CONSOLIDATED INCOME STATEMENT

for the year ended 31st December

HK$ million	Notes	2015	2014
Turnover	6	**28,537**	28,197
Sales and interest income from infrastructure investments	6	**5,557**	5,971
Other income	7	**537**	447
Operating costs	8	**(2,865)**	(4,395)
Finance costs	9	**(726)**	(906)
Exchange (loss)/gain		**(326)**	207
Gain on disposal of a subsidiary	38	**–**	2,236
Share of results of associates		**3,275**	23,156
Share of results of joint ventures		**6,198**	5,630
Profit before taxation	10	**11,650**	32,346
Taxation	11(a)	**8**	(26)
Profit for the year	12	**11,658**	32,320
Attributable to:			
Shareholders of the Company		**11,162**	31,782
Owners of perpetual capital securities		**517**	543
Non-controlling interests		**(21)**	(5)
		11,658	32,320
Earnings per share	13	**HK$4.44**	HK$13.03

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31st December

HK$ million	2015	2014
Profit for the year	**11,658**	32,320
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
(Loss)/Gain from fair value changes of available-for-sale financial assets	**(61)**	688
Gain from fair value changes of derivatives designated as effective cash flow hedges	**48**	32
Gain from fair value changes of derivatives designated as effective net investment hedges	**1,830**	1,698
Exchange differences on translation of financial statements of foreign operations	**(3,546)**	(2,980)
Share of other comprehensive expense of associates	**(484)**	(671)
Share of other comprehensive income/(expense) of joint ventures	**54**	(506)
Reserves released upon disposal of a subsidiary	**–**	(1,929)
Reserves released upon disposal of securities	**73**	–
Income tax relating to components of other comprehensive income	**(116)**	18
	(2,202)	(3,650)
Items that will not be reclassified to profit or loss:		
Actuarial loss of defined benefit retirement plan	**(3)**	–
Share of other comprehensive income/(expense) of associates	**257**	(81)
Share of other comprehensive income of joint ventures	**444**	73
Income tax relating to components of other comprehensive income	**(196)**	21
	502	13
Other comprehensive expense for the year	**(1,700)**	(3,637)
Total comprehensive income for the year	**9,958**	28,683
Attributable to:		
Shareholders of the Company	**9,463**	28,147
Owners of perpetual capital securities	**517**	543
Non-controlling interests	**(22)**	(7)
	9,958	28,683

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31st December

HK$ million	Notes	2015	2014
Property, plant and equipment	15	**2,379**	2,452
Investment properties	16	**334**	305
Interests in associates	17	**54,004**	54,135
Interests in joint ventures	18	**60,988**	52,999
Investments in securities	19	**1,985**	3,889
Derivative financial instruments	20	**571**	86
Goodwill and intangible assets	21	**2,525**	2,877
Deferred tax assets	27	**21**	15
Other non-current assets		**17**	–
Total non-current assets		**122,824**	116,758
Inventories	22	**165**	175
Derivative financial instruments	20	**423**	825
Debtors and prepayments	23	**793**	1,204
Bank balances and deposits	24	**7,897**	7,108
Total current assets		**9,278**	9,312
Bank and other loans	25	**15**	1,690
Derivative financial instruments	20	**121**	24
Creditors and accruals	26	**3,432**	4,749
Taxation		**113**	108
Total current liabilities		**3,681**	6,571
Net current assets		**5,597**	2,741
Total assets less current liabilities		**128,421**	119,499
Bank and other loans	25	**17,162**	16,947
Derivative financial instruments	20	**175**	214
Deferred tax liabilities	27	**488**	552
Other non-current liabilities		**37**	40
Total non-current liabilities		**17,862**	17,753
Net assets		**110,559**	101,746
Representing:			
Share capital	29	**2,520**	2,440
Reserves		**100,051**	91,296
Equity attributable to shareholders of the Company		**102,571**	93,736
Perpetual capital securities	30	**7,933**	7,933
Non-controlling interests		**55**	77
Total equity		**110,559**	101,746

LI TZAR KUOI, VICTOR
Director

IP TAK CHUEN, EDMOND
Director

16th March, 2016

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, 2014	2,496	13,900	(2,291)	6,062	68	1,902	(945)	906	48,087	70,185	10,329	84	80,598
Profit for the year	–	–	–	–	–	–	–	–	31,782	31,782	543	(5)	32,320
Gain from fair value changes of available-for-sale financial assets	–	–	–	–	–	688	–	–	–	688	–	–	688
Gain from fair value changes of derivatives designated as effective cash flow hedges	–	–	–	–	–	–	32	–	–	32	–	–	32
Gain from fair value changes of derivatives designated as effective net investment hedges	–	–	–	–	–	–	–	1,698	–	1,698	–	–	1,698
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	–	(2,978)	–	(2,978)	–	(2)	(2,980)
Share of other comprehensive expense of associates	–	–	–	–	–	–	(48)	(623)	(81)	(752)	–	–	(752)
Share of other comprehensive (expense)/income of joint ventures	–	–	–	–	–	–	(506)	–	73	(433)	–	–	(433)
Reserves released upon disposal of a subsidiary (note 38)	–	–	–	–	–	(1,807)	–	(122)	–	(1,929)	–	–	(1,929)
Income tax relating to components of other comprehensive income	–	–	–	–	–	(61)	79	–	21	39	–	–	39
Total comprehensive (expense)/ income for the year	–	–	–	–	–	(1,180)	(443)	(2,025)	31,795	28,147	543	(7)	28,683
Final dividend for the year 2013 paid	–	–	–	–	–	–	–	–	(3,318)	(3,318)	–	–	(3,318)
Interim dividend paid	–	–	–	–	–	–	–	–	(1,281)	(1,281)	–	–	(1,281)
Interest paid on perpetual capital securities	–	–	–	–	–	–	–	–	–	–	(599)	–	(599)
Redemption of perpetual capital securities (note 30)	(56)	(2,235)	2,291	–	–	–	–	–	3	3	(2,340)	–	(2,337)
At 31st December, 2014	2,440	11,665	–	6,062	68	722	(1,388)	(1,119)	75,286	93,736	7,933	77	101,746
Profit for the year	–	–	–	–	–	–	–	–	11,162	11,162	517	(21)	11,658
Loss from fair value changes of available-for-sale financial assets	–	–	–	–	–	(61)	–	–	–	(61)	–	–	(61)
Gain from fair value changes of derivatives designated as effective cash flow hedges	–	–	–	–	–	–	48	–	–	48	–	–	48
Gain from fair value changes of derivatives designated as effective net investment hedges	–	–	–	–	–	–	–	1,830	–	1,830	–	–	1,830
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	–	(3,545)	–	(3,545)	–	(1)	(3,546)
Share of other comprehensive income/(expense) of associates	–	–	–	–	–	–	280	(764)	257	(227)	–	–	(227)
Share of other comprehensive income of joint ventures	–	–	–	–	–	–	54	–	444	498	–	–	498
Reserves released upon disposal of securities	–	–	–	–	–	73	–	–	–	73	–	–	73
Actuarial loss of defined benefit plan	–	–	–	–	–	–	–	–	(3)	(3)	–	–	(3)
Income tax relating to components of other comprehensive income	–	–	–	–	–	–	(116)	–	(196)	(312)	–	–	(312)
Total comprehensive income/ (expense) for the year	–	–	–	–	–	12	266	(2,479)	11,664	9,463	517	(22)	9,958
Final dividend for the year 2014 paid	–	–	–	–	–	–	–	–	(3,716)	(3,716)	–	–	(3,716)
Interim dividend paid	–	–	–	–	–	–	–	–	(1,512)	(1,512)	–	–	(1,512)
Interest paid on perpetual capital securities	–	–	–	–	–	–	–	–	–	–	(517)	–	(517)
Issue of new ordinary shares	80	4,520	–	–	–	–	–	–	–	4,600	–	–	4,600
At 31st December, 2015	**2,520**	**16,185**	**–**	**6,062**	**68**	**734**	**(1,122)**	**(3,598)**	**81,722**	**102,571**	**7,933**	**55**	**110,559**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31st December

