CONSOLIDATED INCOME STATEMENT

for the year ended 31st December

HK$ million	Notes	2013	Restated 2012
Group turnover	6	**5,018**	4,105
Share of turnover of joint ventures	6	**19,413**	17,527
		24,431	21,632
Group turnover	6	**5,018**	4,105
Other income	7	**544**	439
Operating costs	8	**(4,538)**	(3,082)
Finance costs	9	**(765)**	(732)
Exchange gain		**571**	289
Share of results of associates		**4,741**	4,290
Share of results of joint ventures		**6,683**	4,747
Profit before taxation	10	**12,254**	10,056
Taxation	11(a)	**58**	19
Profit for the year	12	**12,312**	10,075
Attributable to:			
Shareholders of the Company		**11,639**	9,427
Owners of perpetual capital securities		**681**	655
Non-controlling interests		**(8)**	(7)
		12,312	10,075
Earnings per share	13	**HK$4.77**	HK$3.93

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31st December

HK$ million	2013	Restated 2012
Profit for the year	**12,312**	10,075
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Gain from fair value changes of available-for-sale financial assets	**420**	858
Gain/(Loss) from fair value changes of derivatives designated as effective cash flow hedges	**127**	(47)
Loss from fair value changes of derivatives designated as effective net investment hedges	**(26)**	(952)
Exchange differences on translation of financial statements of foreign operations	**(1,021)**	1,310
Share of other comprehensive income/(expense) of associates	**208**	(181)
Share of other comprehensive income/(expense) of joint ventures	**38**	(111)
Income tax relating to components of other comprehensive income	**(195)**	33
	(449)	910
Items that will not be reclassified to profit or loss:		
Actuarial gain/(loss) of defined benefit retirement schemes	**10**	(5)
Share of other comprehensive income of associates	**599**	270
Share of other comprehensive expense of joint ventures	**(50)**	(71)
Income tax relating to components of other comprehensive income	**(230)**	(106)
	329	88
Other comprehensive (expense)/income for the year	**(120)**	998
Total comprehensive income for the year	**12,192**	11,073
Attributable to:		
Shareholders of the Company	**11,516**	10,424
Owners of perpetual capital securities	**681**	655
Non-controlling interests	**(5)**	(6)
	12,192	11,073

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31st December

HK$ million	Notes	2013	Restated 2012	Restated 2011
Property, plant and equipment	15	**2,408**	1,477	845
Investment properties	16	**268**	238	206
Interests in associates	17	**34,583**	32,737	30,220
Interests in joint ventures	18	**46,244**	39,678	33,226
Investments in securities	19	**4,599**	6,199	5,197
Derivative financial instruments	20	**42**	–	158
Goodwill and intangible assets	21	**2,966**	–	–
Deferred tax assets	28	**20**	22	15
Total non-current assets		**91,130**	80,351	69,867
Inventories	22	**215**	150	223
Investments in securities	19	**1,341**	–	–
Derivative financial instruments	20	**80**	47	262
Debtors and prepayments	23	**1,162**	1,014	524
Bank balances and deposits	24	**5,958**	6,980	5,947
		8,756	8,191	6,956
Assets classified as held for sale	25	**22**	–	–
Total current assets		**8,778**	8,191	6,956
Bank and other loans	26	**44**	24	11,342
Derivative financial instruments	20	**491**	198	12
Creditors and accruals	27	**4,413**	2,972	2,086
Taxation		**92**	97	87
Total current liabilities		**5,040**	3,291	13,527
Net current assets/(liabilities)		**3,738**	4,900	(6,571)
Total assets less current liabilities		**94,868**	85,251	63,296
Bank and other loans	26	**12,985**	11,089	3,126
Derivative financial instruments	20	**416**	486	201
Deferred tax liabilities	28	**838**	282	187
Other non-current liabilities		**31**	13	10
Total non-current liabilities		**14,270**	11,870	3,524
Net assets		**80,598**	73,381	59,772
Representing:				
Share capital	30	**2,496**	2,496	2,339
Reserves		**67,689**	60,467	49,405
Equity attributable to shareholders of the Company		**70,185**	62,963	51,744
Perpetual capital securities	31	**10,329**	10,329	7,933
Non-controlling interests		**84**	89	95
Total equity		**80,598**	73,381	59,772

LI TZAR KUOI, VICTOR
Director

IP TAK CHUEN, EDMOND
Director

25th February, 2014

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December

	Attributable to shareholders of the Company												
HK$ million	Share capital	Share premium	Treasury shares	Contributed surplus	Property revaluation reserve	Investment revaluation reserve	Hedging reserve	Exchange translation reserve	Retained profits	Sub-total	Perpetual capital securities	Non-controlling interests	Total
At 1st January, 2012	2,339	7,162	–	6,062	68	770	(938)	1,574	34,707	51,744	7,933	95	59,772
Profit for the year	–	–	–	–	–	–	–	–	9,427	9,427	655	(7)	10,075
Gain from fair value changes of available-for-sale financial assets	–	–	–	–	–	858	–	–	–	858	–	–	858
Loss from fair value changes of derivatives designated as effective cash flow hedges	–	–	–	–	–	–	(47)	–	–	(47)	–	–	(47)
Loss from fair value changes of derivatives designated as effective net investment hedges	–	–	–	–	–	–	–	(952)	–	(952)	–	–	(952)
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	–	1,309	–	1,309	–	1	1,310
Actuarial losses of defined benefit retirement schemes	–	–	–	–	–	–	–	–	(5)	(5)	–	–	(5)
Share of other comprehensive (expense)/income of associates	–	–	–	–	–	–	(441)	260	270	89	–	–	89
Share of other comprehensive expense of joint ventures	–	–	–	–	–	–	(111)	–	(71)	(182)	–	–	(182)
Income tax relating to components of other comprehensive income	–	–	–	–	–	(82)	115	–	(106)	(73)	–	–	(73)
Total comprehensive income/(expense) for the year	–	–	–	–	–	776	(484)	617	9,515	10,424	655	(6)	11,073
Final dividend for the year 2011 paid	–	–	–	–	–	–	–	–	(2,784)	(2,784)	–	–	(2,784)
Interim dividend paid	–	–	–	–	–	–	–	–	(976)	(976)	–	–	(976)
Interest paid on perpetual capital securities	–	–	–	–	–	–	–	–	–	–	(599)	–	(599)
Issue of perpetual capital securities (note 31)	56	2,235	(2,291)	–	–	–	–	–	–	–	2,340	–	2,340
Direct costs for issue of perpetual capital securities	–	–	–	–	–	–	–	–	(49)	(49)	–	–	(49)
Issue of new ordinary shares	101	4,503	–	–	–	–	–	–	–	4,604	–	–	4,604
At 31st December, 2012	2,496	13,900	(2,291)	6,062	68	1,546	(1,422)	2,191	40,413	62,963	10,329	89	73,381
Profit for the year	–	–	–	–	–	–	–	–	11,639	11,639	681	(8)	12,312
Gain from fair value changes of available-for-sale financial assets	–	–	–	–	–	420	–	–	–	420	–	–	420
Gain from fair value changes of derivatives designated as effective cash flow hedges	–	–	–	–	–	–	127	–	–	127	–	–	127
Loss from fair value changes of derivatives designated as effective net investment hedges	–	–	–	–	–	–	–	(26)	–	(26)	–	–	(26)
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	–	(1,024)	–	(1,024)	–	3	(1,021)
Actuarial gain of defined benefit retirement scheme	–	–	–	–	–	–	–	–	10	10	–	–	10
Share of other comprehensive income/(expense) of associates	–	–	–	–	–	–	443	(235)	599	807	–	–	807
Share of other comprehensive income/(expense) of joint ventures	–	–	–	–	–	–	38	–	(50)	(12)	–	–	(12)
Income tax relating to components of other comprehensive income	–	–	–	–	–	(64)	(131)	–	(230)	(425)	–	–	(425)
Total comprehensive income/(expense) for the year	–	–	–	–	–	356	477	(1,285)	11,968	11,516	681	(5)	12,192
Final dividend for the year 2012 paid	–	–	–	–	–	–	–	–	(3,074)	(3,074)	–	–	(3,074)
Interim dividend paid	–	–	–	–	–	–	–	–	(1,220)	(1,220)	–	–	(1,220)
Interest paid on perpetual capital securities	–	–	–	–	–	–	–	–	–	–	(681)	–	(681)
At 31st December, 2013	**2,496**	**13,900**	**(2,291)**	**6,062**	**68**	**1,902**	**(945)**	**906**	**48,087**	**70,185**	**10,329**	**84**	**80,598**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31st December

HK$ million	Notes	2013	Restated 2012
OPERATING ACTIVITIES			
Cash from operations	33	**2,729**	1,873
Income taxes recovered		**23**	39
Net cash from operating activities		**2,752**	1,912
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(405)**	(680)
Disposals of property, plant and equipment		**1**	–
Additions to intangible assets		**(11)**	–
Advances to associates		**(27)**	(3)
Repayment from associates		**1**	94
Investments in joint ventures		**(2,287)**	(2,628)
Disposal of interest in a joint venture		**111**	6
Advances to joint ventures		**(2,067)**	(6)
Repayment from joint ventures		**1,102**	126
Acquisition of a subsidiary	38	**(3,208)**	–
Purchases of securities		**(62)**	(59)
Loan note repayment from stapled securities		**32**	32
Dividends received from associates		**2,276**	2,154
Dividends received from joint ventures		**3,284**	1,478
Interest received		**156**	238
Net cash (utilised in)/from investing activities		**(1,104)**	752
Net cash before financing activities		**1,648**	2,664
FINANCING ACTIVITIES			
New bank and other loans		**3,071**	11,004
Repayments of bank and other loans		**(31)**	(14,499)
Finance costs paid		**(738)**	(672)
Dividends paid		**(4,294)**	(3,760)
Interest paid on perpetual capital securities		**(681)**	(599)
Issue of new ordinary shares		**–**	4,604
Issue of perpetual capital securities		**–**	2,340
Direct costs for issue of perpetual capital securities		**–**	(49)
Net cash utilised in financing activities		**(2,673)**	(1,631)
Net (decrease)/increase in cash and cash equivalents		**(1,025)**	1,033
Cash and cash equivalents at 1st January		**6,980**	5,947
Cash and cash equivalents at 31st December		**5,955**	6,980
Analysis of balances of cash and cash equivalents:			
Bank balances and deposits	24	**5,958**	6,980
Bank overdrafts		**(3)**	–
		5,955	6,980

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, the Netherlands, Australia, New Zealand and Canada.

2. CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") 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, 2013. Except for the changes in accounting policies and presentation as set out below, the adoption of those HKFRSs has no material impact on the Group's results and financial position for the current or prior years.

(a) Presentation of Items of Other Comprehensive Income

Additional presentation for items of other comprehensive income is introduced in HKAS 1 (Amendments) "Presentation of Items of Other Comprehensive Income" without any impact on the Group's results and financial position.

(b) Employee Benefits

Revised HKAS 19 "Employee Benefits" introduces a number of amendments to the accounting for defined benefit plans and eliminates the "corridor method". All actuarial gains and losses are required to be recognised immediately in other comprehensive income. Revised HKAS 19 also changed the basis for determining income from plan assets.

In the current year, the Group has adopted revised HKAS 19 and the related consequential amendments and change in the accounting for actuarial gains and losses does not have material impact on the financial statements of the Group.

Prior to 1st January, 2013, the Group determined interest income on plan assets based on their long-term rate of expected return and recognised all actuarial gains and losses through other comprehensive income.

From 1st January, 2013 onwards, the interest cost and expected return on plan assets used in previous version of HKAS 19 are replaced with a "net-interest" amount which is calculated by applying the discount rate to the net defined benefit liability or asset.

The change in accounting policy has been applied prospectively. The main reason for not applying revised HKAS 19 retrospectively is that the management considered the impact on the Group's results and financial position is insignificant and is not practical to do so. There was no impact on the overall equity of the Group.

2. CHANGES IN ACCOUNTING POLICIES (CONT'D)

(c) Disclosure – Offsetting Financial Assets and Financial Liabilities

New disclosures in respect of offsetting financial assets and financial liabilities are introduced in HKFRS 7 (Amendments) "Disclosure – Offsetting Financial Assets and Financial Liabilities" (note 4) without any impact on the Group's results and financial position.

(d) Consolidated Financial Statements

HKFRS 10 "Consolidated Financial Statements" replaces parts of HKAS 27 "Consolidated and Separate Financial Statements" relating to the preparation of consolidated financial statements and HK-SIC 12 "Consolidation – Special Purpose Entities". A new definition of control is introduced without any impact on the Group's results and financial position.

(e) Joint Arrangements

In the current year, the Group has adopted HKFRS 11 "Joint Arrangements" which divides joint arrangements into joint operations and joint ventures and has resulted in a change in accounting policy for the classification of interests in joint arrangements. Pursuant to the new definition of joint arrangements, the Group re-evaluated its involvement in its joint arrangements and considered investments previously classified as interests in jointly controlled entities and certain investments previously classified as interests in associates are required to be classified as interests in joint ventures. The interests in joint ventures continue to be accounted for using the equity method, and therefore the adoption of HKFRS 11 does not have material impact on the Group's results and total equity at the beginning of the preceding period. This change in accounting policy has been applied retrospectively with consequential adjustments to comparatives for the year ended 31st December, 2012 as follows:

Effect of adoption of HKFRS 11:

Consolidated Income Statement
for the year ended 31st December

HK$ million	**2013**	2012
Decrease in share of results of associates	**(6,349)**	(4,336)
Increase in share of results of joint ventures	**6,349**	4,336

Consolidated Statement of Comprehensive Income
for the year ended 31st December

HK$ million	**2013**	2012
Share of other comprehensive income of associates	**12**	182
Share of other comprehensive expense of joint ventures	**(12)**	(182)

2. CHANGES IN ACCOUNTING POLICIES (CONT'D)

(e) Joint Arrangements (Cont'd)

Effect of adoption of HKFRS 11 (Cont'd):

Consolidated Statement of Financial Position

HK$ million	As previously stated	Effect of adopting HKFRS 11	As restated
As at 31st December, 2012			
Interests in associates	71,337	(38,600)	32,737
Interests in joint ventures	1,078	38,600	39,678
As at 31st December, 2011			
Interests in associates	62,504	(32,284)	30,220
Interests in joint ventures	942	32,284	33,226

(f) Disclosure of Interests in Other Entities

Extensive disclosures required in respect of subsidiaries, joint ventures, associates and unconsolidated structured entities are introduced in HKFRS 12 "Disclosure of Interests in Other Entities" and the Group has provided those disclosures in notes 17 and 18.

(g) Fair Value Measurement

HKFRS 13 "Fair Value Measurement" replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. Extensive disclosures are also required in respect of fair value measurements for both financial instruments and non-financial instruments (note 4) with no material impact on the Group's results and financial position.

The Group has not early adopted the following new and revised HKFRSs issued by HKICPA that have been issued but are not yet effective. Except for the adoption of HKFRS 9 "Financial Instruments" 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 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures
HKFRS 9	Financial Instruments
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
HKFRSs (Amendments)	Annual improvement to HKFRSs 2010-2012 Cycle
HKFRSs (Amendments)	Annual improvement to HKFRSs 2011-2013 Cycle
HK (IFRIC) – Interpretation 21	Levies

3. PRINCIPAL ACCOUNTING POLICIES

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

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

(a) Basis of Consolidation

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

The results of subsidiaries, share of results of associates and joint ventures acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains control/exercises significant influences/gains joint control until the date when the Group ceases to control/ceases to exercise significant influences/ceases to joint control, 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 interests 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 joint ventures acquired.

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

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

On disposal of a subsidiary, associate, joint venture 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) Intangible Assets

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are carried at cost less accumulated amortisation and accumulated impairment losses, on the same basis that are acquired separately.

Amortisation of intangible assets is provided over their estimated useful lives using the straight-line method, at the following rates per annum:

Brand name and trademarks	Indefinite useful lives
Customer contracts	Over the expected contract lives
Resource consents	4% to $8^1/_3$%
Computer software	20% to $33^1/_3$%
Others	Over the expected contract lives

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful life that are acquired through business combination are carried at cost less accumulated impairment losses.

The carrying amount of intangible assets with indefinite useful life is tested for impairment annually. The carrying amount of intangible assets with finite useful life is reviewed for indications of impairment at the end of each reporting period. An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(d) Subsidiaries

A subsidiary is an entity that is controlled by the Company. The Company controls an entity when it has power over the investees; it is exposed, or has rights, to variable returns from its involvement with the entity; and has the ability to affect those returns through its power over the entity.

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

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(e) Associates and Joint Ventures

An associate is a company, other than a subsidiary or joint venture, 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 agree to share control of the arrangement which exists only when the decisions about the relevant activities require unanimous consent of the parties sharing control, and have rights to the net assets of the arrangement.

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

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

(f) Property, Plant and Equipment

Property, plant and equipment, other than freehold land, 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.

Freehold land is not depreciated. 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 40%
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.

(g) Investment Properties

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

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(h) Inventories

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

(i) Contract Work

When the outcome of a contract can be estimated reliably, revenue and costs associated with the contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the 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.

(j) Assets Classified as Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition.

Assets classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell.

(k) 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 less accumulated impairment losses when the fair value cannot be measured reliably, or financial assets at fair value through profit or loss which are measured at fair value.

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

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(k) Financial Instruments (Cont'd)

Investments in securities (Cont'd)

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

Derivative financial instruments and hedge accounting

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

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

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

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

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

Debtors

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

Cash and cash equivalents

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

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(k) Financial Instruments (Cont'd)

Bank and other loans

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

Creditors

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

Equity instruments

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

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

Financial guarantee contracts

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

Fair value

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

(l) 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.

Sales of services

Sales of services including waste collection, commercial refuse and recycling services together with refuse transfer station operations and landfill operations are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(l) Revenue Recognition (Cont'd)

Interest income

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

Income from investments in securities

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

Contract revenue

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

(m) 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 measured. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(m) Foreign Currencies (Cont'd)

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

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

(n) Taxation

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

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(o) 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.

(p) 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.

(q) Employee Retirement Benefits

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

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

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. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Past service cost is recognised in profit or loss in the period of a planned amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset and is recognised in profit or loss. The amount recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plans.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(r) 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 17 per cent of the Group's borrowings (2012: 26 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 20.

The Group is also exposed to currency risk arising from bank deposits denominated in foreign currencies, which accounted for 87 per cent of the Group's bank balances and deposits at the end of the reporting period (2012: 84 per cent). Those bank balances and deposits are mainly denominated in United States dollars, Australian dollars, Pounds sterling, Canadian dollars, New Zealand dollars and Euros. The management maintains the portfolio of bank deposits denominated in different currencies and the exposure to currency risk is kept to an appropriate level.

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

(a) Currency Risk (Cont'd)

Sensitivity analysis

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

	2013		2012	
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	**72**	**(236)**	129	(288)
Pounds sterling	**239**	**(2,564)**	142	(2,567)
Japanese yen	**(227)**	**–**	(287)	–
Canadian dollars	**31**	**(134)**	26	(144)
New Zealand dollars	**16**	**(173)**	48	–

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.

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 2012.

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

(b) Interest Rate Risk

The Group's interest rate risk relates primarily to floating rate borrowings and deposits. In relation to these floating rate borrowings, the management aims at keeping borrowings at fixed rates at appropriate level by entering into interest rate swaps. In order to achieve this result, the Group entered into interest rate swaps to hedge against certain exposures to changes in interest rates of the borrowings. The management adopts a policy of ensuring that all the material 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 20 and 26, respectively.

