Cheung Kong Infrastructure Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1038)

THE CHAIRMAN'S LETTER FOR 2010

Powering Into A New Decade

	Year ended 31st December, 2010	**Year ended 31st December, 2009**
	HK$' million	***HK$' million***
Profit contribution from:		
- Power Assets (formerly known as HK Electric*)	2,770	2,578
- United Kingdom portfolio	1,183	616
- Australia portfolio	1,026	805
- New Zealand portfolio	96	80
- Canada portfolio	113	138
- China portfolio	374	1,740
- Materials business	256	146
Profit attributable to shareholders	5,028	5,568
Dividends per share	HK$1.33	HK$1.201

* The name of Hongkong Electric Holdings Limited ("HK Electric") has been changed to Power Assets Holdings Limited ("Power Assets") in February 2011.

2010 was a milestone year for Cheung Kong Infrastructure Holdings Limited ("CKI" or the "Group"). During the year, CKI reported strong organic growth from existing businesses, while significant acquisitions were made to strengthen the Group's global portfolio.

For the year ended 31st December, 2010, profit attributable to shareholders of HK$5,028 million was achieved. This good result can be attributed to the strong performance of our existing portfolio, as well as the 2 months of profit contribution from the electricity distribution networks in the United Kingdom which were acquired during the year.

While the profit attributable to shareholders for 2010 was lower than that reported for the previous year, the results for 2009 benefited from a one-off disposal gain of HK$1,314 million arising from the sale of Mainland China power assets to Power Assets Holdings Limited (formerly known as Hongkong Electric Holdings Limited ("HK Electric")) ("Power Assets"). After adjusting for this item, an increase of approximately 18 per cent would have been recorded this year.

The Board of Directors of CKI (the "Board") has recommended a final dividend of HK$1.00 per share. Together with the interim dividend of HK$0.33 per share, this will bring the total dividend for the year to HK$1.33, an 11 per cent increase over last year. This increase reflects the Group's continued trend of dividend growth since listing. The proposed dividend will be paid on 20th May, 2011 following approval at the 2011 Annual General Meeting to those shareholders whose names appear on the Register of Members of the Company on 18th May, 2011.

A Year of Acquisitions

2010 was a landmark year of business expansion for CKI as three strategic acquisitions were made.

1. New Cement Production Facilities in Mainland China

In March, CKI committed an investment of HK$700 million to develop new cement production facilities in Yunfu, Guangdong Province. The new plant will have a clinker production capacity of 4,500 tonnes per day.

Upon completion in 2012, the new cement production facilities will strengthen CKI's materials business in Mainland China and is poised to generate attractive returns.

2. First Foray into Electricity Generation in the United Kingdom

In May, CKI completed the acquisition of a stake in Seabank Power Limited ("Seabank Power"), which owns and operates Seabank Power Station near Bristol. The power station comprises two combined-cycle turbine generation units with an aggregate capacity of approximately 1,140 MW. CKI acquired 25 per cent of Seabank Power at a net consideration of approximately HK$1.18 billion (approximately GBP105.8 million). CKI also has a 9.7 per cent indirect stake in the company through Power Assets.

The acquisition will provide immediate and stable returns to the Group. In 2010, 7 months of profit contribution were recorded.

3. Major Acquisition of Electricity Distribution Networks in the United Kingdom

In October, CKI led a consortium in completing the acquisition of 100 per cent of EDF Energy PLC's ("EDF") regulated and non-regulated electricity network activities in the United Kingdom. The total consideration was approximately HK$70 billion (GBP5.775 billion). The consortium, which also comprises Power Assets, has renamed the business, UK Power Networks Holdings Limited ("UK Power Networks"), to own and manage these electricity network activities. CKI has a 40 per cent direct stake in the company and a 15.5 per cent indirect stake through Power Assets.

UK Power Networks comprises three of the 14 regional networks in the United Kingdom with a distribution area that covers London, South East England and the East of England. Together, these networks distribute approximately 28 per cent of the electrical power in the United Kingdom, making UK Power Networks the largest electricity distribution network owners in the United Kingdom.

The company also includes a non-regulated business comprising commercial contracts to own and operate the electricity distribution networks of a number of privately owned sites, such as the London Underground, Heathrow and Gatwick airports, as well as the Channel Tunnel Rail Link.

This major acquisition has delivered immediate profit contribution to CKI. In 2010, 2 months of profit contribution – amounting to HK$432 million – were reported by UK Power Networks. The scale of the business is expected to significantly enhance the revenue stream from CKI's United Kingdom portfolio in the future.