HK$ million	Notes	2015	2014
OPERATING ACTIVITIES			
Cash from operations	32	4,076	2,912
Income taxes recovered/(paid)		3	(26)
Net cash from operating activities		4,079	2,886
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(294)	(292)
Disposals of property, plant and equipment		12	1
Additions to intangible assets		(27)	(14)
Disposal of interest in an associate		–	29
Advances to associates		(20)	(5)
Investments in joint ventures		(7,758)	(4,705)
Disposal of interest in a joint venture		49	–
Return of capital from a joint venture		–	5
Advances to joint ventures		(21)	(11)
Repayment from a joint venture		84	–
Acquisition of businesses	37	–	(147)
Disposals of securities		1,583	–
Purchases of securities		–	(1,641)
Redemption of securities		–	1,341
Loan note repayment from stapled securities		30	33
Dividends received from associates		2,382	2,342
Dividends received from joint ventures		2,645	2,450
Interest received		90	116
Net cash utilised in investing activities		(1,245)	(498)
Net cash before financing activities		2,834	2,388
FINANCING ACTIVITIES			
New bank and other loans		1,595	7,308
Repayments of bank and other loans		(1,607)	(113)
Finance costs paid		(880)	(900)
Dividends paid		(5,228)	(4,599)
Interest paid on perpetual capital securities		(517)	(599)
Issue of new ordinary shares		4,600	–
Redemption of perpetual capital securities		–	(2,340)
Net cash utilised in financing activities		(2,037)	(1,243)
Net increase in cash and cash equivalents		797	1,145
Cash and cash equivalents at 1st January		7,100	5,955
Cash and cash equivalents at 31st December		7,897	7,100
Analysis of balances of cash and cash equivalents:			
Bank balances and deposits	24	7,897	7,108
Bank overdrafts		–	(8)
		7,897	7,100

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 Company's former ultimate holding company was Hutchison Whampoa Limited, a company incorporated in Hong Kong with limited liability, the shares of which were listed on Hong Kong Stock Exchange. With the completion of reorganisation and combination of the businesses of the Cheung Kong (Holdings) Group and the Hutchison Whampoa Group on 3rd June, 2015, the Directors consider that the Company's ultimate holding company is CK Hutchison Holdings Limited, a company incorporated in the Cayman Islands 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, Portugal, 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, 2015. The adoption of those HKFRSs has no material impact on the Group's results and financial position for the current or prior years and does not result in any significant change in accounting policies of the Group.

The Group has not early adopted the following new and revised HKFRSs issued by HKICPA that have been issued but are not yet effective. Except for the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" 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 9	Financial Instruments
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 15	Revenue from Contracts with Customers
HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements
HKFRSs (Amendments)	Annual improvements to HKFRSs 2012-2014 Cycle

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 & trademarks	Indefinite useful lives
Customer contracts	Over the expected contract lives
Resource consents (excluding landfills)	4% or over the expected contract lives
Computer software	33% or over the expected license period
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 lives that are acquired through business combination are carried at cost less accumulated impairment losses.

The useful life of the resource consents for the landfills is dependent on the total capacity of the landfills, the level of tonnage of waste, the compacting rate and other variable. As such the landfills useful life is reassessed annually and the amortisation rate of the landfills resource consents is adjusted accordingly.

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.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(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.

(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.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

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

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	2% to 3% or over the unexpired lease terms of the land, whichever is the higher
Mains, pipes, other plant and machinery	3% to 26% or over the expected contract lives
Furniture, fixtures and others	3% to 33% or over the expected useful lives

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.

(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.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(j) 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.

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.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(j) Financial Instruments (Cont'd)

Derivative financial instruments and hedge accounting (Cont'd)

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.

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.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(j) Financial Instruments (Cont'd)

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.

(k) 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.

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

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.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(l) Foreign Currencies

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

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.

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.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(m) 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.

(n) Operating Leases

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

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(o) Finance Leases

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

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

Assets held under finance leases are recognised as assets at their fair values or, if lower, at the present value of the minimum lease payment at the dates of inception. The corresponding liabilities to the lessor are shown within bank and other loans in the 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.

(p) Employee Retirement Benefits

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

The costs of defined contribution plans are charged to the consolidated income statement as 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. 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)

(q) 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 25 per cent of the Group's borrowings (2014: 23 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.

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

(a) Currency Risk (Cont'd)

The Group is also exposed to currency risk arising from bank deposits denominated in foreign currencies, which accounted for 71 per cent of the Group's bank balances and deposits at the end of the reporting period (2014: 80 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.

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:

	2015		2014	
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	119	(176)	47	(203)
Pounds sterling	277	(2,597)	230	(2,383)
Japanese yen	(193)	–	(200)	–
Canadian dollars	36	(103)	36	(122)
New Zealand dollars	43	(146)	33	(167)
Euros	5	(114)	20	(8)

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 2014.

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 25, respectively.

Sensitivity analysis

At 31st December, 2015, 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$25 million (2014: HK$610 million). Other comprehensive income would increase by HK$21 million (2014: HK$96 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 2014.

(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.

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

(c) Credit Risk (Cont'd)

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

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. Except for the guarantees given by the Group as set out in note 35, 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 35.

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, New Zealand dollars and Euros. The management aims to maintain a balance between continuity of adequate funding and the flexibility through the use of bank and other borrowings. The Group's liquidity and financing requirements are reviewed regularly to mitigate the effects of fluctuations in cash flows. The management will consider new financing while maintaining appropriate gearing for new investments and refinancing of existing debts.

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

(d) Liquidity Risk (Cont'd)

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

HK$ million	2015 Carrying amount	2015 Total contractual undiscounted cash outflows	2015 Within 1 year or on demand	2015 More than 1 year but less than 2 years	2015 More than 2 years but less than 5 years	2015 More than 5 years	2014 Carrying amount	2014 Total contractual undiscounted cash outflows	2014 Within 1 year or on demand	2014 More than 1 year but less than 2 years	2014 More than 2 years but less than 5 years	2014 More than 5 years
Unsecured bank loans	12,410	12,990	290	9,472	3,228	–	13,674	14,536	2,006	315	12,215	–
Secured bank loans	1,008	1,183	51	51	1,081	–	1,124	1,342	109	67	1,148	18
Obligations under finance leases	22	26	17	5	4	–	60	68	39	18	10	1
Unsecured notes	3,737	4,204	68	2,392	305	1,439	3,779	4,309	61	61	2,670	1,517
Trade creditors	190	190	190	–	–	–	282	282	282	–	–	–
Amount due to a joint venture	1	1	1	–	–	–	1	1	1	–	–	–
Other payables and accruals	561	561	539	1	–	21	557	557	531	2	–	24
	17,929	19,155	1,156	11,921	4,618	1,460	19,477	21,095	3,029	463	16,043	1,560
Derivatives settled gross:												
Forward foreign exchange contracts held as net investment hedging instruments:												
– outflow		32,499	17,436	1,154	10,519	3,390		29,336	22,786	–	2,426	4,124
– inflow		(33,730)	(17,772)	(1,254)	(11,101)	(3,603)		(30,371)	(23,596)	–	(2,502)	(4,273)
		(1,231)	(336)	(100)	(582)	(213)		(1,035)	(810)	–	(76)	(149)

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 sector.

Sensitivity analysis

At 31st December, 2015, 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$2 million (2014: HK$2 million). Other comprehensive income would decrease by HK$71 million (2014: HK$165 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 2014.

(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	2015	2014	2015	2014	2015	2014	2015	2014
Investment properties (note 16)	–	–	334	305	–	–	334	305
Financial assets at fair value through profit or loss (note 19)								
Equity securities, unlisted	–	–	46	46	–	–	46	46
Available-for-sale financial assets (note 19)								
Stapled securities, listed overseas	1,217	1,526	–	–	–	–	1,217	1,526
Stapled securities, listed in Hong Kong	–	1,526	–	–	–	–	–	1,526
Debt securities, unlisted	–	–	197	207	–	–	197	207
Equity securities, unlisted	–	–	–	32	–	–	–	32
Derivative financial instruments (note 20)								
Forward foreign exchange contracts	–	–	968	897	–	–	968	897
Interest rate swaps	–	–	26	14	–	–	26	14
Total	1,217	3,052	1,571	1,501	–	–	2,788	4,553

Liabilities measured at fair value

	Level 1		Level 2		Level 3		Total	
HK$ million	2015	2014	2015	2014	2015	2014	2015	2014
Derivative financial instruments (note 20)								
Forward foreign exchange contracts	–	–	140	1	–	–	140	1
Interest rate swaps	–	–	156	237	–	–	156	237
Total	–	–	296	238	–	–	296	238

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 (2014: 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, 2015 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	765	–	765	(218)	–	547
Financial liability						
Derivative financial instruments	(218)	–	(218)	218	–	–

As at 31st December, 2014 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	620	–	620	(135)	–	485
Financial liability						
Derivative financial instruments	(135)	–	(135)	135	–	–

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, 2015 is HK$905 million (2014: HK$1,030 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 estimate. 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, 2015 is HK$1,620 million (2014: HK$1,847 million).