Sensitivity analysis

At 31st December, 2013, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would increase the Group's profit for the year by HK$88 million (2012: HK$435 million). Other comprehensive income would increase by HK$162 million (2012: HK$420 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 2012.

(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.

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

(c) Credit Risk (Cont'd)

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. Except for the guarantees given by the Group as set out in note 36, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these guarantees at the end of the reporting period is disclosed in note 36.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors and other receivables are set out in note 23.

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:

	2013						2012					
HK$ million	Carrying amount	Total contractual undiscounted cash outflows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Carrying amount	Total contractual undiscounted cash outflows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
Unsecured bank loans	**10,303**	**11,073**	**249**	**2,005**	**8,819**	**–**	9,051	10,170	282	282	9,606	–
Secured bank loans	**1,009**	**1,243**	**85**	**56**	**1,086**	**16**	28	34	3	3	9	19
Obligations under finance leases	**97**	**110**	**45**	**35**	**28**	**2**	59	64	25	24	15	–
Unsecured notes	**1,617**	**2,164**	**43**	**43**	**131**	**1,947**	1,975	2,686	52	52	158	2,424
Trade creditors	**333**	**333**	**333**	**–**	**–**	**–**	193	193	193	–	–	–
Amount due to a joint venture	**1**	**1**	**1**	**–**	**–**	**–**	3	3	3	–	–	–
Other payables and accruals	**374**	**374**	**347**	**–**	**–**	**27**	268	268	268	–	–	–
	13,734	**15,298**	**1,103**	**2,139**	**10,064**	**1,992**	11,577	13,418	826	361	9,788	2,443
Derivatives settled gross:												
Forward foreign exchange contracts held as net investment hedging instruments (note 20):												
– outflow		**30,876**	**24,658**	**4,949**	**1,269**	**–**		29,426	19,517	3,740	6,169	–
– inflow		**(30,493)**	**(24,501)**	**(4,737)**	**(1,255)**	**–**		(28,967)	(19,323)	(3,652)	(5,992)	–
		383	**157**	**212**	**14**	**–**		459	194	88	177	–

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 19. 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, 2013, 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$69 million (2012: HK$75 million). Other comprehensive income would decrease by HK$180 million (2012: HK$188 million) in response to 5 per cent 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 19). 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 2012.

(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 fair value of the Group's financial instruments and non-financial instruments are grouped into level 1 to 3 with reference to the observability and significance of the inputs used in the valuation technique as follows:

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 and non-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	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Investment properties (note 16)	**–**	–	**268**	238	**–**	–	**268**	238
Financial assets at fair value through profit or loss (note 19)								
Notes, listed overseas	**1,341**	1,341	**–**	–	**–**	–	**1,341**	1,341
Equity securities, unlisted	**–**	–	**46**	174	**–**	–	**46**	174
Available-for-sale financial assets (note 19)								
Stapled securities, listed overseas	**1,266**	1,531	**–**	–	**–**	–	**1,266**	1,531
Equity securities, listed overseas	**2,460**	2,329	**–**	–	**–**	–	**2,460**	2,329
Debt securities, unlisted	**–**	–	**217**	215	**–**	–	**217**	215
Equity securities, unlisted	**–**	–	**32**	36	**–**	–	**32**	36
Derivative financial instruments (note 20)								
Forward foreign exchange contracts	**–**	–	**80**	47	**–**	–	**80**	47
Interest rate swaps	**–**	–	**42**	–	**–**	–	**42**	–
Total	**5,067**	5,201	**685**	710	**–**	–	**5,752**	5,911

Liabilities measured at fair value

	Level 1		Level 2		Level 3		Total	
HK$ million	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Derivative financial instruments (note 20)								
Forward foreign exchange contracts	**–**	–	**744**	436	**–**	–	**744**	436
Interest rate swaps	**–**	–	**163**	248	**–**	–	**163**	248
Total	**–**	–	**907**	684	**–**	–	**907**	684

The fair values of the financial assets and financial liabilities included in Level 2 category above have been determined in accordance with generally accepted pricing models.

There were no transfers between Level 1 and 2 during the year (2012: nil).

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

(g) Offsetting Financial Assets and Financial Liabilities

The following tables set out the carrying amounts of financial assets and financial liabilities that are subject to enforceable master netting arrangements or similar agreements, irrespective of whether they are offset in the Group's consolidated statement of financial position.

As at 31st December, 2013 HK$ million	Gross amounts of recognised financial assets (liabilities)	Gross amounts offset in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position Financial assets (liabilities)	Related amounts not offset in the consolidated statement of financial position Cash collateral pledged (received)	Net amounts
Financial asset						
Derivative financial instruments	**62**	**–**	**62**	**(62)**	**–**	**–**
Financial liability						
Derivative financial instruments	**(192)**	**–**	**(192)**	**62**	**–**	**(130)**

As at 31st December, 2012 HK$ million	Gross amounts of recognised financial assets (liabilities)	Gross amounts offset in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position Financial assets (liabilities)	Related amounts not offset in the consolidated statement of financial position Cash collateral pledged (received)	Net amounts
Financial asset						
Derivative financial instruments	27	–	27	(27)	–	–
Financial liability						
Derivative financial instruments	(132)	–	(132)	27	–	(105)

5. CRITICAL ACCOUNTING JUDGMENT AND ESTIMATES

Significant estimates and assumptions concerning the future may be required in selecting and applying the appropriate accounting methods and policies in the financial statements. The Group bases its estimates and judgments on historical experience and various other assumptions that it believes are reasonable under various circumstances. Actual results may differ from these estimates and judgments under different assumptions and conditions.

5. CRITICAL ACCOUNTING JUDGMENT AND ESTIMATES (CONT'D)

(a) Impairment testing of goodwill

Goodwill are tested for impairment annually or more frequently when there is any indication of impairment which required the Group to estimate the value in use of the relevant cash-generating unit. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value. The carrying value of goodwill as at 31st December, 2013 is HK$1,024 million. Details of the impairment testing of goodwill are disclosed in note 21.

(b) Impairment testing of intangible assets

Impairment testing of intangible assets requires significant judgment and estimates. Intangible assets with indefinite useful lives are tested for impairment annually and intangible assets with definite useful lives are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value. The carrying value of intangible assets as at 31st December, 2013 is HK$1,942 million.

6. GROUP TURNOVER AND SHARE OF TURNOVER OF JOINT VENTURES

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

In addition, the Group presents its proportionate share of turnover of joint ventures. Turnover of associates is not included.

The Group turnover and share of turnover of joint ventures for the current year is analysed as follows:

HK$ million	**2013**	2012
Sales of infrastructure materials	**2,192**	2,082
Interest income from loans granted to associates	**484**	522
Interest income from loans granted to joint ventures	**1,295**	1,282
Sales of waste management services	**819**	–
Distribution from investments in securities	**186**	183
Income from the supply of water	**42**	36
Group turnover	**5,018**	4,105
Share of turnover of joint ventures	**19,413**	17,527
	24,431	21,632

7. OTHER INCOME

Other income includes the following:

HK$ million	2013	2012
Bank and other interest income	157	237
Gain on disposal of a joint venture	111	2
Change in fair values of investment properties	30	32

8. OPERATING COSTS

HK$ million	2013	2012
Staff costs including directors' emoluments	609	367
Depreciation of property, plant and equipment	152	54
Amortisation of intangible assets	17	–
Cost of inventories sold	2,431	1,945
Other operating expenses	1,329	716
Total	**4,538**	3,082

9. FINANCE COSTS

HK$ million	2013	2012
Interest and other finance costs on		
Bank borrowings wholly repayable within 5 years	441	480
Notes repayable after 5 years	45	65
Others	279	187
Total	**765**	732

10. PROFIT BEFORE TAXATION

HK$ million	2013	2012
Profit before taxation is arrived at after (crediting)/charging:		
Contract revenue	(282)	(137)
Operating lease rental for land and buildings	19	17
Directors' emoluments (note 34)	78	73
Auditor's remuneration	6	4

11. TAXATION

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

HK$ million	2013	2012
Current taxation – outside Hong Kong	**3**	12
Deferred taxation (note 28)	**(61)**	(31)
Total	**(58)**	(19)

(b) A subsidiary of the Company paid AUD61 million (2012: AUD58 million) in aggregate, to the Australian Tax Office ("ATO") being an amount equivalent to 50 per cent (which percentage is based on ATO Administrative Guidelines) of the tax in dispute, including interest and penalties, claimed by the ATO, pending the resolution of a dispute with the ATO regarding the deductibility of certain fees paid by that subsidiary for income tax purposes. The subsidiary is of the view that the fees are deductible and that no amount should be payable to the ATO and that the above amount paid is expected to be recovered from the ATO. The subsidiary has obtained legal advice and is poised to vigorously defend its position.