A Year of Organic Growth

Power Assets (formerly known as HK Electric)

In 2010, profit contribution from Power Assets was HK$2,770 million, an increase of 7 per cent over 2009. While the profit for Hong Kong operations in 2010 was slightly above that of 2009, the international operations outside of Hong Kong have grown 24 per cent.

Consistent with the past few years, Power Assets has continued to focus on its international businesses as a driver for growth. In 2010, significant expansion was undertaken together with CKI in the United Kingdom. Power Assets' acquisitions during the period under review included a 25 per cent stake in Seabank Power and a 40 per cent stake in UK Power Networks, the three electricity networks in the country formerly owned by EDF.

In February 2011, the name of Hongkong Electric Holdings Limited has been changed to Power Assets Holdings Limited to reflect the company's ongoing commitment to aggressively pursue international business and the prospective shift in the proportion of profit contribution generated from within Hong Kong to outside of Hong Kong.

Infrastructure Investments

United Kingdom

In 2010, profit contribution from the United Kingdom increased by a substantial 92 per cent to HK$1,183 million. This significant growth can be attributed to two major acquisitions during the year under review. Seabank Power delivered 7 months of profit contribution to CKI, while UK Power Networks reported 2 months profit post-completion.

CKI's gas distribution business, Northern Gas Networks, performed well during the year under review and continued to provide a stable income stream.

The Group's water businesses, comprising Cambridge Water and an interest in Southern Water, also recorded satisfactory results. A regulatory re-set has been agreed for the period 2010-2015, providing a high degree of certainty for future income.

Australia

Profit contribution from CKI's Australian businesses was HK$1,026 million for the year under review, representing an increase of 27 per cent over the previous year. This reflects good performance from the Group's investments in Australia.

In mid-2010, ETSA Utilities, the primary electricity distributor in South Australia, commenced a new regulatory re-set for the period from 2010-2015 which provides for a high degree of certainty for returns over the next five years.

The electricity distribution companies in Victoria, namely CitiPower and Powercor, also completed their regulatory re-set process, which commenced in January 2011.

The Group's investments in Envestra and Spark Infrastructure also continued to provide steady profit contributions.

New Zealand

In New Zealand, profit contribution from the Wellington Electricity distribution network was HK$96 million, an increase of 20 per cent over 2009.

Canada

The Group's business in Canada reported profit contribution of HK$113 million, a decrease of 18 per cent. Excluding a favourable non-recurring tax adjustment of HK$43 million in 2009, the operating performance of the power generating business would show an increase in profit contribution of approximately 19 per cent. In terms of operating performance, Stanley Power's portfolio of power plants in Ontario, Alberta and Saskatchewan continued to provide CKI with a solid income stream.

China

The China portfolio generated a steady income stream to CKI. Profit contribution of HK$374 million was recorded. Though this appears to be a decrease as compared to the previous year, the 2009 figures included a one-off gain from the divestment of three power plants and their operating earnings in the earlier part of the year. Excluding this impact, the China transportation portfolio achieved good growth.

Materials Business

In 2010, CKI's materials business achieved profit contribution of HK$256 million, a 75 per cent increase over the previous year. The increase in housing and infrastructure activities in Hong Kong and Mainland China spurred a growth in the demand for cement and concrete. Price and margins have correspondingly improved. This trend is expected to continue.

Treasury Activities Strengthen Financial Platform

US$1 billion perpetual capital securities were issued in September 2010, the first of their kind for a non-financial issuer in Asia. This has provided CKI with additional long-term funding for further expansion.

Subsequent Event

In February 2011, together with Power Assets, its partner in Stanley Power in Canada, CKI announced a transaction with Husky Oil Limited and TransAlta Cogeneration, L.P. to increase their effective joint stake in the Meridian Cogeneration Plant in Canada from 24.995 per cent to 100 per cent. The cost for CKI's additional shareholding was approximately HK$359 million (CAD45.7 million), and completion is expected to occur in April 2011. This increased investment will further enhance CKI's portfolio and income base in Canada.

Power On for The Future

As CKI steps into a new decade, it is apparent that our acquisition strategy has proven fruitful. We have made a number of successful acquisitions over the past few years and accumulated extensive experience in acquiring projects on a global scale.

The performance of our portfolio – in terms of both the countries and industries in which we operate – has been very strong. Steady performance and organic growth of our existing businesses are expected to continue.