6. TURNOVER

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

Turnover comprises both sales and interest income from infrastructure investments and share of turnover of joint ventures as follows:

HK$ million	2015	2014
Sales of infrastructure materials	**2,161**	2,642
Interest income from loans granted to associates	**378**	452
Interest income from loans granted to joint ventures	**1,714**	1,473
Sales of waste management services	**1,225**	1,298
Interest income from investments in securities	**46**	56
Sales of water supply	**33**	50
Sales and interest income from infrastructure investments	**5,557**	5,971
Share of turnover of joint ventures	**22,980**	22,226
Turnover	**28,537**	28,197

7. OTHER INCOME

Other income includes the following:

HK$ million	2015	2014
Bank and other interest income	89	78
Gain on disposal of an associate	–	12
Gain on disposal of a joint venture	34	–
Change in fair values of investment properties	29	37

8. OPERATING COSTS

Operating costs include the following:

HK$ million	2015	2014
Staff costs including directors' emoluments	774	777
Depreciation of property, plant and equipment	215	232
Amortisation of intangible assets	28	30
Cost of inventories sold	1,916	2,309
Cost of services provided	674	714
Loss on disposal of investments in securities	91	–

9. FINANCE COSTS

HK$ million	2015	2014
Interest and other finance costs on		
Bank borrowings wholly repayable within 5 years	444	541
Notes wholly repayable within 5 years	27	22
Notes repayable after 5 years	35	38
Others	220	305
Total	726	906

10. PROFIT BEFORE TAXATION

HK$ million	2015	2014
Profit before taxation is arrived at after (crediting)/charging:		
Contract revenue	**(78)**	(193)
Operating lease rental for land and buildings	**42**	39
Directors' emoluments (note 33)	**89**	82
Auditor's remuneration	**7**	7

11. TAXATION

(a) Taxation is provided for at the applicable tax rates 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	2015	2014
Current taxation – Hong Kong	**(1)**	3
Current taxation – outside Hong Kong	**39**	44
Deferred taxation (note 27)	**(46)**	(21)
Total	**(8)**	26

(b) As at 31st December, 2014, a subsidiary of the Company paid AUD64 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.

In June 2015, the Company and other relevant parties entered into an agreement with the ATO to resolve the above tax disputes. Under the settlement, the ATO will cease to pursue the legal proceedings against the Company in respect of unpaid tax, penalties and interests, and no penalties will be levied against the Company or its subsidiaries. A sum of approximately AUD24 million will be refunded from the ATO and approximately AUD60 million was charged to the consolidated income statement during the year.

11. TAXATION (CONT'D)

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

HK$ million	2015	2014
Profit before taxation	11,650	32,346
Less: share of results of associates	(3,275)	(23,156)
share of results of joint ventures	(6,198)	(5,630)
	2,177	3,560
Tax at 16.5% (2014: 16.5%)	359	587
Tax impact on:		
Different domestic rates of subsidiaries operating in other tax jurisdictions	(386)	(533)
Income not subject to tax	(124)	(151)
Expenses not deductible for tax purpose	134	93
Tax losses and other temporary differences not recognised	3	7
Others	6	23
Tax (credit)/charge	(8)	26

12. PROFIT FOR THE YEAR AND SEGMENT INFORMATION

for the year ended 31st December

	Investment in Power Assets*		Infrastructure Investments: United Kingdom		Infrastructure Investments: Australia		Infrastructure Investments: Mainland China		Infrastructure Investments: New Zealand		Infrastructure Investments: Canada, Netherlands and Portugal		Infrastructure Investments: Sub-total		Infrastructure related business		Unallocated items		Consolidated	
HK$ million	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Turnover	–	–	19,214	18,996	1,993	1,053	545	635	1,823	2,029	1,469	1,635	25,044	24,348	3,493	3,849	–	–	28,537	28,197
Sales and interest income from infrastructure investments #	–	–	1,556	1,318	424	508	–	–	1,279	1,362	137	141	3,396	3,329	2,161	2,642	–	–	5,557	5,971
Bank and other interest income	–	–	–	–	–	–	1	2	–	–	–	–	1	2	33	47	55	29	89	78
Gain on disposal of a subsidiary	–	–	–	–	–	2,236	–	–	–	–	–	–	–	2,236	–	–	–	–	–	2,236
Gain on disposal of an associate	–	–	–	–	–	12	–	–	–	–	–	–	–	12	–	–	–	–	–	12
Gain on disposal of a joint venture	–	–	–	–	–	–	34	–	–	–	–	–	34	–	–	–	–	–	34	–
Other income	–	–	28	4	–	129	163	108	1	1	–	–	192	242	68	62	109	53	369	357
Change in fair value of derivative financial instruments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	45	(134)	45	(134)
Depreciation and amortisation	–	–	(5)	(5)	–	–	–	–	(142)	(159)	–	–	(147)	(164)	(95)	(97)	(1)	(1)	(243)	(262)
Other operating expenses	–	–	(41)	(48)	–	–	(46)	(67)	(897)	(929)	–	–	(984)	(1,044)	(2,002)	(2,454)	364	(501)	(2,622)	(3,999)
Finance costs	–	–	(1)	(2)	–	–	–	–	(68)	(84)	–	–	(69)	(86)	–	(1)	(657)	(819)	(726)	(906)
Exchange gain/(loss)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2	2	(328)	205	(326)	207
Share of results of associates and joint ventures	3,005	22,695	5,172	4,918	720	583	205	267	4	14	163	145	6,264	5,927	204	164	–	–	9,473	28,786
Profit/(Loss) before taxation	3,005	22,695	6,709	6,185	1,144	3,468	357	310	177	205	300	286	8,687	10,454	371	365	(413)	(1,168)	11,650	32,346
Taxation	–	–	56	31	–	–	(11)	(23)	(8)	(13)	(1)	(1)	36	(6)	(2)	(20)	(26)	–	8	(26)
Profit/(Loss) for the year	3,005	22,695	6,765	6,216	1,144	3,468	346	287	169	192	299	285	8,723	10,448	369	345	(439)	(1,168)	11,658	32,320
Attributable to:																				
Shareholders of the Company	3,005	22,695	6,765	6,216	1,144	3,468	346	287	169	192	299	285	8,723	10,448	390	350	(956)	(1,711)	11,162	31,782
Owners of perpetual capital securities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	517	543	517	543
Non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(21)	(5)	–	–	(21)	(5)
	3,005	22,695	6,765	6,216	1,144	3,468	346	287	169	192	299	285	8,723	10,448	369	345	(439)	(1,168)	11,658	32,320

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

for the year ended 31st December

	Investment in Power Assets*		Infrastructure Investments												Infrastructure related business		Unallocated items		Consolidated	
			United Kingdom		Australia		Mainland China		New Zealand		Canada, Netherlands and Portugal		Sub-total							
HK$ million	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Other information																				
Expenditure for segment non-current assets:																				
– Additions to property, plant and equipment	–	–	–	–	–	–	–	–	198	195	–	–	198	195	95	96	1	1	294	292
– Additions to intangible assets	–	–	–	–	–	–	–	–	27	14	–	–	27	14	–	–	–	–	27	14
– Investments in joint ventures	–	–	6,366	–	17	4,705	–	–	–	–	1,375	–	7,758	4,705	–	–	–	–	7,758	4,705
– Acquisition of businesses (note 37)	–	–	–	–	–	–	–	–	–	78	–	–	–	78	–	–	–	–	–	78
– Disposal of a subsidiary (note 38)	–	–	–	–	–	(759)	–	–	–	–	–	–	–	(759)	–	–	–	–	–	(759)
as at 31st December																				
Assets																				
Interests in associates and joint ventures	47,720	47,384	48,856	40,810	12,299	13,637	421	546	992	1,156	4,252	3,226	66,820	59,375	452	375	–	–	114,992	107,134
Property, plant and equipment and investment properties§	–	–	74	83	–	–	–	–	770	780	–	–	844	863	1,865	1,890	4	4	2,713	2,757
Other segment assets	–	–	747	787	1,217	1,526	3	5	2,729	3,095	1	–	4,697	5,413	2,119	2,001	–	–	6,816	7,414
Unallocated corporate assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	7,581	8,765	7,581	8,765
Total assets	47,720	47,384	49,677	41,680	13,516	15,163	424	551	4,491	5,031	4,253	3,226	72,361	65,651	4,436	4,266	7,585	8,769	132,102	126,070
Liabilities																				
Segment liabilities	–	–	5	57	42	47	14	27	1,673	1,843	7	7	1,741	1,981	697	841	–	–	2,438	2,822
Unallocated corporate liabilities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	19,105	21,502	19,105	21,502
Total liabilities	–	–	5	57	42	47	14	27	1,673	1,843	7	7	1,741	1,981	697	841	19,105	21,502	21,543	24,324

Notes:

\# Sales of infrastructure materials comprise sales in Hong Kong of HK$1,409 million (2014: HK$1,611 million), sales in Mainland China of HK$750 million (2014: HK$1,030 million) and sales in other region of HK$2 million (2014: HK$1 million).