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

HK$ million	2013	2012
Profit before taxation	**12,254**	10,056
Less: share of results of associates	**(4,741)**	(4,290)
share of results of joint ventures	**(6,683)**	(4,747)
	830	1,019
Tax at 16.5% (2012: 16.5%)	**137**	168
Tax impact on:		
Different domestic rates of subsidiaries operating in other tax jurisdictions	**(238)**	(236)
Income not subject to tax	**(185)**	(136)
Expenses not deductible for tax purpose	**232**	165
Tax losses and other temporary differences not recognised	**20**	3
Others	**(24)**	17
Tax credit	**(58)**	(19)

12. PROFIT FOR THE YEAR AND SEGMENT INFORMATION

for the year ended 31st December

			Infrastructure Investments																	
	Investment in Power Assets*		United Kingdom		Australia		Mainland China		New Zealand		Canada and Netherlands		Sub-total		Infrastructure related business		Unallocated items		Consolidated	
HK$ million	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Group turnover#	–	–	1,148	1,094	670	705	–	–	886	112	122	112	2,826	2,023	2,192	2,082	–	–	5,018	4,105
Share of turnover of joint ventures	–	–	16,426	14,928	2	–	661	662	588	512	740	443	18,417	16,545	996	982	–	–	19,413	17,527
	–	–	17,574	16,022	672	705	661	662	1,474	624	862	555	21,243	18,568	3,188	3,064	–	–	24,431	21,632
Group turnover	–	–	1,148	1,094	670	705	–	–	886	112	122	112	2,826	2,023	2,192	2,082	–	–	5,018	4,105
Bank and other interest income	–	–	–	–	–	–	3	–	–	–	–	–	3	–	61	82	93	155	157	237
Gain on disposal of a joint venture	–	–	–	–	–	–	111	–	–	–	–	–	111	–	–	2	–	–	111	2
Other income	–	–	–	–	–	–	91	139	1	–	–	–	92	139	180	56	4	5	276	200
Depreciation and amortisation	–	–	(5)	(5)	–	–	–	–	(97)	–	–	–	(102)	(5)	(67)	(49)	–	–	(169)	(54)
Other operating expenses	–	–	(42)	(39)	–	–	(13)	(2)	(588)	–	–	–	(643)	(41)	(2,130)	(2,070)	(1,596)	(917)	(4,369)	(3,028)
Finance costs	–	–	(2)	(2)	–	–	–	–	(55)	–	–	–	(57)	(2)	(3)	(3)	(705)	(727)	(765)	(732)
Exchange gain	–	–	–	–	–	–	–	–	–	–	–	–	–	–	4	2	567	287	571	289
Share of results of associates and joint ventures	4,315	3,757	6,369	4,391	456	441	199	286	(8)	(53)	(6)	1	7,010	5,066	99	214	–	–	11,424	9,037
Profit/(Loss) before taxation	4,315	3,757	7,468	5,439	1,126	1,146	391	423	139	59	116	113	9,240	7,180	336	316	(1,637)	(1,197)	12,254	10,056
Taxation	–	–	40	46	–	–	4	(28)	15	–	–	–	59	18	(1)	1	–	–	58	19
Profit/(Loss) for the year	4,315	3,757	7,508	5,485	1,126	1,146	395	395	154	59	116	113	9,299	7,198	335	317	(1,637)	(1,197)	12,312	10,075
Attributable to:																				
Shareholders of the Company	4,315	3,757	7,508	5,485	1,126	1,146	395	395	154	59	116	113	9,299	7,198	343	324	(2,318)	(1,852)	11,639	9,427
Owners of perpetual capital securities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	681	655	681	655
Non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(8)	(7)	–	–	(8)	(7)
	4,315	3,757	7,508	5,485	1,126	1,146	395	395	154	59	116	113	9,299	7,198	335	317	(1,637)	(1,197)	12,312	10,075

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

for the year ended 31st December

			Infrastructure Investments																	
	Investment in Power Assets*		United Kingdom		Australia		Mainland China		New Zealand		Canada and Netherlands		Sub-total		Infrastructure related business		Unallocated items		Consolidated	
HK$ million	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Other information																				
Expenditure for segment non-current assets:																				
– Additions to property, plant and equipment	–	–	–	–	–	–	–	–	132	–	–	–	132	–	270	680	3	–	405	680
– Additions to intangible assets	–	–	–	–	–	–	–	–	11	–	–	–	11	–	–	–	–	–	11	–
– Investments in joint ventures	–	–	–	2,468	27	38	–	–	159	–	2,101	126	2,287	2,632	–	–	–	–	2,287	2,632
– Acquisition of a subsidiary (note 38)	–	–	–	–	–	–	–	–	2,159	–	–	–	2,159	–	–	–	–	–	2,159	–
– Disposal of a joint venture	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(4)	–	–	–	(4)
as at 31st December																				
Assets																				
Interests in associates and joint ventures	27,458	24,918	40,424	35,946	7,159	7,855	718	790	1,233	1,130	3,515	1,488	53,049	47,209	320	288	–	–	80,827	72,415
Property, plant and equipment and investment properties §	–	–	91	96	–	–	–	–	696	–	–	–	787	96	1,885	1,618	4	1	2,676	1,715
Other segment assets	–	–	826	818	3,748	3,860	–	–	3,169	–	–	–	7,743	4,678	1,699	1,478	–	–	9,442	6,156
Unallocated corporate assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	6,963	8,256	6,963	8,256
Total assets	27,458	24,918	41,341	36,860	10,907	11,715	718	790	5,098	1,130	3,515	1,488	61,579	51,983	3,904	3,384	6,967	8,257	99,908	88,542
Liabilities																				
Segment liabilities	–	–	65	64	233	199	31	40	1,747	–	9	1	2,085	304	792	665	–	–	2,877	969
Unallocated corporate liabilities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	16,433	14,192	16,433	14,192
Total liabilities	–	–	65	64	233	199	31	40	1,747	–	9	1	2,085	304	792	665	16,433	14,192	19,310	15,161

Notes:

* During the year, the Group has a 38.87 per cent (2012: 38.87 per cent) equity interest in Power Assets Holdings Limited ("Power Assets"), which is listed on Hong Kong Stock Exchange.

\# Sales of infrastructure materials comprise of sales in Hong Kong of HK$1,520 million (2012: HK$1,625 million), sales in Mainland China of HK$670 million (2012: HK$454 million) and sales in other region of HK$2 million (2012: HK$3 million).

§ The carrying value of HK$544 million (2012: HK$520 million) and HK$1,341 million (2012: HK$1,098 million) of the property, plant and equipment and investment properties of infrastructure related business are located in Hong Kong and Mainland China respectively.

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

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

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

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

13. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of the Company of HK$11,639 million (2012: HK$9,427 million) and on the weighted average of 2,439,610,945 shares (2012: 2,398,559,625 shares) in issue during the year.

The shares issued in connection with the issue of perpetual capital securities in February 2012 (note 31) were excluded from the calculation of earnings per share since these shares are disregarded for the purpose of determining the number of shares held by the public.

14. DIVIDENDS

(a)

HK$ million	**2013**	2012
Interim dividend paid of HK$0.50 per share (2012: HK$0.40 per share)	**1,220**	976
Proposed final dividend of HK$1.36 per share (2012: HK$1.26 per share)	**3,318**	3,074
Total	**4,538**	4,050

During the year, dividends of HK$4,538 million (2012: HK$4,050 million) are stated after elimination of HK$104 million (2012: HK$93 million) paid/proposed for the shares issued in connection with the issue of perpetual capital securities in February 2012 (note 31).

(b)

HK$ million	**2013**	2012
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$1.26 per share (2012: HK$1.165 per share)	**3,074**	2,784

Final dividend in respect of the previous financial year, approved and paid during the year, is stated after elimination of HK$71 million (2012: HK$66 million) for the shares issued in connection with the issue of perpetual capital securities in February 2012.

15. PROPERTY, PLANT AND EQUIPMENT

HK$ million	Medium term leasehold land in Hong Kong	Medium term leasehold land outside Hong Kong	Freehold land outside Hong Kong	Buildings	Mains, pipes, other plant and machinery	Furniture, fixtures and others	Total
Cost							
At 1st January, 2012	393	51	–	647	1,913	45	3,049
Additions	–	63	–	–	611	6	680
Disposals	–	–	–	–	(14)	(1)	(15)
Exchange translation differences	–	–	–	2	11	1	14
At 31st December, 2012	393	114	–	649	2,521	51	3,728
Acquisition of a subsidiary	–	–	145	64	452	–	661
Transfer between categories	–	–	–	576	(577)	1	–
Additions	–	–	24	2	344	35	405
Disposals	–	–	–	–	(4)	(1)	(5)
Exchange translation differences	–	4	(4)	8	26	–	34
At 31st December, 2013	393	118	165	1,299	2,762	86	4,823
Accumulated depreciation							
At 1st January, 2012	157	39	–	620	1,355	33	2,204
Charge for the year	9	2	–	3	36	4	54
Disposals	–	–	–	–	(14)	(1)	(15)
Exchange translation differences	–	–	–	2	5	1	8
At 31st December, 2012	166	41	–	625	1,382	37	2,251
Charge for the year	8	3	–	9	126	6	152
Disposals	–	–	–	–	(3)	(1)	(4)
Exchange translation differences	–	1	–	9	5	1	16
At 31st December, 2013	174	45	–	643	1,510	43	2,415
Carrying value							
At 31st December, 2013	**219**	**73**	**165**	**656**	**1,252**	**43**	**2,408**
At 31st December, 2012	227	73	–	24	1,139	14	1,477

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

The carrying value of the Group's mains, pipes, other plant and machinery includes an amount of HK$105 million (2012: HK$58 million) in respect of assets held under finance leases, and another amount of HK$84 million (2012: HK$83 million) in respect of assets pledged as security for certain bank loans of the Group.

16. INVESTMENT PROPERTIES

HK$ million	
Medium term leases in Hong Kong, at fair value	
At 1st January, 2012	206
Change in fair values	32
At 31st December, 2012	238
Change in fair values	30
At 31st December, 2013	**268**

The fair values of the Group's investment properties at 31st December, 2013 and 2012 are determined based on a valuation carried out by Mr. K. B. Wong for and on behalf of DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. Mr. K. B. Wong is a member of the Hong Kong Institute of Surveyors. The valuation which reflects the highest and best use was arrived at by reference to comparable market transactions and also taking reference of capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties.

17. INTERESTS IN ASSOCIATES

HK$ million	**2013**	2012
Investment costs		
– Listed in Hong Kong	**8,687**	8,687
– Unlisted	**1,010**	1,010
Share of post-acquisition reserves	**20,670**	18,080
	30,367	27,777
Amounts due by unlisted associates (note 37)	**4,216**	4,960
	34,583	32,737
Market value of investment in a listed associate	**51,145**	54,754

Included in the amounts due by unlisted associates are subordinated loans of HK$4,091 million (2012: HK$4,817 million). The rights in respect of these loans are subordinated to the rights of any other lenders to the associates.