The Group has maintained a strong balance sheet and financial position. We have continued to maintain our "A-" rating from Standard & Poor's, which we have held since shortly after listing in 1996. Following an active year of major acquisitions in 2010, the Group has cash on hand of over HK$5 billion and a net debt to equity ratio of 6 per cent. This provides the financial capacity and flexibility to fund new acquisitions.

Currently, we have a good deal flow and are vigorously pursuing other investment opportunities in different sectors around the world. A number of exciting new projects are now under study.

I would like to take this opportunity to thank the Board, management and staff for their efforts and contributions, as well as our shareholders for their continued support.

Li Tzar Kuoi, Victor
Chairman

Hong Kong, 2nd March, 2011

FINANCIAL REVIEW

Financial Resources, Treasury Activities and Gearing Ratio

The Group's capital expenditure and investments were funded from cash on hand, internal cash generation, syndicated loans, notes issued and other project loans.

As at 31st December, 2010, total borrowings of the Group amounted to HK$8,487 million, which were all denominated in foreign currencies. Of the total borrowings, 15 per cent were repayable in 2011, 51 per cent were repayable between 2012 and 2015 and 34 per cent repayable beyond 2015. The Group's financing activities continue to be well received and fully supported by its bankers.

The Group adopts conservative treasury policies in cash and financial management. To achieve better risk control and minimise the cost of funds, the Group's treasury activities are centralised. Cash is generally placed in short-term deposits mostly denominated in U.S. dollars, Hong Kong dollars, Australian dollars or Pounds Sterling. The Group's liquidity and financing requirements are reviewed regularly. The Group will continue to maintain a strong capital structure when considering financing for new investments or maturity of bank loans.

As at 31st December, 2010, the Group has changed to a net debt position with a net debt to equity ratio of 6 per cent, which was based on its net debt of HK$3,049 million and total equity of HK$53,687 million, from the net cash position at the year end of 2009. This change was mainly due to the funds utilised for investments in two energy projects in the United Kingdom during the current year.

To minimise currency risk exposure in respect of its investments in other countries, the Group generally hedges those investments with the appropriate level of borrowings denominated in the local currencies of those countries. The Group also entered into certain interest rate and currency swaps to mitigate interest rate and other currency exposure risks. As at 31st December, 2010, the notional amounts of these derivative instruments amounted to HK$24,834 million.

Charge on Group Assets

As at 31st December, 2010:

- the Group's obligations under finance leases totalling HK$97 million were secured by charges over the leased assets with carrying value of HK$275 million; and

- certain plant and machinery of the Group with carrying value of HK$52 million were pledged to secure bank borrowings totalling HK$30 million granted to the Group.

Contingent Liabilities

As at 31st December, 2010, the Group was subject to the following contingent liabilities:

HK$ million	
Guarantee in respect of a bank loan drawn by an affiliated company	1,214
Other guarantees given in respect of an affiliated company	431
Sub-contractor warranties	22
Total	1,667

Employees

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 1,045 employees. Employees' cost (excluding directors' emoluments) amounted to HK$269 million. The Group ensures that the pay levels of its employees are competitive and that its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

Preferential subscription of 2,978,000 new shares of the Company was given to those employees who had subscribed for shares of HK$1.00 each in the Company at HK$12.65 per share on the flotation of the Company in 1996. The Group does not have any share option scheme for employees.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31st December, 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Code on Corporate Governance Practices

The Board of Directors ("Board") and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality Board, sound internal controls, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices ("Code on CG Practices") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31st December, 2010. It is noted however that in respect of code provision E.1.2 of the Code on CG Practices, the Chairman of the Board was unable to attend the annual general meeting of the Company held on 6th May, 2010 due to a sudden indisposition. The Group Managing Director chaired the 2010 annual general meeting on behalf of the Chairman of the Board pursuant to the Company's Bye-laws and was available to answer questions.

Audit Committee

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company established an audit committee ("Audit Committee") in December 1998 and has formulated its written terms of reference, which may from time to time be modified, in accordance with the provisions set out in the Code on CG Practices.

The Audit Committee comprises five Independent Non-executive Directors, namely, Mr. Colin Stevens Russel (Chairman of the Audit Committee), Mr. Cheong Ying Chew, Henry, Mrs. Kwok Eva Lee, Mrs. Sng Sow-mei alias Poon Sow Mei and Mr. Lan Hong Tsung, David. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the external auditor of the Company.