* During the year, the Group has a 38.87 per cent (2014: 38.87 per cent) equity interest in Power Assets Holdings Limited ("Power Assets"), which is listed on Hong Kong Stock Exchange. The share of the results of Power Assets during the year ended 31st December, 2014 included the share of gain on disposal from spin-off and separate listing of the Hong Kong electricity business which is operated by The Hongkong Electric Company, Limited amounting to approximately HK$19 billion.

§ The carrying value of HK$591 million (2014: HK$575 million) and HK$1,274 million (2014: HK$1,316 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$11,162 million (2014: HK$31,782 million) and on the weighted average of 2,513,035,603 shares (2014: 2,439,610,945 shares) in issue during the year.

14. DIVIDENDS

(a)

HK$ million	2015	2014
Interim dividend paid of HK$0.6 per share (2014: HK$0.525 per share)	1,512	1,281
Proposed final dividend of HK$1.55 per share (2014: HK$1.475 per share)	3,905	3,716
Total	**5,417**	4,997

During the year ended 31st December, 2015, dividends of HK$5,417 million are stated after elimination of HK$203 million proposed for the shares issued in connection with the issue of perpetual capital securities in March 2016 (note 40).

(b)

HK$ million	2015	2014
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$1.475 per share (2014: HK$1.36 per share)	3,716	3,318

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, 2014	393	118	165	1,299	2,762	86	4,823
Acquisition of businesses	–	–	–	–	65	–	65
Transfer between categories	–	–	–	79	(79)	–	–
Additions	–	–	22	1	264	5	292
Disposals	–	–	–	–	(19)	(13)	(32)
Exchange translation differences	–	(3)	(10)	(25)	(108)	(1)	(147)
At 31st December, 2014	393	115	177	1,354	2,885	77	5,001
Transfer between categories	–	–	–	22	(22)	–	–
Transfer (to)/from other assets	–	–	(5)	–	7	–	2
Additions	–	–	33	27	225	9	294
Disposals	–	–	(2)	(3)	(124)	(8)	(137)
Exchange translation differences	–	(5)	(38)	(47)	(181)	(3)	(274)
At 31st December, 2015	393	110	165	1,353	2,790	75	4,886
Accumulated depreciation							
At 1st January, 2014	174	45	–	643	1,510	43	2,415
Charge for the year	7	2	–	19	196	8	232
Disposals	–	–	–	–	(19)	(13)	(32)
Exchange translation differences	–	(1)	–	(12)	(52)	(1)	(66)
At 31st December, 2014	181	46	–	650	1,635	37	2,549
Charge for the year	6	2	–	19	181	7	215
Disposals	–	–	–	(2)	(124)	(5)	(131)
Exchange translation differences	–	(1)	–	(15)	(109)	(1)	(126)
At 31st December, 2015	187	47	–	652	1,583	38	2,507
Carrying value							
At 31st December, 2015	**206**	**63**	**165**	**701**	**1,207**	**37**	**2,379**
At 31st December, 2014	212	69	177	704	1,250	40	2,452

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$20 million (2014: HK$62 million) in respect of assets held under finance leases. As at 31st December, 2014, the carrying value of the Group's mains, pipes, other plant and machinery included an amount of HK$73 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, 2014	268
Change in fair values	37
At 31st December, 2014	305
Change in fair values	29
At 31st December, 2015	**334**

The fair values of the Group's investment properties at 31st December, 2015 and 2014 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	2015	2014
Investment costs		
– Listed in Hong Kong	**8,687**	8,687
– Unlisted	**1,010**	1,010
Share of post-acquisition reserves	**40,842**	40,549
	50,539	50,246
Amounts due by unlisted associates (note 36)	**3,465**	3,889
	54,004	54,135
Market value of investment in a listed associate	**59,026**	62,386

Included in the amounts due by unlisted associates are subordinated loans of HK$3,330 million (2014: HK$3,764 million). The rights in respect of these loans are subordinated to the rights of any other lenders to the associates.

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	2015	2014
Current assets	**68,543**	62,101
Non-current assets	**65,984**	72,988
Current liabilities	**(2,119)**	(2,700)
Non-current liabilities	**(9,642)**	(10,486)
Equity	**122,766**	121,903
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	**47,720**	47,384

17. INTERESTS IN ASSOCIATES (CONT'D)

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

	Power Assets	
HK$ million	2015	2014
Turnover	1,308	2,131
Profit for the year	7,732	58,385
Other comprehensive expense	(1,482)	(1,870)
Total comprehensive income	6,250	56,515
Dividend received from the material associate	2,232	2,132

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

HK$ million	2015	2014
Aggregate carrying amount of individually insignificant associates in the consolidated financial statements	2,819	2,862
Aggregate amounts of the Group's share of those associates'		
Profit for the year	270	461
Other comprehensive income/(expense)	194	(11)
Total comprehensive income	464	450

Particulars of the principal associates are set out in Appendix 2 on pages 150 and 151.

18. INTERESTS IN JOINT VENTURES

HK$ million	2015	2014
Investment costs	30,832	30,594
Share of post-acquisition reserves	8,755	7,671
	39,587	38,265
Impairment losses	(141)	(97)
	39,446	38,168
Amounts due by joint ventures (note 36)	21,542	14,831
	60,988	52,999

Included in the amounts due by joint ventures are subordinated loans of HK$13,260 million (2014: HK$6,330 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, 2015. An impairment loss of HK$44 million (2014: HK$66 million) was made against interests in joint ventures during the year. Due to the abolishment of the toll collection right of Chaolian Bridge with effect from May 2016 according to the Administrative Order issued by the Department of Communications of Guangdong Province, an impairment loss of HK$40 million was made against interest in a joint venture, which operated Chaolian Bridge in Jiangmen, Guangdong Province, China. Due to unsatisfactory operating performance, an impairment loss of HK$4 million was made against interest in a joint venture, which operated Tangshan Tangle Road in Hebei Province, China.

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	**2015**	2014	**2015**	2014
Current assets	**4,416**	5,604	**3,638**	3,215
Non-current assets	**123,512**	124,050	**75,377**	77,979
Current liabilities	**(11,239)**	(10,340)	**(3,099)**	(3,038)
Non-current liabilities	**(70,365)**	(76,647)	**(59,797)**	(62,435)
Equity	**46,324**	42,667	**16,119**	15,721
Reconciled to the Group's interest in the joint ventures				
Group's effective interest	**40%**	40%	**40%**	40%
Group's share of net assets of the joint ventures	**18,530**	17,067	**6,448**	6,288
Consolidation adjustments at Group level and non-controlling interests	**137**	143	**59**	61
Carrying amount of the joint ventures in the consolidated financial statements	**18,667**	17,210	**6,507**	6,349
Included in the above assets and liabilities:				
Cash and cash equivalents	**1,811**	2,172	**1,397**	796
Current financial liabilities (excluding trade and other payables and provisions)	**(3,882)**	(1,134)	**(1,397)**	(1,312)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(56,218)**	(60,560)	**(48,199)**	(49,889)

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 2015	UK Power Networks 2014	Northumbrian Water 2015	Northumbrian Water 2014
Turnover	**20,125**	22,938	**10,111**	10,772
Profit for the year	**7,749**	8,381	**2,154**	1,439
Other comprehensive income/(expense)	**418**	347	**300**	(345)
Total comprehensive income	**8,167**	8,728	**2,454**	1,094
Dividend received from the joint ventures	**889**	1,109	**495**	533
Included in the above profit:				
Depreciation and amortisation	**(2,481)**	(2,732)	**(1,536)**	(1,948)
Interest income	**381**	423	**63**	11
Interest expense	**(2,953)**	(3,426)	**(2,832)**	(3,212)
Income tax (expense)/credit	**(773)**	(1,988)	**834**	345

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

HK$ million	2015	2014
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**14,272**	14,609
Aggregate amounts of the Group's share of those joint ventures'		
Profit for the year	**2,238**	1,702
Other comprehensive income/(expense)	**51**	(355)
Total comprehensive income	**2,289**	1,347

Particulars of the principal joint ventures are set out in Appendix 3 on pages 152 and 153.

19. INVESTMENTS IN SECURITIES

HK$ million	2015	2014
Financial assets at fair value through profit or loss*		
Equity securities, unlisted	**46**	46
Available-for-sale financial assets		
Stapled securities, listed overseas, at fair value	**1,217**	1,526
Stapled securities, listed in Hong Kong, at fair value	**–**	1,526
Equity securities, unlisted, at cost	**525**	552
Debt securities, unlisted, at fair value	**197**	207
Equity securities, unlisted, at fair value	**–**	32
Total	**1,985**	3,889

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

Overseas listed stapled securities comprise various subordinated loan notes and fully paid ordinary shares whereas Hong Kong listed stapled securities represent a combination of (i) a unit in a fixed single investment trust ("Unit"); (ii) a beneficial interest in a specifically identified ordinary share linked to the Unit; and (iii) a specifically identified preference share stapled to the Unit. Both stapled securities are quoted at a single combined price and cannot trade separately.

