

APPENDIX 2 (CONT'D)

Notes:

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

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

   CKI Utilities Development Limited
   PAI Utilities Development Limited (formerly known as HEI Utilities Development Limited)
   Spark Infrastructure SA (No.1) Pty Ltd (formerly known as CKI Utilities Holdings Limited)
   Spark Infrastructure SA (No.2) Pty Ltd (formerly known as CKI/HEI Utilities Distribution Limited)
   Spark Infrastructure SA (No.3) Pty Ltd (formerly known as HEI Utilities Holdings Limited)

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

   CitiPower 1 Pty Ltd
   CitiPower Pty
   The CitiPower Trust

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

SCHEDULE OF MAJOR PROPERTIES

APPENDIX 3

Location	Lot Number	Group's Interest (per cent)	Approximate floor/site area attributable to the Group (sq. m.)	Existing Usage	Lease Term
14-18 Tsing Tim Street, Tsing Yi	TYTL 98	100	3,355	I	Medium
TMTL 201 Tap Shek Kok	TMTL 201	100	152,855	I	Medium
Certain units of Harbour Centre Tower 2, 8 Hok Cheung Street, Hunghom	KML 113	100	5,528	C	Medium

I: Industrial C: Commercial