The Group's annual results for the year ended 31st December, 2010 have been reviewed by the Audit Committee.

Remuneration Committee

According to the Code on CG Practices, the Company established its remuneration committee ("Remuneration Committee") on 1st January, 2005 with a majority of the members thereof being Independent Non-executive Directors. The Remuneration Committee comprises the Chairman of the Board, Mr. Li Tzar Kuoi, Victor (Chairman of the Remuneration Committee), and two Independent Non-executive Directors, namely, Mr. Colin Stevens Russel and Mr. Cheong Ying Chew, Henry.

Annual General Meeting

The 2011 Annual General Meeting of the shareholders of the Company will be held at the Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Wednesday, 18th May, 2011 at 2:45 p.m. and the Notice of Annual General Meeting will be published and despatched to the shareholders in the manner as required by the Listing Rules in due course.

Closure of Register of Members

The Register of Members of the Company will be closed from Wednesday, 11th May, 2011 to Wednesday, 18th May, 2011, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and determine the entitlement to attend and vote at the 2011 Annual General Meeting, all share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 9th May, 2011.

As at the date hereof, the Executive Directors of the Company are Mr. LI Tzar Kuoi, Victor (Chairman), Mr. KAM Hing Lam (Group Managing Director), Mr. IP Tak Chuen, Edmond (Deputy Chairman), Mr. FOK Kin Ning, Canning (Deputy Chairman), Mr. Andrew John HUNTER (Deputy Managing Director), Mr. Chan Loi Shun (Chief Financial Officer), Mrs. CHOW WOO Mo Fong, Susan (also Alternate Director to Mr. FOK Kin Ning, Canning and Mr. Frank John SIXT), Mr. Frank John SIXT and Mr. TSO Kai Sum; the Non-executive Directors are Mr. CHEONG Ying Chew, Henry (Independent Non-executive Director), Mrs. KWOK Eva Lee (Independent Non-executive Director), Mrs. SNG Sow-mei alias POON Sow Mei (Independent Non-executive Director), Mr. Colin Stevens RUSSEL (Independent Non-executive Director), Mr. LAN Hong Tsung, David (Independent Non-executive Director), Mrs. LEE Pui Ling, Angelina, Mr. Barrie COOK and Mr. George Colin MAGNUS; the Alternate Directors are Mr. MAN Ka Keung, Simon (Alternate Director to Mr. IP Tak Chuen, Edmond) and Ms. Eirene YEUNG (Alternate Director to Mr. KAM Hing Lam).

CONSOLIDATED INCOME STATEMENT

for the year ended 31st December

HK$ million	Notes	**2010**	2009
Group turnover	2	**2,814**	2,184
Share of turnover of jointly controlled entities	2	**1,337**	1,870
		4,151	4,054
Group turnover	2	**2,814**	2,184
Other income	3	**531**	385
Operating costs	4	**(2,223)**	(2,078)
Finance costs		**(450)**	(423)
Exchange gain		**136**	337
Gain on disposal of a subsidiary		**-**	1,314
Share of results of associates		**4,034**	3,398
Share of results of jointly controlled entities		**333**	455
Profit before taxation		**5,175**	5,572
Taxation	5	**(8)**	(2)
Profit for the year	6	**5,167**	5,570
Attributable to:			
Shareholders of the Company		**5,028**	5,568
Owners of perpetual capital securities		**133**	-
Non-controlling interests		**6**	2
		5,167	5,570
Earnings per share	7	**HK$2.23**	HK$2.47