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

20. DERIVATIVE FINANCIAL INSTRUMENTS

	2015		2014	
HK$ million	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	**968**	**(140)**	897	(1)
Interest rate swaps	**26**	**(156)**	14	(237)
	994	**(296)**	911	(238)
Portion classified as:				
Non-current	**571**	**(175)**	86	(214)
Current	**423**	**(121)**	825	(24)
	994	**(296)**	911	(238)

20. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

Currency Derivatives

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

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

As at 31st December, 2015 Notional amount	Maturity
Sell AUD 313.7 million*	2016
Sell CAD 184.2 million*	2016
Sell NZD 280.0 million*	2016
Sell GBP 1,141.8 million*	2016
Sell GBP 100.0 million*	2017
Sell GBP 100.0 million*	2019
Sell EUR 70.0 million*	2020
Sell GBP 760.0 million*	2020
Sell GBP 170.0 million*	2021
Sell EUR 65.0 million*	2022
Sell GBP 76.0 million*	2022

As at 31st December, 2014 Notional amount	Maturity
Sell AUD 319.0 million*	2015
Sell CAD 184.2 million*	2015
Sell NZD 280.0 million*	2015
Sell GBP 1,471.8 million*	2015
Sell GBP 100.0 million*	2017
Sell GBP 100.0 million*	2019
Sell GBP 240.0 million*	2020
Sell GBP 100.0 million*	2021

* designated as hedging instrument in accordance with HKAS 39

The fair values of the above currency derivatives that are designated and effective as net investment hedges totalling HK$828 million (net assets to the Group) (2014: HK$896 million) have been deferred in equity at 31st December, 2015.

None of above currency derivatives is designated and effective as cash flow hedges at 31st December, 2015 and 2014.

20. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

Interest Rate Swaps

During the current year, the Group utilised interest rate swaps to manage its exposure to interest rate movements on its bank borrowings by swapping a proportion of those borrowings from floating rates to fixed rates. The notional principal amounts of the interest rate swap contracts outstanding as at 31st December, 2015 and the major terms of these contracts are as follows:

As at 31st December, 2015 HK$ million	Floating interest rate	Weighted average fixed interest rate	Notional principal amount
Contract maturing in 2018	EURIBOR*	2.00%	1,669
Contracts maturing in 2019	BKBM*	3.48%	792
Contracts maturing in 2022	LIBOR*	1.89%	6,924
Contracts maturing in 2025	BBSW*	2.70%	2,850

As at 31st December, 2014 HK$ million	Floating interest rate	Weighted average fixed interest rate	Notional principal amount
Contracts maturing in 2015	BBSW*	5.66%	3,222
Contract maturing in 2018	EURIBOR*	2.00%	1,872
Contracts maturing in 2018	BKBM*	3.43%	902
Contracts maturing in 2022	LIBOR*	1.89%	7,278

* 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$41 million (net liabilities to the Group) (2014: HK$89 million) have been deferred in equity at 31st December, 2015.

21. GOODWILL AND INTANGIBLE ASSETS

HK$ million	2015	2014
Goodwill	905	1,030
Intangible assets	1,620	1,847
Total	**2,525**	2,877

Goodwill

HK$ million	2015	2014
At 1st January	1,030	1,024
Acquisition of businesses	–	69
Exchange difference	(125)	(63)
At 31st December	**905**	1,030

During the year ended 31st December, 2014, the goodwill was recognised on acquisition of the entire interest in the recycling and waste collection business in New Zealand (note 37).

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 5 years (2014: 5 years) except for a landfill where the whole life model is used. Cash flow projections for each cash-generating unit are based on the expected terminal growth rate of 3 per cent (2014: 3 per cent). The Group considers that cash flow projections of 5 years (2014: 5 years) are appropriate as they entered long-term contracts with customers.

The model uses a terminal value which is equal to eight to nine times of earnings before interest, taxation, depreciation and amortisation and discount rate of 9.4 per cent to 15.4 per cent (2014: 9.1 per cent to 15.1 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, 2015 and 2014.

21. GOODWILL AND INTANGIBLE ASSETS (CONT'D)

Intangible Assets

HK$ million	Brand name and trademarks	Customer contracts	Resource consents	Computer software	Others	Total
Cost						
At 1st January, 2014	129	64	1,757	4	8	1,962
Acquisition of businesses	22	5	–	2	–	29
Additions	–	–	4	9	1	14
Exchange translation differences	(9)	(4)	(97)	(2)	–	(112)
At 31st December, 2014	142	65	1,664	13	9	1,893
Transfer (to)/from other assets	–	–	(2)	10	3	11
Additions	–	–	3	24	–	27
Disposals	–	–	(2)	(8)	–	(10)
Exchange translation differences	(17)	(8)	(202)	(3)	(2)	(232)
At 31st December, 2015	125	57	1,461	36	10	1,689
Accumulated amortisation						
At 1st January, 2014	–	5	12	2	1	20
Charge for the year	–	8	17	2	3	30
Exchange translation differences	–	(1)	(2)	(1)	–	(4)
At 31st December, 2014	–	12	27	3	4	46
Transfer from other assets	–	–	–	10	3	13
Charge for the year	–	8	17	1	2	28
Disposals	–	–	(2)	(8)	–	(10)
Exchange translation differences	–	(2)	(3)	(2)	(1)	(8)
At 31st December, 2015	–	18	39	4	8	69
Carrying value						
At 31st December, 2015	**125**	**39**	**1,422**	**32**	**2**	**1,620**
At 31st December, 2014	142	53	1,637	10	5	1,847

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	2015	2014
Raw materials	48	72
Work-in-progress	46	52
Stores, spare parts and supplies	48	29
Finished goods	23	22
Total	**165**	175

23. DEBTORS AND PREPAYMENTS

HK$ million	2015	2014
Trade debtors	312	438
Prepayments, deposits and other receivables	481	766
Total	**793**	1,204

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

HK$ million	2015	2014
Current	203	289
Less than 1 month past due	81	123
1 to 3 months past due	30	40
More than 3 months but less than 12 months past due	15	11
More than 12 months past due	16	16
Amount past due	142	190
Allowance for doubtful debts	(33)	(41)
Total after allowance	**312**	438

23. DEBTORS AND PREPAYMENTS (CONT'D)

Trade with customers is carried out largely on credit, except for new customers, residential customers of waste management services 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	**2015**	2014
At 1st January	**41**	34
Impairment loss recognised	**5**	12
Impairment loss written back	**(8)**	(4)
Uncollective amounts written off	**(4)**	–
Exchange translation differences	**(1)**	(1)
At 31st December	**33**	41

At 31st December, 2015, gross trade debtors' balances totalling HK$33 million (2014: HK$41 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$33 million (2014: HK$41 million) was recognised at 31st December, 2015. The Group does not hold any collateral over these balances.

23. DEBTORS AND PREPAYMENTS (CONT'D)

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

HK$ million	2015	2014
Neither past due nor impaired	**203**	286
Less than 1 month past due	**81**	122
1 to 3 months past due	**24**	25
More than 3 months but less than 12 months past due	**2**	3
More than 12 months past due	**2**	2
Amount past due	**109**	152
Total	**312**	438

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 1.24 per cent (2014: 1.17 per cent) per annum.

25. BANK AND OTHER LOANS

HK$ million	2015	2014
Unsecured bank loans and bank overdraft repayable:		
Within 1 year	–	1,654
In the 2nd year	9,285	–
In the 3rd to 5th year, inclusive	3,125	12,020
	12,410	13,674
Obligations under finance leases repayable:		
Within 1 year	15	34
In the 2nd year	4	16
In the 3rd to 5th year, inclusive	3	9
After 5 years	–	1
	22	60
Unsecured notes repayable:		
In the 2nd year	2,325	–
In the 3rd to 5th year, inclusive	192	2,524
After 5 years	1,220	1,255
	3,737	3,779
Secured bank loans repayable:		
Within 1 year	–	2
In the 2nd year	–	2
In the 3rd to 5th year, inclusive	1,008	1,104
After 5 years	–	16
	1,008	1,124
Total	**17,177**	18,637
Portion classified as:		
Current liabilities	15	1,690
Non-current liabilities	17,162	16,947
Total	**17,177**	18,637

25. 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	2015	2014	2015	2014	2015	2014	2015	2014
GBP	3,462	3,671	–	2	–	–	3,462	3,673
AUD	6,511	7,359	–	–	–	–	6,511	7,359
JPY	768	796	–	–	1,152	1,194	1,920	1,990
EUR	1,669	1,872	–	–	–	–	1,669	1,872
NZD	1,008	1,100	22	40	–	–	1,030	1,140
USD	–	–	–	–	2,325	2,325	2,325	2,325
HKD	–	–	–	–	260	260	260	260
RMB	–	–	–	18	–	–	–	18
Total	**13,418**	14,798	**22**	60	**3,737**	3,779	**17,177**	18,637

The average effective interest rates of the Group's bank loans and finance leases are 3.17 per cent (2014: 4.23 per cent) per annum and 11.44 per cent (2014: 11.02 per cent) per annum, respectively.