17. INTERESTS IN ASSOCIATES (CONT'D)

Summarised financial information of Power Assets, the only material associate, are adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below.

(a) Financial information of the material associate as at 31st December

	Power Assets	
HK$ million	**2013**	2012
Current assets	**10,494**	9,821
Non-current assets	**96,701**	93,660
Current liabilities	**(4,952)**	(9,410)
Non-current liabilities	**(31,603)**	(29,965)
Equity	**70,640**	64,106
Reconciled to the Group's interests in the material associate		
Group's effective interest	**38.87%**	38.87%
Group's shares of net assets of the material associate and its carrying amount in the consolidated financial statements	**27,458**	24,918

(b) Financial information of the material associate for the year ended 31st December

	Power Assets	
HK$ million	**2013**	2012
Turnover	**10,222**	10,415
Profit for the year	**11,296**	9,823
Other comprehensive income	**530**	384
Total comprehensive income	**11,826**	10,207
Dividend received from the material associate	**2,057**	1,925

(c) Aggregate information of associates that are not individually material

HK$ million	**2013**	2012
Aggregate carrying amount of individually insignificant associates in the consolidated financial statements	**2,909**	2,859
Aggregate amounts of the Group's share of those associates'		
Profit for the year	**350**	472
Other comprehensive income	**349**	10
Total comprehensive income	**699**	482

Particulars of the principal associates are set out in Appendix 2 on pages 136 and 137.

18. INTERESTS IN JOINT VENTURES

HK$ million	2013	2012
Investment costs	22,898	21,806
Share of post-acquisition reserves	7,810	4,251
	30,708	26,057
Impairment losses	(31)	(245)
	30,677	25,812
Amounts due by joint ventures (note 37)	15,567	13,866
	46,244	39,678

Included in the amounts due by joint ventures are subordinated loans of HK$6,666 million (2012: HK$5,735 million). The rights in respect of these loans are subordinated to the rights of any other lenders to the joint ventures.

The Directors reviewed certain joint ventures' operations and financial positions as at 31st December, 2013 based on value in use calculation.

18. INTERESTS IN JOINT VENTURES (CONT'D)

Summarised financial information of UK Power Networks Holdings Limited ("UK Power Networks") and Northumbrian Water Group Limited ("Northumbrian Water"), the material joint ventures, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below.

(a) Financial information of the material joint ventures as at 31st December

	UK Power Networks		Northumbrian Water	
HK$ million	**2013**	2012	**2013**	2012
Current assets	**5,528**	7,088	**3,360**	3,611
Non-current assets	**122,172**	112,988	**80,450**	78,595
Current liabilities	**(9,718)**	(11,126)	**(3,254)**	(2,914)
Non-current liabilities	**(79,117)**	(76,553)	**(63,844)**	(64,425)
Equity	**38,865**	32,397	**16,712**	14,867
Reconciled to the Group's interests in the joint ventures				
Group's effective interest	**40%**	40%	**40%**	40%
Group's share of net assets of the joint ventures	**15,546**	12,959	**6,685**	5,947
Consolidation adjustments at Group level and non-controlling interests	**149**	96	**57**	58
Carrying amount of the joint ventures in the consolidated financial statements	**15,695**	13,055	**6,742**	6,005
Included in the above assets and liabilities:				
Cash and cash equivalents	**1,939**	3,074	**1,181**	1,434
Current financial liabilities (excluding trade and other payables and provisions)	**–**	(2,113)	**(381)**	–
Non-current financial liabilities (excluding trade and other payables and provisions)	**(61,593)**	(57,342)	**(50,741)**	(50,341)

18. INTERESTS IN JOINT VENTURES (CONT'D)

(b) Financial information of the material joint ventures for the year ended 31st December

HK$ million	UK Power Networks 2013	UK Power Networks 2012	Northumbrian Water 2013	Northumbrian Water 2012
Turnover	**21,327**	20,818	**10,047**	9,945
Profit for the year	**9,823**	7,886	**2,197**	1,484
Other comprehensive income	**(944)**	(342)	**566**	(268)
Total comprehensive income	**8,879**	7,544	**2,763**	1,216
Dividend received from the joint ventures	**1,114**	678	**426**	247
Included in the above profit:				
Depreciation and amortisation	**(1,942)**	(1,832)	**(1,403)**	(1,616)
Interest income	**406**	472	**3**	542
Interest expense	**(3,147)**	(3,695)	**(3,071)**	(3,614)
Income tax (expense)/credit	**(473)**	(673)	**910**	405

(c) Aggregate information of joint ventures that are not individually material

HK$ million	2013	2012
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**8,240**	6,752
Aggregate amounts of the Group's share of those joint ventures'		
Profit for the year	**1,875**	999
Other comprehensive income	**43**	3
Total comprehensive income	**1,918**	1,002

Particulars of the principal joint ventures are set out in Appendix 3 on page 138.

19. INVESTMENTS IN SECURITIES

HK$ million	2013	2012
Financial assets at fair value through profit or loss*		
Notes, listed overseas	**1,341**	1,341
Equity securities, unlisted	**46**	174
Available-for-sale financial assets		
Stapled securities, listed overseas, at fair value	**1,266**	1,531
Equity securities, listed overseas, at fair value	**2,460**	2,329
Equity securities, unlisted, at cost	**578**	573
Debt securities, unlisted, at fair value	**217**	215
Equity securities, unlisted, at fair value	**32**	36
Total	**5,940**	6,199
Portion classified as:		
Non-current	**4,599**	6,199
Current	**1,341**	–
Total	**5,940**	6,199

* 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.

20. DERIVATIVE FINANCIAL INSTRUMENTS

HK$ million	2013 Assets	2013 Liabilities	2012 Assets	2012 Liabilities
Forward foreign exchange contracts	**80**	**(744)**	47	(436)
Interest rate swaps	**42**	**(163)**	–	(248)
	122	**(907)**	47	(684)
Portion classified as:				
Non-current	**42**	**(416)**	–	(486)
Current	**80**	**(491)**	47	(198)
	122	**(907)**	47	(684)

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, 2013 Notional amount	Maturity
Sell AUD 323.8 million*	2014
Sell CAD 184.2 million*	2014
Sell NZD 280.0 million*	2014
Sell GBP 1,521.8 million*	2014
Sell GBP 390.0 million*	2015
Sell GBP 100.0 million*	2017

As at 31st December, 2012 Notional amount	Maturity
Sell AUD 328.0 million*	2013
Sell CAD 184.2 million*	2013
Sell GBP 1,224.7 million*	2013
Sell GBP 297.1 million*	2014
Sell GBP 390.0 million*	2015
Sell GBP 100.0 million*	2017

* designated as hedging instrument in accordance with HKAS 39

20. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

Currency Derivatives (Cont'd)

The fair values of the above currency derivatives that are designated and effective as net investment hedges totalling HK$664 million (net liabilities to the Group) (2012: HK$389 million) have been deferred in equity at 31st December, 2013.

None of above currency derivatives is designated and effective as cash flow hedges at 31st December, 2013 and 31st December, 2012.

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, 2013 and the major terms of these contracts are as follows:

As at 31st December, 2013 HK$ million	Floating interest rate	Weighted average fixed interest rate	Notional principal amount
Contracts maturing in 2015	BBSW*	5.66%	3,502
Contracts maturing in 2018	EURIBOR*	2.00%	2,084
Contracts maturing in 2018	BKBM*	3.43%	954
Contracts maturing in 2022	LIBOR*	1.89%	7,614

As at 31st December, 2012 HK$ million	Floating interest rate	Weighted average fixed interest rate	Notional principal amount
Contracts maturing in 2015	BBSW*	5.66%	4,123
Contracts maturing in 2022	LIBOR*	1.89%	7,554

* BBSW – Australian Bank Bill Swap Reference Rate
EURIBOR – Euro Interbank Offered Rate
BKBM – New Zealand Bank Bill Reference Rate
LIBOR – London Interbank Offered Rate

The fair values of the above interest rate swaps that are designated and effective as cash flow hedges totalling HK$121 million (net liabilities to the Group) (2012: HK$248 million) have been deferred in equity at 31st December, 2013.

21. GOODWILL AND INTANGIBLE ASSETS

HK$ million	2013	2012
Goodwill	1,024	–
Intangible Assets	1,942	–
Total	**2,966**	–

Goodwill

HK$ million	2013	2012
Acquisition of a subsidiary	1,052	–
Exchange difference	(28)	–
At 31st December	**1,024**	–

The goodwill is recognised on acquisition of the entire interest in Enviro Waste Services Limited ("EnviroWaste"), a diversified, vertically integrated waste management business that has national coverage across New Zealand during the year (note 38).

For the purpose of impairment test, the recoverable amount of the cash-generating units is determined based on value in use calculations.

The Group prepared its cash flow projections of each cash-generating unit based on the latest approved budget and extrapolated cash flows for the subsequent 10 years. Cash flow projections for each cash-generating unit are based on the expected growth rate of 3 per cent. The Group considers that cash flow projections of 10 years are appropriate as they entered long-term contracts with customers.

The model uses a terminal value which is equal to eight times of earnings before interest, taxation, depreciation and amortisation and discount rate of 13.1 per cent to 14 per cent. The impairment test of its assets is then assessed using the value in use for each cash-generating unit. Based on impairment tests prepared, there is no impairment for goodwill as at 31st December, 2013. Assuming discount rate increased by 100 basis points, there is still adequate headroom and no impairment charge is required.