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK$ million	Notes	**31/12/2010**	Restated 31/12/2009	Restated 31/12/2008
Property, plant and equipment		**1,276**	1,320	1,185
Investment properties		**186**	174	164
Interests in associates		**50,573**	33,259	29,067
Interests in jointly controlled entities		**707**	603	3,361
Interests in infrastructure project investments		**-**	-	477
Investments in securities		**4,824**	4,459	2,597
Derivative financial instruments		**209**	-	624
Goodwill		**151**	158	143
Pledged bank deposit		**-**	-	1,113
Deferred tax assets		**9**	7	11
Other non-current assets		**29**	1	-
Total non-current assets		**57,964**	39,981	38,742
Inventories		**143**	170	140
Interests in infrastructure project investments		**-**	-	152
Derivative financial instruments		**186**	414	304
Debtors and prepayments	9	**529**	478	1,303
Pledged bank deposit		**-**	1,430	-
Bank balances and deposits		**5,438**	9,306	4,368
Total current assets		**6,296**	11,798	6,267
Bank and other loans		**1,228**	1,809	1,628
Derivative financial instruments		**53**	29	1
Creditors and accruals	10	**1,670**	1,238	1,149
Taxation		**107**	96	109
Total current liabilities		**3,058**	3,172	2,887
Net current assets		**3,238**	8,626	3,380
Total assets less current liabilities		**61,202**	48,607	42,122
Bank and other loans		**7,259**	6,062	5,115
Derivative financial instruments		**2**	-	50
Deferred tax liabilities		**254**	224	201
Other non-current liabilities		**-**	34	26
Total non-current liabilities		**7,515**	6,320	5,392
Net assets		**53,687**	42,287	36,730
Representing:				
Share capital		**2,254**	2,254	2,254
Reserves		**43,419**	39,961	34,421
Equity attributable to shareholders of the Company		**45,673**	42,215	36,675
Perpetual capital securities		**7,933**	-	-
Non-controlling interests		**81**	72	55
Total equity		**53,687**	42,287	36,730

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. 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 that are effective to the Group for accounting periods beginning on or after 1st January, 2010. The adoption of those HKFRSs has no material impact on the Group's results and financial position for the current or prior years except for the adoption of HKAS 17 (Amendment) "Leases".

The adoption of HKAS 17 (Amendment) "Leases" has resulted in a change in accounting policy for the classification of leasehold land of the Group. Previously, the Group's interests in leasehold land were accounted for as prepaid operating leases which were amortised and recognised in the consolidated income statement over the unexpired lease terms using the straight-line method. As substantially all risks and rewards of the leasehold land are considered having been transferred to the Group based on HKAS 17 (Amendment), the Group's interests in leasehold land are now accounted for as assets held under finance leases and are stated at cost less accumulated depreciation. The amendment has been applied retrospectively to unexpired leases since 1st January, 2010 on the basis of information existing at the inception of the leases. The amendment does not apply to the leasehold land disposed of by the Group in prior years.

Effect of change in accounting policy on consolidated statement of financial position:

	Effect of adopting HKAS 17 (Amendment)		
HK$ million	**31/12/2010**	31/12/2009	31/12/2008
Increase/(decrease) in:			
Property, plant and equipment	**256**	272	281
Leasehold land	**(256)**	(272)	(281)

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

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

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

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

HK$ million	**2010**	2009
Sales of infrastructure materials	**1,508**	1,132
Income from the supply of water	**260**	251
Return from infrastructure project investments	**-**	27
Interest income from loans granted to associates	**842**	614
Distribution from investments in securities	**204**	160
Group turnover	**2,814**	2,184
Share of turnover of jointly controlled entities	**1,337**	1,870
	4,151	4,054

3. OTHER INCOME

Other income includes the following:

HK$ million	**2010**	2009
Bank and other interest income	**271**	268
Change in fair values of investment properties	**12**	10
Loss on disposal of securities	**-**	(6)

4. OPERATING COSTS

Operating costs include the following:

HK$ million	**2010**	2009
Depreciation of property, plant and equipment	**79**	64
Change in fair values of investments in securities	**5**	(54)
Change in fair values of derivative financial instruments	**(13)**	33
Cost of inventories sold	**1,419**	1,039

5. TAXATION

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

HK$ million	**2010**	2009
Current taxation – overseas tax	**5**	4
Deferred taxation	**3**	(2)
Total	**8**	2