The Group's notes of HK$1,412 million (2014: HK$1,454 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 and floating rate notes carried interest at floating rate, which was determined with reference to BBSY*, LIBOR, USD LIBOR, EURIBOR, BKBM or British Bankers Association Interest Settlement Rate for Yen deposit plus an average margin less than 2 per cent (2014: 3 per cent).

Fixed rate notes and finance leases carried interest ranging from 1.75 per cent to 13.50 per cent (2014: 1.75 per cent to 13.50 per cent) per annum.

The shares of a subsidiary with net asset value of HK$1,027 million (2014: HK$1,228 million) were pledged to secure bank borrowings totalling HK$1,008 million (2014: HK$1,100 million) granted to the Group.

* BBSY – Australian Bank Bill Swap Bid Rate

25. BANK AND OTHER LOANS (CONT'D)

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

HK$ million	2015	2014
Minimum lease payments:		
Within 1 year	17	38
In the 2nd year	5	18
In the 3rd to 5th year, inclusive	4	9
After 5 years	–	2
	26	67
Less: Future finance charges	(4)	(7)
Present value of lease payments	22	60
Less: Amount due for settlement within 12 months	(15)	(34)
Amount due for settlement after 12 months	7	26

At 31st December, 2015, the remaining weighted average lease term was 1.2 years (2014: 2.2 years). All leases are denominated in 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).

26. CREDITORS AND ACCRUALS

HK$ million	2015	2014
Trade creditors	190	282
Other payables and accruals	3,242	4,467
Total	3,432	4,749

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

HK$ million	2015	2014
Current	110	171
1 month	21	31
2 to 3 months	11	14
Over 3 months	48	66
Total	190	282

27. DEFERRED TAX ASSETS/LIABILITIES

HK$ million	2015	2014
Deferred tax assets	**21**	15
Deferred tax liabilities	**(488)**	(552)
Total	**(467)**	(537)

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, 2014	109	(20)	233	493	3	818
(Credit)/Charge to profit for the year	–	(30)	–	(14)	23	(21)
Charge/(Credit) to other comprehensive income for the year	–	–	61	–	(7)	54
Acquisition of businesses	–	–	–	7	(2)	5
Disposal of a subsidiary	–	–	(307)	–	–	(307)
Exchange translation differences	(3)	1	13	(26)	–	(15)
Others	(1)	34	–	–	(30)	3
At 31st December, 2014	105	(15)	–	460	(13)	537
(Credit)/Charge to profit for the year	(4)	(55)	–	(1)	14	(46)
Credit to other comprehensive income for the year	–	–	–	–	(1)	(1)
Exchange translation differences	(5)	1	–	(55)	1	(58)
Others	–	47	–	–	(12)	35
At 31st December, 2015	**96**	**(22)**	**–**	**404**	**(11)**	**467**

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

Apart from the unused tax losses of which the deferred tax assets were recognised as presented above, the Group had unused tax losses and other unused tax credits totalling HK$1,398 million (2014: HK$1,474 million) at 31st December, 2015. No deferred tax asset has been recognised in respect of these tax losses and tax credits due to the unpredictability of future profit streams to utilise the available tax losses and tax credits.

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

HK$ million	2015	2014
Within 1 year	–	1
In the 2nd year	9	–
In the 3rd to 5th year, inclusive	123	83
No expiry date	1,266	1,390
Total	**1,398**	1,474

28. RETIREMENT PLANS

(a) Defined Contribution Retirement Plans

The Group provides defined contribution retirement plans for its eligible employees except for a defined benefit plan 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$30,000 (HK$25,000 for the period from 1st June, 2012 to 31st May, 2014 and 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 4 to 6 per cent of the employees' monthly basic salaries.

Contribution to the defined contribution plans in 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.

28. RETIREMENT PLANS (CONT'D)

(a) Defined Contribution Retirement Plans (Cont'd)

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$25 million (2014: HK$23 million). Forfeited contributions and earnings for the year under the defined contribution plans amounting to HK$1 million were used to reduce the existing level of contributions (2014: nil). At 31st December, 2015, there were no forfeited contributions and earnings available to the Group to reduce its contributions to the defined contribution plans in future years (2014: nil).

(b) Defined Benefit Retirement Plan operating in Hong Kong

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

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, 2015, 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:

	2015	2014
Discount rate at 31st December	**1.00% per annum**	1.10% per annum
Expected rate of salary increase	**5.00% per annum**	5.00% per annum

The actuarial valuation showed that the market value of plan assets was HK$81 million (2014: HK$86 million) and that the actuarial value of these assets represented 89 per cent (2014: 93 per cent) of the benefits that had accrued to members.

28. RETIREMENT PLANS (CONT'D)

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

The below analysis shows how the defined benefit obligation as at 31st December, 2015 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.

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

HK$ million	2015	2014
Current service cost (net of employee contributions)	3	3
Net amount debited to the consolidated income statement	**3**	3

The actual return on plan assets for the year ended 31st December, 2014 was a gain of HK$4 million.

The amount included in the consolidated statement of financial position at 31st December, 2015 arising from the Group's obligations in respect of its defined benefit plan in Hong Kong is as follows:

HK$ million	2015	2014
Present value of defined benefit obligations	91	92
Fair value of plan assets	(81)	(86)
Employee retirement benefit liabilities classified as other non-current liabilities included in the consolidated statement of financial position	**10**	6

28. RETIREMENT PLANS (CONT'D)

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

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

HK$ million	2015	2014
At 1st January	92	85
Current service cost (net of employee contributions)	3	3
Interest cost	1	1
Actual benefits paid	(8)	–
Actual employee contributions	1	1
Actuarial loss on experience	1	1
Actuarial loss on financial assumptions	1	1
At 31st December	**91**	92

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

HK$ million	2015	2014
At 1st January	86	80
Return on plan assets (less)/greater than discount rate	(1)	3
Interest income	1	1
Actual company contributions	2	1
Actual employee contributions	1	1
Actual benefits paid	(8)	–
At 31st December	**81**	86

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

As at 31st December	2015	2014
Equity instruments	51%	50%
Debt instruments	49%	50%
Total	**100%**	100%

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

The Group recognised net actuarial loss on defined benefit obligations amounting to HK$2 million (2014: HK$2 million) and return on plan assets less than discount rate amounting to HK$1 million for the year ended 31st December, 2015 (2014: return on plan assets greater than discount rate HK$3 million) directly through other comprehensive income.

28. RETIREMENT PLANS (CONT'D)

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

Another actuarial valuation was completed at 1st January, 2016 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 5 per cent per annum. The actuarial valuation showed that the fair value of the plan assets attributable to the Group at 31st December, 2015 represented 103 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, 2019 as required by Occupational Retirement Schemes Ordinance.

The Group expects to make a contribution of HK$1 million (2014: HK$2 million) to the defined benefit plan during the next financial year.

29. SHARE CAPITAL

	Number of Shares		Amount	
	2015	2014	**2015 HK$ million**	2014 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	**2,439,610,945**	2,495,845,400	**2,440**	2,496
Issue of new shares via a share placement exercise	**80,000,000**	–	**80**	–
Return and cancel of shares in connection with the redemption of perpetual capital securities (note 30)	**–**	(56,234,455)	**–**	(56)
At 31st December	**2,519,610,945**	2,439,610,945	**2,520**	2,440

On 23rd January, 2015 and 30th January, 2015, Hutchison Infrastructure Holdings Limited ("HIHL"), a controlling shareholder of the Company, sold 80,000,000 existing shares of the Company via a share placement exercise at a price of HK$58 per share, and has subscribed for 80,000,000 new shares of the Company at a price which is equivalent to the placing price less the costs and expenses incurred in connection with the placing and subscription, respectively. The net proceeds from the subscription were approximately HK$4,600 million. Accordingly, the Company's share capital and share premium were increased by HK$80 million and HK$4,520 million, respectively. The new shares issued rank pari passu in all aspects with the existing shares of the Company.