21. GOODWILL AND INTANGIBLE ASSETS (CONT'D)

Intangible Assets

HK$ million	Brand name and trademarks	Customer contracts	Resource consents	Computer software	Others	Total
Cost						
Acquisition of subsidiary during the year	132	62	1,799	3	8	2,004
Additions	–	4	6	1	–	11
Exchange translation differences	(3)	(2)	(48)	–	–	(53)
At 31st December, 2013	129	64	1,757	4	8	1,962
Accumulated amortisation						
Charge for the year	–	4	11	1	1	17
Exchange translation differences	–	1	1	1	–	3
At 31st December, 2013	–	5	12	2	1	20
Carrying value						
At 31st December, 2013	**129**	**59**	**1,745**	**2**	**7**	**1,942**
At 31st December, 2012	–	–	–	–	–	–

For brand name and trademarks of the Group that are regarded to have indefinite useful lives, there is no foreseeable limit to the period over which these assets are expected to generate cash flows for the Group.

For other intangible assets of the Group that are regarded to have finite useful lives, they are amortised on a straight-line basis according to their legal lives or expected contract lives.

22. INVENTORIES

HK$ million	2013	2012
Raw materials	**111**	88
Work-in-progress	**53**	17
Stores, spare parts and supplies	**25**	19
Finished goods	**26**	26
Total	**215**	150

23. DEBTORS AND PREPAYMENTS

HK$ million	2013	2012
Trade debtors	413	352
Prepayments, deposits and other receivables	749	662
Total	**1,162**	1,014

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

HK$ million	2013	2012
Current	269	196
Less than 1 month past due	120	122
1 to 3 months past due	37	35
More than 3 months but less than 12 months past due	6	18
More than 12 months past due	15	16
Amount past due	178	191
Allowance for doubtful debts	(34)	(35)
Total after allowance	**413**	352

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

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

HK$ million	2013	2012
At 1st January	35	36
Impairment loss recognised	1	6
Impairment loss written back	(3)	(7)
Exchange translation differences	1	–
At 31st December	**34**	35

23. DEBTORS AND PREPAYMENTS (CONT'D)

At 31st December, 2013, gross trade debtors' balances totalling HK$34 million (2012: HK$35 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$34 million (2012: HK$35 million) was recognised at 31st December, 2013. 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	**2013**	2012
Neither past due nor impaired	**262**	192
Less than 1 month past due	**118**	122
1 to 3 months past due	**30**	30
More than 3 months but less than 12 months past due	**1**	6
More than 12 months past due	**2**	2
Amount past due	**151**	160
Total	**413**	352

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.

24. BANK BALANCES AND DEPOSITS

Bank balances and deposits carry average effective interest rate at 1.17 per cent (2012: 2.44 per cent) per annum.

25. ASSETS CLASSIFIED AS HELD FOR SALE

Assets classified as held for sale, represented 49 per cent interest in AquaTower Pty Ltd (the "Disposal Unit"), is to be disposed of within twelve months subsequent to 31st December, 2013.

On 19th December, 2013, the Group together with CK Life Sciences Int'l., (Holdings) Inc., which owns 51 per cent interest in the Disposal Unit, entered into a sale and purchase agreement with independent third parties in relation to the Disposal Unit for a cash consideration of AUD9,402,055 (equivalent to approximately HK$65,062,000), of which an amount of AUD4,607,007 (equivalent to approximately HK$31,880,000) shall be paid to the Group, on the terms of the sale and purchase agreement.

26. BANK AND OTHER LOANS

HK$ million	2013	2012
Unsecured bank loans and bank overdraft repayable:		
Within 1 year	**3**	–
In the 2nd year	**1,788**	–
In the 3rd to 5th year, inclusive	**8,515**	9,051
	10,306	9,051
Obligations under finance leases repayable:		
Within 1 year	**39**	22
In the 2nd year	**32**	22
In the 3rd to 5th year, inclusive	**25**	15
After 5 years	**1**	–
	97	59
Unsecured notes, repayable after 5 years	**1,617**	1,975
Secured bank loans repayable:		
Within 1 year	**2**	2
In the 2nd year	**2**	2
In the 3rd to 5th year, inclusive	**990**	7
After 5 years	**15**	17
	1,009	28
Total	**13,029**	11,113
Portion classified as:		
Current liabilities	**44**	24
Non-current liabilities	**12,985**	11,089
Total	**13,029**	11,113

26. BANK AND OTHER LOANS (CONT'D)

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

	Bank loans		Finance leases		Notes		Total	
HK$ million	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
GBP	**3,836**	3,805	**6**	10	**–**	–	**3,842**	3,815
AUD	**3,508**	4,131	**–**	–	**–**	–	**3,508**	4,131
JPY	**904**	1,143	**–**	–	**1,357**	1,715	**2,261**	2,858
EUR	**2,084**	–	**–**	–	**–**	–	**2,084**	–
NZ$	**983**	–	**57**	–	**–**	–	**1,040**	–
HK$	**–**	–	**–**	–	**260**	260	**260**	260
RMB	**–**	–	**34**	49	**–**	–	**34**	49
Total	**11,315**	9,079	**97**	59	**1,617**	1,975	**13,029**	11,113

The average effective interest rates of the Group's bank loans and finance leases are 4.31 per cent (2012: 3.33 per cent) per annum and 8.19 per cent (2012: 5.70 per cent) per annum, respectively.

The Group's notes of HK$1,617 million (2012: HK$1,975 million) were arranged at fixed interest rate and exposed the Group to fair value interest rate risk. Other borrowings were arranged at floating rates, thus exposed the Group to cash flow interest rate risk.

Bank loans (except for the fixed rate notes) carried interest at floating rate, which was determined with reference to BBSW, LIBOR, EURIBOR, BKBM or British Bankers Association Interest Settlement Rate for Yen deposit plus an average margin less than 3 per cent.

Fixed rate notes, other loans and finance leases carried interest at 1.75 per cent to 12.44 per cent (2012: 1.75 per cent to 6.74 per cent) per annum.

The shares of a subsidiary with net asset value of HK$1,302 million (2012: nil) were pledged to secure bank borrowings totalling HK$983 million (2012: nil) granted to the Group.

26. BANK AND OTHER LOANS (CONT'D)

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

HK$ million	2013	2012
Minimum lease payments:		
Within 1 year	**45**	25
In the 2nd year	**35**	24
In the 3rd to 5th year, inclusive	**28**	15
After 5 years	**2**	–
	110	64
Less: Future finance charges	**(13)**	(5)
Present value of lease payments	**97**	59
Less: Amount due for settlement within 12 months	**(39)**	(22)
Amount due for settlement after 12 months	**58**	37

At 31st December, 2013, the remaining weighted average lease term was 3.7 years (2012: 2.7 years). All leases are denominated in GBP, RMB and NZD on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The Group's obligations under finance leases are secured by the lessors' charge over the leased assets (note 15).

27. CREDITORS AND ACCRUALS

HK$ million	2013	2012
Trade creditors	**333**	193
Other payables and accruals	**4,080**	2,779
Total	**4,413**	2,972

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

HK$ million	2013	2012
Current	**254**	157
1 month	**38**	24
2 to 3 months	**6**	2
Over 3 months	**35**	10
Total	**333**	193

28. DEFERRED TAX ASSETS/LIABILITIES

HK$ million	2013	2012
Deferred tax assets	**20**	22
Deferred tax liabilities	**(838)**	(282)
Total	**(818)**	(260)

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	Fair value arising from business combination	Others	Total
At 1st January, 2012	63	(14)	113	–	10	172
(Credit)/Charge to profit for the year	(1)	(46)	–	–	16	(31)
Charge to other comprehensive income for the year	–	–	82	–	–	82
Exchange translation differences	2	(1)	4	–	–	5
Others	–	39	–	–	(7)	32
At 31st December, 2012	64	(22)	199	–	19	260
(Credit)/Charge to profit for the year	(22)	(42)	–	(3)	6	(61)
Charge to other comprehensive income for the year	–	–	64	–	12	76
Acquisition of a subsidiary	70	–	–	509	(23)	556
Exchange translation differences	(2)	–	(30)	(13)	–	(45)
Others	(1)	44	–	–	(11)	32
At 31st December, 2013	**109**	**(20)**	**233**	**493**	**3**	**818**

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$1,475 million (2012: HK$1,388 million) at 31st December, 2013. 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.

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

An analysis of the expiry dates of the tax losses and tax credits is as follows:

HK$ million	2013	2012
Within 1 year	**18**	4
In the 2nd year	**–**	8
In the 3rd to 5th year, inclusive	**88**	31
No expiry date	**1,369**	1,345
Total	**1,475**	1,388

29. RETIREMENT PLANS

(a) Defined Contribution Retirement Plans

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

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

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

Contribution to the defined contribution plans in the New Zealand are made by either the employer only at 9 per cent of the employees' monthly basic salaries or by both the employer and employees each at 4 to 9 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$20 million (2012: HK$16 million). No forfeited contributions and earnings for the year under the defined contribution plans were used to reduce the existing level of contributions (2012: nil). At 31st December, 2013, there were no forfeited contributions and earnings available to the Group to reduce its contributions to the defined contribution plans in future years (2012: nil).

29. RETIREMENT PLANS (CONT'D)

(b) Defined Benefit Retirement Plan operating in Hong Kong

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

The plan exposes the Group to actuarial risks, such as interest rate risk, investment risk, longevity risk and salary risk.

Actuarial valuation of the defined benefit plan according to HKAS 19 "Employee Benefits" was carried out at 31st December, 2013, by Ms. Phoebe W. Y. Shair 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:

	2013	2012
Discount rate at 31st December	**1.20% per annum**	0.40% per annum
Expected rate of salary increase	**4.50% per annum**	4.00% per annum
Expected return on plan assets	**N/A**	6.00% per annum

The actuarial valuation showed that the market value of plan assets was HK$80 million (2012: HK$72 million) and that the actuarial value of these assets represented 95 per cent (2012: 85 per cent) of the benefits that had accrued to members.