6. PROFIT FOR THE YEAR AND SEGMENT INFORMATION

for the year ended 31st December

	Investment in Power Assets*		Infrastructure Investments: Australia		Infrastructure Investments: United Kingdom		Infrastructure Investments: Mainland China		Infrastructure Investments: Canada and New Zealand		Infrastructure Investments: Sub-total		Infrastructure related business		Unallocated items		Consolidated	
HK$ million	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Group turnover	-	-	645	535	412	276	-	27	249	214	1,306	1,052	1,508	1,132	-	-	2,814	2,184
Share of turnover of jointly controlled entities	-	-	-	-	-	-	543	1,226	-	-	543	1,226	794	644	-	-	1,337	1,870
	-	-	645	535	412	276	543	1,253	249	214	1,849	2,278	2,302	1,776	-	-	4,151	4,054
Group turnover	-	-	645	535	412	276	-	27	249	214	1,306	1,052	1,508	1,132	-	-	2,814	2,184
Loss on disposal of securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6)	-	(6)
Bank and other interest income	-	-	-	-	11	16	-	-	-	-	11	16	70	70	190	182	271	268
Other income	-	-	-	-	62	35	136	29	-	-	198	64	57	54	5	5	260	123
Change in fair values of investments in securities and derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	1	34	7	(13)	8	21
Depreciation and amortisation	-	-	-	-	(34)	(34)	-	-	-	-	(34)	(34)	(45)	(30)	-	-	(79)	(64)
Other operating expenses	-	-	-	-	(157)	(197)	(3)	(16)	-	-	(160)	(213)	(1,409)	(1,166)	(583)	(656)	(2,152)	(2,035)
Finance costs	-	-	-	-	(37)	(40)	-	-	-	-	(37)	(40)	(4)	(1)	(409)	(382)	(450)	(423)
Gain on disposal of a subsidiary	-	-	-	-	-	-	-	1,314	-	-	-	1,314	-	-	-	-	-	1,314
Exchange gain	-	-	-	-	-	-	-	-	-	-	-	-	3	2	133	335	136	337
Share of results of associates and jointly controlled entities	2,770	2,578	381	270	927	554	249	395	(40)	4	1,517	1,223	80	52	-	-	4,367	3,853
Profit / (Loss) before taxation	2,770	2,578	1,026	805	1,184	610	382	1,749	209	218	2,801	3,382	261	147	(657)	(535)	5,175	5,572
Taxation	-	-	-	-	(1)	6	(8)	(9)	-	-	(9)	(3)	1	1	-	-	(8)	(2)
Profit / (Loss) for the year	2,770	2,578	1,026	805	1,183	616	374	1,740	209	218	2,792	3,379	262	148	(657)	(535)	5,167	5,570
Attributable to:																		
Shareholders of the Company	2,770	2,578	1,026	805	1,183	616	374	1,740	209	218	2,792	3,379	256	146	(790)	(535)	5,028	5,568
Owners of perpetual capital securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	133	-	133	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	6	2	-	-	6	2
	2,770	2,578	1,026	805	1,183	616	374	1,740	209	218	2,792	3,379	262	148	(657)	(535)	5,167	5,570

* During the year, the Group has a 38.87 per cent (2009: 38.87 per cent) equity interest in Power Assets Holdings Limited ("Power Assets") (formerly known as Hongkong Electric Holdings Limited), which is listed on The Stock Exchange of Hong Kong Limited.

6. 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 (previously referred to as "minority interests") without allocation of gains or losses from treasury activities, corporate overheads and other expenses of the Group's head office.

7. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of the Company of HK$5,028 million (2009: HK$5,568 million) and on 2,254,209,945 shares (2009: 2,254,209,945 shares) in issue during the year.

8. DIVIDENDS

HK$ million	**2010**	2009
Interim dividend paid of HK$0.33 per share (2009: HK$0.321 per share)	**744**	724
Proposed final dividend of HK$1 per share (2009: HK$0.88 per share)	**2,254**	1,983
Total	**2,998**	2,707

9. DEBTORS AND PREPAYMENTS

Included in debtors and prepayments are trade debtors of HK$267 million (31st December 2009 and 31st December 2008: HK$293 million and HK$243 million respectively) and their aging analysis is as follows:

HK$ million	**31/12/2010**	31/12/2009	31/12/2008
Current	**129**	187	139
Less than 1 month past due	**73**	63	52
1 to 3 months past due	**48**	29	38
More than 3 months but less than 12 months past due	**21**	22	25
More than 12 months past due	**51**	52	58
Amount past due	**193**	166	173
Allowance for doubtful debts	**(55)**	(60)	(69)
Total after allowance	**267**	293	243

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

10. CREDITORS AND ACCRUALS

Included in creditors and accruals are trade creditors of HK$154 million (31st December 2009 and 31st December 2008: HK$143 million and HK$139 million respectively) and their aging analysis is as follows:

HK$ million	**31/12/2010**	31/12/2009	31/12/2008
Current	**105**	100	100
1 month	**24**	18	24
2 to 3 months	**2**	6	1
Over 3 months	**23**	19	14
Total	**154**	143	139

11. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the current year's presentation as set out in note 1.

12. REVIEW OF ANNUAL RESULTS

The annual results have been reviewed by the Audit Committee.

13. SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position at 31st December, 2010, consolidated income statement and the related notes thereto for the year then ended 31st December, 2010 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.