30. 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 (the "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 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 Capital Securities issued in February 2012. The Company considered these shares as treasury shares ("Treasury Shares").

On 26th February, 2014, the Company paid US$310.5 million, being US$300 million outstanding principal of the Capital Securities and US$10.5 million accrued interest up to 27th February, 2014 to the Fiduciary and instructed the Fiduciary, as fiduciary, to return the Treasury Shares to the Group on 27th February, 2014. Upon completion of the process of redemption of the Capital Securities, the Treasury Shares were cancelled on 27th February, 2014.

31. 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 25, 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 (2014: 10 per cent) as at 31st December, 2015. The management targets to maintain a solid capital position to pursue more new investment opportunities. The Group's overall strategy remains unchanged from 2014.

The net debt to net total capital ratio at 31st December, 2015 and 2014 was as follows:

HK$ million	**2015**	2014
Total debts	**17,177**	18,637
Bank balances and deposits	**(7,897)**	(7,108)
Net debt	**9,280**	11,529
Net total capital	**119,839**	113,275
Net debt to net total capital ratio	**8%**	10%

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.

32. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Cash from Operations

HK$ million	2015	2014
Profit before taxation	**11,650**	32,346
Share of results of associates	**(3,275)**	(23,156)
Share of results of joint ventures	**(6,198)**	(5,630)
Interest income from loans granted to associates	**(378)**	(452)
Interest income from loans granted to joint ventures	**(1,714)**	(1,473)
Bank and other interest income	**(89)**	(78)
Interest income from investments in securities	**(46)**	(56)
Finance costs	**726**	906
Depreciation of property, plant and equipment	**215**	232
Amortisation of intangible assets	**28**	30
Change in fair values of investment properties	**(29)**	(37)
Gain on disposal of property, plant and equipment	**(6)**	(1)
Gain on disposal of a subsidiary	**–**	(2,236)
Gain on disposal of an associate	**–**	(12)
Gain on disposal of a joint venture	**(34)**	–
Dividend from investments in securities	**(16)**	(129)
Loss on disposal of investments in securities	**91**	–
Change in fair value of derivative financial instruments	**(45)**	134
Pension costs of defined benefit retirement plans	**3**	3
Unrealised exchange gain	**(71)**	(285)
Returns received from joint ventures	**249**	365
Interest received from investments in securities	**46**	56
Distribution received from investments in securities	**16**	129
Interest received from associates	**381**	455
Interest received from joint ventures	**1,556**	1,445
Contributions to defined benefit retirement plans	**(2)**	(1)
Net cash received on hedging instruments	**1,896**	138
Others	**(94)**	(25)
Operating cash flows before changes in working capital	**4,860**	2,668
Decrease in inventories	**10**	40
Decrease/(Increase) in debtors and prepayments	**341**	(119)
(Decrease)/Increase in creditors and accruals	**(1,113)**	346
Exchange translation differences	**(22)**	(23)
Cash from operations	**4,076**	2,912

33. 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 2015**	Total Emoluments 2014
Li Tzar Kuoi, Victor (1)	0.075	–	28.152	–	–	**28.227**	24.087
Kam Hing Lam (1)	0.075	4.200	10.601	–	–	**14.876**	14.542
Ip Tak Chuen, Edmond	0.075	1.800	10.601	–	–	**12.476**	12.120
Fok Kin Ning, Canning (1)	0.075	–	–	–	–	**0.075**	0.075
Andrew John Hunter (1)	0.075	10.561	11.078	1.056	–	**22.770**	21.506
Chan Loi Shun (1 and 3)	0.075	5.681	2.973	0.566	–	**9.295**	8.545
Chow Woo Mo Fong, Susan (1 and 2)	0.075	–	–	–	–	**0.075**	0.075
Frank John Sixt (1)	0.075	–	–	–	–	**0.075**	0.075
Cheong Ying Chew, Henry (4)	0.180	–	–	–	–	**0.180**	0.180
Kwok Eva Lee (4)	0.155	–	–	–	–	**0.155**	0.155
Sng Sow-Mei (4)	0.155	–	–	–	–	**0.155**	0.155
Colin Stevens Russel (4)	0.180	–	–	–	–	**0.180**	0.180
Lan Hong Tsung, David (4)	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	0.028	–	–	–	–	**0.028**	0.075
Total for the year 2015	**1.678**	**22.242**	**63.405**	**1.622**	**–**	**88.947**	
Total for the year 2014	1.725	21.225	57.680	1.520	–		82.150

Notes:

(1) During the year, Mr. Li Tzar Kuoi, Victor, Mr. Andrew John Hunter, Mr. Chan Loi Shun and Mr. Frank John Sixt each received directors' fees of HK$70,000 (2014: HK$70,000), Mr. Fok Kin Ning, Canning received director's fees of HK$120,000 (2014: HK$120,000) from Power Assets. During the year ended 31st December, 2014, Mr. Kam Hing Lam, Mrs. Chow Woo Mo Fong, Susan, Mr. Tso Kai Sum and Mr. George Colin Magnus each received director's fees of HK$5,370 from Power Assets. Except for HK$5,370 received by Mr. Tso Kai Sum and HK$5,370 received by Mr. George Colin Magnus during the year ended 31st December, 2014, the directors' fees totalling HK$400,000 (2014: HK$410,740) were then paid back to the Company.

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

Notes (Cont'd):

(2) During the year ended 31st December, 2014, director's fee of HK$58,110 received by Mrs. Chow Woo Mo Fong, Susan from HK Electric Investments and HK Electric Investments Limited were paid back to the Company.

(3) During the year, part of the directors' emoluments in the sum of HK$4,200,000 (2014: HK$4,200,000) received by Mr. Chan Loi Shun from Power Assets were paid back to the Company.

(4) 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 year were HK$825,000 (2014: HK$825,000).

Of the 5 individuals with the highest emoluments in the Group, all (2014: all) are directors whose emoluments are disclosed above.

34. 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	**2015**	2014	**2015**	2014
Investment in a joint venture	**10**	–	**141**	189
Plant and machinery	**107**	43	**340**	529
Total	**117**	43	**481**	718

(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	**2015**	2014
Within 1 year	**46**	49
In the 2nd to 5th year, inclusive	**59**	100
Over 5 years	**22**	31
Total	**127**	180

35. CONTINGENT LIABILITIES

The contingent liabilities of the Group are as follows:

HK$ million	2015	2014
Guarantee in respect of bank loan drawn by joint ventures	**1,120**	1,338
Other guarantees given in respect of a joint venture	**695**	836
Performance bond indemnities	**94**	91
Sub-contractor warranties	**6**	7
Total	**1,915**	2,272

36. MATERIAL RELATED PARTY TRANSACTIONS

During the year, the Group advanced HK$20 million (2014: HK$5 million) to its unlisted associates. The total outstanding loan balances as at 31st December, 2015 amounted to HK$3,465 million (2014: HK$3,889 million), of which HK$3,330 million (2014: HK$3,764 million) at fixed rates ranging from 10.85 per cent to 11.19 per cent (2014: from 10.85 per cent to 11.19 per cent) per annum and HK$135 million (2014: HK$125 million) was interest-free. The average effective interest rate of the loan granted to associates is 11.02 per cent (2014: 11.02 per cent) per annum. As stated in note 6, interest income from loans granted to associates during the year amounted to HK$378 million (2014: HK$452 million). Except for a loan of HK$94 million (2014: HK$94 million) which was repayable within six years (2014: seven years), the loans had no fixed terms of repayment.

During the year, the Group advanced HK$21 million (2014: HK$11 million) to its joint ventures. The total outstanding loan balances as at 31st December, 2015 amounted to HK$21,542 million (2014: HK$14,831 million), of which HK$5,717 million (2014: HK$1,408 million) bore interest with reference to London Interbank Offered Rate, Hong Kong Dollar Prime Rate and return from a joint venture, and HK$15,233 million (2014: HK$13,043 million) at fixed rate ranging from 8 per cent to 14 per cent (2014: from 8 per cent to 11 per cent) per annum, and HK$592 million (2014: HK$380 million) was interest-free. The average effective interest rate of the loan granted to joint ventures is 9.22 per cent (2014: 9.83 per cent) per annum. As stated in note 6, interest income from loans granted to joint ventures during the year amounted to HK$1,714 million (2014: HK$1,473 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$384 million (2014: HK$339 million) and HK$16 million (2014: HK$33 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$77 million (2014: HK$81 million) and HK$43 million (2014: HK$45 million), respectively for the current year.

During the year ended 31st December, 2014, the Group disposed of its entire interest in a subsidiary to a joint venture in return for 17.46 per cent equity interest in the joint venture. Details of the disposal have been disclosed in note 38 below.