The below analysis shows how the defined benefit obligation as at 31st December, 2013 would have increased/(decreased) as a result of 0.25 per cent change in the significant actuarial assumptions:

HK$ million	**Increase in 0.25%**	**Decrease in 0.25%**
Discount rate	(1)	1
Expected rate of salary increase	–	–

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

29. RETIREMENT PLANS (CONT'D)

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

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

HK$ million	2013	2012
Current service cost (net of employee contributions)	3	2
Interest cost	N/A	1
Expected return on plan assets	N/A	(4)
Net amount debited/(credited) to the consolidated income statement	**3**	(1)

The actual return on plan assets for the year ended 31st December, 2013 was a gain of HK$9 million (2012: HK$4 million).

The amount included in the consolidated statement of financial position at 31st December, 2013 arising from the Group's obligations in respect of its defined benefit plan in Hong Kong is as follows:

HK$ million	2013	2012
Present value of defined benefit obligations	85	85
Fair value of plan assets	(80)	(72)
Employee retirement benefit liabilities classified as other non-current liabilities included in the consolidated statement of financial position	**5**	13

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

HK$ million	2013	2012
At 1st January	85	76
Current service cost (net of employee contributions)	3	2
Interest cost	N/A	1
Actual benefits paid	(3)	–
Actual employee contributions	1	1
Actuarial loss on obligation	N/A	5
Actuarial loss on experience	1	N/A
Actuarial gain on financial assumptions	(2)	N/A
At 31st December	**85**	85

29. RETIREMENT PLANS (CONT'D)

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

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

HK$ million	2013	2012
At 1st January	72	66
Return on plan assets greater than discount rate	9	N/A
Expected return on plan assets	N/A	4
Actual company contributions	1	1
Actual employee contributions	1	1
Actual benefits paid	(3)	–
At 31st December	**80**	72

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

As at 31st December	2013	2012
Equity instruments	51%	52%
Debt instruments	49%	48%
Total	**100%**	100%

All the equity instruments and debt instruments have quoted prices in active markets.

The Group recognised net actuarial gain on defined benefit obligations amounting to HK$1 million (2012: loss of HK$5 million) and return on plan assets greater than discount rate amounting to HK$9 million for the year ended 31st December, 2013 directly through other comprehensive income. No return on plan assets greater than expected was recognised in 2012.

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

The Group expects to make a contribution of HK$1 million (2012: HK$1 million) to the defined benefit plan during the next financial year.

30. SHARE CAPITAL

	Number of Shares		Amount	
	2013	2012	**2013 HK$ million**	2012 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	**2,495,845,400**	2,338,709,945	**2,496**	2,339
Issue of new shares in connection with the issue of perpetual capital securities (note 31)	**–**	56,234,455	**–**	56
Issue of new shares via share placement exercises	**–**	100,901,000	**–**	101
At 31st December	**2,495,845,400**	2,495,845,400	**2,496**	2,496

31. PERPETUAL CAPITAL SECURITIES

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

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

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

32. CAPITAL MANAGEMENT

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

The capital structure of the Group consists of debts, which includes bank borrowings, notes and obligations under finance leases as detailed in note 26, bank balances and deposits, equity attributable to shareholders of the Company, comprising issued share capital and reserves, and perpetual capital securities as detailed in the consolidated statement of changes in equity.

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

The Group maintained a low net debt to net total capital ratio of 8 per cent (2012: 5 per cent) as at 31st December, 2013. The management targets to maintain a solid capital position to pursue more new investment opportunities. The Group's overall strategy remains unchanged from 2012.

The net debt to net total capital ratio at 31st December, 2013 and 2012 was as follows:

HK$ million	**2013**	2012
Total debts	**13,029**	11,113
Bank balances and deposits	**(5,958)**	(6,980)
Net debt	**7,071**	4,133
Net total capital	**87,669**	77,514
Net debt to net total capital ratio	**8%**	5%

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

33. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Cash from Operations

HK$ million	2013	2012
Profit before taxation	12,254	10,056
Share of results of associates	(4,741)	(4,290)
Share of results of joint ventures	(6,683)	(4,747)
Interest income from loans granted to associates	(484)	(522)
Interest income from loans granted to joint ventures	(1,295)	(1,282)
Interest income from banks	(73)	(152)
Interest income from investments in securities	(145)	(150)
Finance costs	765	732
Depreciation of property, plant and equipment	152	54
Amortisation of intangible assets	17	–
Change in fair values of investment properties	(30)	(32)
Gain on disposal of a joint venture	(111)	(2)
Dividend from investments in securities	(125)	(118)
Pension costs of defined benefit retirement plans	3	–
Unrealised exchange gain	(598)	(183)
Returns received from joint ventures	216	281
Distribution received from investment in securities	186	183
Interest received from associates	488	525
Interest received from joint ventures	1,439	1,336
Contributions to defined benefit retirement plans	(1)	(1)
Net cash received/(paid) at close of derivative financial instruments	250	(160)
Others	53	(67)
Operating cash flows before changes in working capital	1,537	1,461
(Increase)/Decrease in inventories	(60)	73
Increase in debtors and prepayments	(76)	(492)
Increase in creditors and accruals	1,331	825
Exchange translation differences	(3)	6
Cash from operations	**2,729**	1,873

34. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

HK$ million	Fees	Basic Salaries, Allowances and Other Benefits	Bonuses	Provident Fund Contributions	Inducement or Compensation Fees	**Total Emoluments 2013**	Total Emoluments 2012
Li Tzar Kuoi, Victor (1)	0.075	–	22.869	–	–	**22.944**	21.855
Kam Hing Lam (1)	0.075	4.200	9.778	–	–	**14.053**	13.587
Ip Tak Chuen, Edmond	0.075	1.800	9.574	–	–	**11.449**	10.907
Fok Kin Ning, Canning (1)	0.075	–	–	–	–	**0.075**	0.075
Andrew John Hunter (1)	0.075	9.577	9.694	0.958	–	**20.304**	18.157
Chan Loi Shun, Dominic (1 and 2)	0.075	4.614	2.489	0.460	–	**7.638**	6.653
Chow Woo Mo Fong, Susan (1)	0.075	–	–	–	–	**0.075**	0.075
Frank John Sixt (1)	0.075	–	–	–	–	**0.075**	0.075
Cheong Ying Chew, Henry (3)	0.180	–	–	–	–	**0.180**	0.180
Kwok Eva Lee (3)	0.155	–	–	–	–	**0.155**	0.155
Sng Sow-Mei (3)	0.155	–	–	–	–	**0.155**	0.155
Colin Stevens Russel (3)	0.180	–	–	–	–	**0.180**	0.180
Lan Hong Tsung, David (3)	0.155	–	–	–	–	**0.155**	0.155
Barrie Cook	0.075	–	–	–	–	**0.075**	0.075
Lee Pui Ling, Angelina	0.075	–	–	–	–	**0.075**	0.075
George Colin Magnus (1)	0.075	–	–	–	–	**0.075**	0.075
Tso Kai Sum (1)	0.075	–	–	–	–	**0.075**	0.075
Total for the year 2013	**1.725**	**20.191**	**54.404**	**1.418**	–	**77.738**	
Total for the year 2012	1.725	19.135	50.337	1.312	–		72.509

Notes:

(1) During the year, Mr. Li Tzar Kuoi, Victor, Mr. Kam Hing Lam, Mr. Andrew John Hunter, Mrs. Chow Woo Mo Fong, Susan, Mr. Frank John Sixt, Mr. Tso Kai Sum and Mr. George Colin Magnus each received directors' fees of HK$70,000 (2012: HK$70,000), Mr. Fok Kin Ning, Canning received director's fees of HK$120,000 (2012: HK$120,000), Mr. Chan Loi Shun, Dominic received director's fees of HK$70,000 (2012: HK$40,929) from Power Assets. Except for HK$70,000 (2012: nil) received by Mr. Tso Kai Sum and HK$70,000 (2012: HK$70,000) received by Mr. George Colin Magnus, the directors' fees totalling HK$540,000 (2012: HK$580,929) were then paid back to the Company.

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

Notes (Cont'd):

(2) During the current year, part of the directors' emoluments in the sum of HK$3,600,000 (2012: HK$1,000,000) received by Mr. Chan Loi Shun, Dominic from Power Assets were paid back to the Company.

(3) INED, ACM and RCM – During the year, Mr. Cheong Ying Chew, Henry, Mrs. Kwok Eva Lee, Mr. Lan Hong Tsung, David, Mr. Colin Stevens Russel and Mrs. Sng Sow-Mei have acted as INED and ACM of the Company. Mr. Cheong Ying Chew, Henry and Mr. Colin Stevens Russel have acted as RCM of the Company during the year. The total emoluments paid to these INED, ACM and RCM during the current year were HK$825,000 (2012: HK$825,000).

Of the 5 individuals with the highest emoluments in the Group, all (2012: all) are directors whose emoluments are disclosed above.

35. COMMITMENTS

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

	Contracted but not provided for		Authorised but not contracted for	
HK$ million	**2013**	2012	**2013**	2012
Investment in a joint venture	**–**	–	**206**	245
Plant and machinery	**225**	156	**277**	296
Total	**225**	156	**483**	541

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

HK$ million	**2013**	2012
Within 1 year	**40**	11
In the 2nd to 5th year, inclusive	**60**	8
Over 5 years	**9**	–
Total	**109**	19

36. CONTINGENT LIABILITIES

(a) The contingent liabilities of the Group are as follows:

HK$ million	2013	2012
Guarantees given in respect of a joint venture	**909**	979
Performance bond indemnities	**94**	–
Sub-contractor warranties	**9**	9
Total	**1,012**	988

(b) There is a claim by the ATO against the Company relating to the tax disputes concerning the South Australian distribution businesses, SA Power Networks and Victoria Power Networks Pty Ltd, which owns the CitiPower and Powercor businesses. The Company has sought legal advice since the dispute arose and has been of the view that the Company has a good case to resist the claim and will vigorously defend its position.

37. MATERIAL RELATED PARTY TRANSACTIONS

During the year, the Group advanced HK$27 million (2012: HK$3 million) to its unlisted associates. The Group received repayments totalling HK$1 million (2012: HK$94 million) from unlisted associates. The total outstanding loan balances as at 31st December, 2013 amounted to HK$4,216 million (2012: HK$4,960 million), of which HK$4,091 million (2012: HK$4,817 million) at fixed rates ranging from 10.85 per cent to 11.19 per cent (2012: from 10.85 per cent to 11.19 per cent) per annum and HK$125 million (2012: HK$115 million) was interest-free. As at 31st December, 2012, HK$28 million of the total outstanding loan balances bore interest with reference to Australian Bank Bill Swap Reference Rate. The average effective interest rate of the loan granted to associates is 10.98 per cent (2012: 11.01 per cent) per annum. As stated in note 6, interest income from loans granted to associates during the year amounted to HK$484 million (2012: HK$522 million). Except for a loan of HK$94 million (2012: HK$94 million) which was repayable within eight years (2012: nine years), the loans had no fixed terms of repayment.

During the year, the Group advanced HK$2,067 million (2012: HK$6 million) to its joint ventures and received loan repayments of HK$1,102 million (2012: HK$126 million) from its joint ventures. The total outstanding loan balances as at 31st December, 2013 amounted to HK$15,567 million (2012: HK$13,866 million), of which HK$1,462 million (2012: HK$1,452 million) bore interest with reference to London Interbank Offered Rate and Hong Kong dollar prime rate, and HK$13,744 million (2012: HK$11,874 million) at fixed rate ranging from 8 per cent to 11 per cent (2012: from 9.95 per cent to 12.25 per cent) per annum, and HK$361 million (2012: HK$540 million) was interest-free. As stated in note 6, interest income from loans granted to joint ventures during the year amounted to HK$1,295 million (2012: HK$1,282 million). The loans had no fixed terms of repayment.

Moreover, the Group's sales and purchases of infrastructure materials to/from a joint venture for the current year amounted to HK$289 million (2012: HK$312 million) and HK$24 million (2012: HK$20 million), respectively. The Group also received income and incurred operating costs from sales of waste management services from/to its joint ventures amounted to HK$40 million (2012: nil) and HK$11 million (2012: nil), respectively for the current year.

37. MATERIAL RELATED PARTY TRANSACTIONS (CONT'D)

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

The above related party transactions made during the year did not constitute connected transactions or continuing connected transactions.

38. BUSINESS COMBINATION

On 15th April, 2013, the Group completed an acquisition of the entire interest in Barra Topco II Limited ("Barra Topco") for a consideration of NZ$492 million (approximately HK$3,211 million). Barra Topco is the holding company of EnviroWaste, which is a diversified, vertically integrated waste management business that has national coverage across New Zealand. This acquisition reflects the Group's strategy of investing in infrastructure opportunities around the world, leveraging the Group's strong financial position and solid experience in infrastructure.

The acquisition-related costs were insignificant and were recognised as expenses in the current year within operating costs.

The fair value of identifiable assets and liabilities arising from the acquisition are as follows:

HK$ million	2013
Net assets acquired:	
Property, plant and equipment	661
Interests in joint ventures	134
Intangible assets	2,004
Bank balances and deposits	3
Debtors and prepayments	153
Inventories	5
Creditors and accruals	(148)
Bank and other loans	(68)
Deferred tax liabilities	(556)
Other non-current liabilities	(29)
	2,159
Goodwill arising from acquisition	1,052
Total consideration	3,211
Net cash outflow arising from acquisition:	
Cash consideration	3,211
Bank balances and deposits acquired	(3)
	3,208

38. BUSINESS COMBINATION (CONT'D)

The fair value of debtors and prepayments is HK$153 million and includes trade debtors with a fair value of HK$111 million. The gross contractual amount for trade debtors due is HK$113 million, of which HK$2 million is expected to be uncollectible.

The goodwill of HK$1,052 million arising from the acquisition is attributable to its anticipated profitability and the anticipated future operating synergies from the business combination. None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

The operation acquired during the year contributed HK$819 million to the Group's turnover and a contribution of HK$101 million to profit attributable to shareholders of the Company.

If the acquisition had been completed on 1st January, 2013, the Group's turnover and the profit attributable to shareholders of the Company for the year ended 31st December, 2013 would have been increased by HK$433 million and HK$39 million, respectively. The pro forma information is for illustration purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2013, nor is it intended to be a projection of future results.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

as at 31st December

HK$ million	**2013**	2012
Total assets	**51,125**	40,876
Total liabilities	**(10,415)**	(81)
Net assets	**40,710**	40,795
Representing:		
Share capital	**2,496**	2,496
Reserves	**38,214**	38,299
Total equity	**40,710**	40,795

Of the Group's profit attributable to shareholders of the Company for the current year, HK$4,308 million (2012: HK$3,765 million) has been dealt with in the financial statements of the Company.

Total distributable reserves of the Company amounted to HK$24,314 million as at 31st December, 2013 (2012: HK$24,399 million).

40. EVENT AFTER THE REPORTING PERIOD

On 27th September, 2013, the Group's associate, Power Assets, announced the proposed spin-off and separate listing of the Hong Kong electricity business (the "Spin-off") which is operated by The Hongkong Electric Company, Limited ("HK Electric"), by way of the listing the share stapled units to be jointly issued by HK Electric Investments and HK Electric Investments Limited (the "HKEI Group") on the Main Board of Hong Kong Stock Exchange. HK Electric is engaged in the generation, transmission, distribution and supply of electricity in Hong Kong and is regulated by a Scheme of Control entered into with The Government of HKSAR.

The Spin-off was approved by the shareholders of Power Assets at an extraordinary general meeting held on 6th January, 2014. The Spin-off was completed and the HKEI Group was listed on the Hong Kong Stock Exchange on 29th January, 2014. The Group estimated that a gain of approximately HK$19 billion would be shared as a result of the completion of the Spin-off.

41. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements set out on pages 74 to 138 were approved by the Board of Directors on 25th February, 2014.

PRINCIPAL SUBSIDIARIES

APPENDIX 1

The table below shows the subsidiaries as at 31st December, 2013 which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of all the subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Name	Issued share capital Number	Par value per share	Proportion of nominal value of issued capital held by the Group (per cent)	Principal activities
Incorporated and operating in Hong Kong				
Anderson Asia (Holdings) Limited	2 ordinary	HK$0.5	100	Investment holding
	65,780,000 non-voting deferred	HK$0.5	–	
Anderson Asphalt Limited	300,000 ordinary	HK$100	100	Production and laying of asphalt and investment holding
China Cement Company (International) Limited	1,000,000 ordinary	HK$1	70	Investment holding
Green Island Cement Company, Limited	76,032,000 ordinary	HK$2	100	Manufacturing, sale and distribution of cement and property investment
Green Island Cement (Holdings) Limited	101,549,457 ordinary	HK$2	100	Investment holding
Incorporated in British Virgin Islands and operating in Hong Kong				
Cheung Kong Infrastructure Finance (BVI) Limited	1 ordinary	US$1	100	Financing
Capellini Limited	1 ordinary	US$1	100	Financing
Daredon Assets Limited	1 ordinary	US$1	100	Treasury
Green Island International (BVI) Limited	1 ordinary	US$1	100	Investment holding
Export Success International Limited	1 ordinary	US$1	100	Financing
Treriso Limited	1 ordinary	US$1	100	Financing
Incorporated and operating in Australia				
Cheung Kong Infrastructure Finance (Australia) Pty Ltd	61,467,529 ordinary	A$1	100	Financing
Incorporated and operating in New Zealand				
Enviro Waste Services Limited	46,933,787 ordinary	NZ$1	100	Waste management services

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, 2013 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 Australia				
SA Power Networks Partnership (note 2)	N/A	N/A	23	Electricity distribution
CKI/HEI Electricity Distribution Pty Limited (note 3)	810,000,000 ordinary	A$1	23	Electricity distribution
CKI/HEI Electricity Distribution Two Pty Limited (note 4)	180,000,000 ordinary	A$1	23	Electricity distribution
	37,188,254,600 ordinary	A$0.01		

APPENDIX 2 (CONT'D)

Notes:

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

2. SA Power Networks Partnership, an unincorporated body, is formed by the following companies:

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

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

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

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

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

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

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

   CitiPower 1 Pty Ltd
   CitiPower Pty
   The CitiPower Trust

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

PRINCIPAL JOINT VENTURES

APPENDIX 3

The table below shows the joint ventures as at 31st December, 2013 which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of all the joint ventures 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 the United Kingdom				
UK Power Networks Holdings Limited	6,000,000 A ordinary	£1	40	Electricity distribution
	4,000,000 B ordinary	£1		
	360,000,000 A preference	£1		
	240,000,000 B preference	£1		
Northumbrian Water Group Limited	194 A ordinary	£0.10	40	Water supply, sewerage and wastewater businesses
	1,420 B ordinary	£0.10		
Northern Gas Networks Holdings Limited	71,670,979 ordinary	£1	47	Gas distribution
	1 special	£1		
Wales & West Gas Networks (Holdings) Limited	290,272,506 ordinary	£1	30	Gas distribution
Electricity First Limited	4 ordinary	£1	50	Electricity generation
Incorporated and operating in Canada				
Canadian Power Holdings Inc. (formerly known as Stanley Power Inc.)	139,000,000 ordinary	C$1	50	Electricity generation
	23,000,000 preference	C$1		
Incorporated and operating in New Zealand				
Wellington Electricity Distribution Network Limited	172,000,100 ordinary	NZ$1	50	Electricity distribution
Incorporated and operating in the Netherlands				
AVR-Afvalverwerking B.V.	1 ordinary	€1	35	Producing energy from waste

SCHEDULE OF MAJOR PROPERTIES

APPENDIX 4

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

I: Industrial   C: Commercial