36. MATERIAL RELATED PARTY TRANSACTIONS (CONT'D)

The emoluments of key management have been presented in note 33 above.

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

37. BUSINESS COMBINATION

During the year ended 31st December, 2014, the Group acquired the recycling and waste collection businesses in New Zealand from third parties for consideration of NZ$22 million (approximately HK$147 million). 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 during the year ended 31st December, 2014 within operating costs.

The fair values of identifiable assets and liabilities arising from the acquisition were as follows:

HK$ million	2014
Net assets acquired:	
Property, plant and equipment	65
Intangible assets	29
Creditors and accruals	(2)
Bank and other loans	(1)
Deferred tax liabilities	(5)
Other non-current liabilities	(8)
	78
Goodwill arising from acquisition	69
Total consideration	147

The goodwill of HK$69 million arising from the acquisition was attributable to its anticipated profitability and the anticipated future operating synergies from the business combination. None of the goodwill arising on this acquisition was expected to be deductible for tax purpose.

The operation acquired during the year ended 31st December, 2014 contributed HK$70 million to the turnover and a contribution of HK$1 million to profit attributable to shareholders of the Company.

If the acquisition had been completed on 1st January, 2014, the turnover and the profit attributable to shareholders of the Company for the year ended 31st December, 2014 would have been increased by HK$36 million and HK$1 million, respectively. The pro forma information is for illustration purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2014, nor is it intended to be a projection of future results.

38. DISPOSAL OF A SUBSIDIARY/NON-CASH TRANSACTION

On 28th August, 2014, the Group disposed of its entire interest in Cheung Kong Infrastructure Holdings (Malaysian) Limited to an indirect wholly-owned subsidiary of its joint venture in return for 232,428,618 new ordinary shares of this joint venture, which represented approximately 17.46 per cent equity interest in the joint venture.

HK$ million	2014
Net assets disposed of:	
Investment in securities	2,995
Deferred tax liabilities	(307)
	2,688
Release of exchange translation reserve	(122)
Release of investment revaluation reserve	(1,807)
	759
Gain on disposal of a subsidiary	2,236
Total consideration	2,995
Satisfied by:	
Interest in a joint venture	2,995

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

as at 31st December

(a) Statement of Financial Position of the Company

HK$ million	2015	2014
Property, plant and equipment	3	4
Unlisted investments in subsidiaries	43,219	35,421
Total non-current assets	43,222	35,425
Amounts due from subsidiaries	20,815	21,633
Amount due from a joint venture	2	2
Prepayments, deposits and other receivables	37	3
Bank balances	7	11
Total current assets	20,861	21,649
Amounts due to subsidiaries	17,979	18,585
Other payables and accruals	93	94
Total current liabilities	18,072	18,679
Net current assets	2,789	2,970
Net assets	46,011	38,395
Representing:		
Share capital	2,520	2,440
Reserves	43,491	35,955
Total equity	46,011	38,395

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONT'D)

(b) Movements in the Company's Reserves

HK$ million	Share capital	Share premium	Retained profits	Total
At 1st January, 2014	2,496	13,900	24,314	40,710
Profit for the year	–	–	4,607	4,607
Final dividend for the year 2013 paid	–	–	(3,318)	(3,318)
Interim dividend paid	–	–	(1,281)	(1,281)
Return and cancel of shares in connection with the redemption of perpetual capital securities	(56)	(2,267)	–	(2,323)
At 31st December, 2014	2,440	11,633	24,322	38,395
Profit for the year	–	–	8,244	8,244
Final dividend for the year 2014 paid	–	–	(3,716)	(3,716)
Interim dividend paid	–	–	(1,512)	(1,512)
Issue of new ordinary shares	80	4,520	–	4,600
At 31st December, 2015	**2,520**	**16,153**	**27,338**	**46,011**

40. EVENT AFTER THE REPORTING PERIOD

On 22nd February, 2016, the Company and OVPH Limited (the "Issuer") have entered into a share subscription agreement under which the Issuer has agreed to subscribe as principal for, and the Company has agreed to issue 131,065,097 new ordinary shares for a consideration of US$1,200 million (equivalent to approximately HK$9,323 million) at the subscription price of the U.S. dollar equivalent of approximately HK$71.1302 per share.

On 22nd February, 2016, the Company, the Issuer and Deutsche Bank AG, Singapore Branch, The Hongkong and Shanghai Banking Corporation Limited and J.P. Morgan Securities plc (the "Joint Lead Managers") have entered into a securities subscription agreement under which the Issuer agreed to issue the securities and each Joint Lead Manager has severally, and not jointly, agreed to subscribe and pay for, or to procure subscriptions and payment for, the securities. The aggregate principal amount of the securities to be issued is US$1,200 million (equivalent to approximately HK$9,323 million).

41. COMPARATIVE FIGURES

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

42. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements set out on pages 84 to 153 were approved by the Board of Directors on 16th March, 2016.

PRINCIPAL SUBSIDIARIES

APPENDIX 1

The table below shows the subsidiaries as at 31st December, 2015 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	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	HK$1 ordinary	100	Investment holding
	HK$60,291,765 Non-voting deferred		
Anderson Asphalt Limited	HK$30,300,000	100	Production and laying of asphalt and investment holding
Cheung Kong China Infrastructure Limited	HK$2	100	Investment holding
China Cement Company (International) Limited	HK$1,000,000	70	Investment holding
Green Island Cement Company, Limited	HK$306,694,931	100	Manufacturing, sale and distribution of cement and property investment
Green Island Cement (Holdings) Limited	HK$722,027,503	100	Investment holding
Incorporated in British Virgin Islands and operating in Hong Kong			
Cheung Kong Infrastructure Finance (BVI) Limited	US$1	100	Financing
Capellini Limited	US$1	100	Financing
Cerise Global Limited	US$1	100	Financing
Daredon Assets Limited	US$1	100	Treasury
Green Island International (BVI) Limited	US$1	100	Investment holding
Export Success International Limited	US$1	100	Financing
Treriso Limited	US$1	100	Financing
Incorporated and operating in Australia			
Cheung Kong Infrastructure Finance (Australia) Pty Ltd	A$63,840,181	100	Financing
Incorporated and operating in New Zealand			
Enviro Waste Services Limited	NZ$84,768,736	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, 2015 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	Percentage of equity attributable to the Group	Principal activities
Incorporated and operating in Hong Kong			
Power Assets Holdings Limited (note 1)	HK$6,610,008,416.59	39	Investment in power and utility-related businesses
Incorporated and operating in Australia			
SA Power Networks Partnership (note 2)	N/A	23	Electricity distribution
Victoria Power Networks Pty Limited (note 3)	A$315,498,640	23	Electricity distribution

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. Victoria Power Networks Pty Limited owns 100 per cent interests in the following companies:

   Powercor Australia Limited
   CitiPower Pty
   The CitiPower Trust

   Powercor Australia Limited and The CitiPower Trust each operates and manages an electricity distribution business in the State of Victoria of Australia.

APPENDIX 3

The table below shows the joint ventures as at 31st December, 2015 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	Percentage of equity attributable to the Group	Principal activities
Incorporated and operating in the United Kingdom			
UK Power Networks Holdings Limited	£6,000,000 A ordinary £4,000,000 B ordinary £360,000,000 A preference £240,000,000 B preference	40	Electricity distribution
Northumbrian Water Group Limited	£19.4 A ordinary £142 B ordinary	40	Water supply, sewerage and waste water businesses
Northern Gas Networks Holdings Limited	£71,670,979 ordinary £1 special	47	Gas distribution
Wales & West Gas Networks (Holdings) Limited	£290,272,506	30	Gas distribution
Electricity First Limited	£4	50	Electricity generation
Incorporated in Luxembourg and operating in the United Kingdom			
UK Rails S.à r.l.	£24,762	50	Leasing of rolling stock
Incorporated and operating in Australia			
Australian Gas Networks Limited	A$879,082,752.8	45	Gas distribution

APPENDIX 3 (CONT'D)

Name	Issued share capital	Percentage of equity attributable to the Group	Principal activities
Incorporated and operating in Canada			
Canadian Power Holdings Inc.	C$139,000,000 ordinary C$23,000,000 preference	50	Electricity generation
1822604 Alberta Ltd.	C$1	50	Off-airport parking operation
Incorporated and operating in New Zealand			
Wellington Electricity Distribution Network Limited	NZ$172,000,100	50	Electricity distribution
Incorporated and operating in the Netherlands			
AVR-Afvalverwerking B.V.	€1	35	Producing energy from waste
Incorporated and operating in Portugal			
Iberwind – Desenvolvimento e Projectos, S.A.	€50,000	50	Generation and sale of wind energy

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	KML 113	100	5,528	C	Medium

I: Industrial C: Commercial