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## **Cheung Kong Infrastructure Holdings Limited** **長江基建集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1038)**

# **THE CHAIRMAN'S LETTER FOR 2015**

### **Business Momentum Continues**

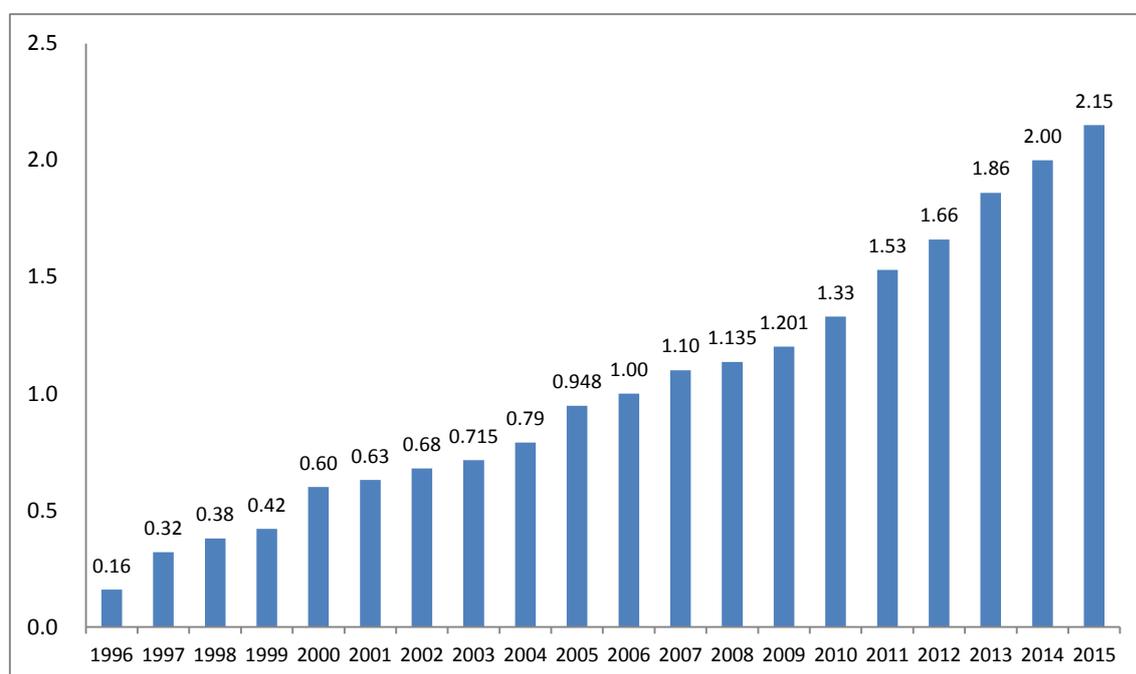
For the year ended 31st December, 2015, Cheung Kong Infrastructure Holdings Limited (“CKI”, the “Company” or the “Group”) recorded profit attributable to shareholders of HK\$11,162 million. A number of one-off items were recorded in 2014, including the gain from the spin-off of the Hong Kong operations of Power Assets Holdings Limited (“Power Assets”) and the gain from the disposal of Envestra shares, and as a result the reported profit for 2015 is a year-on-year reduction of 65%. If the impact of these two one-off items were excluded, the net profit would have increased by approximately 12%.

### **Dividend Growth for 19 Consecutive Years Since Listing**

The Board of Directors of CKI (the “Board”) has recommended a final dividend of HK\$1.55 per share. Together with the interim dividend of HK\$0.6 per share, this will bring the total dividend for the year to HK\$2.15, a 7.5% increase over the previous year.

This marks another year of dividend growth – the 19th consecutive year of dividend growth since the Group’s listing in 1996. The proposed dividend will be paid on Tuesday, 31st May, 2016, following approval at the 2016 Annual General Meeting to those shareholders whose names appear on the Register of Members of the Company at close of business on Wednesday, 18th May, 2016.

## Dividends per Share since Listing (HK\$)



## Acquisitions Propel Business Growth

During the year under review, two acquisitions were made.

The Group formed a 50/50 joint venture with CK Hutchison Holdings Limited – UK Rails – to acquire Eversholt Rail Group, one of the three major rolling stock companies in the United Kingdom. The transaction was completed in April 2015. The enterprise value of the transaction was GBP2.5 billion (approximately HK\$29.3 billion). This marks the Group's first foray into the United Kingdom's transportation infrastructure industry.

In the fourth quarter of 2015, CKI expanded its geographical reach to Portugal. The Group formed Portugal Renewable Energy with Power Assets on a 50/50 basis to acquire Iberwind – Desenvolvimento e Projectos, S.A., a wind power company in Portugal. The enterprise value of the transaction was Euro978 million (approximately HK\$8.2 billion). The Iberwind business consists of high quality windfarms, which benefit from a strong and supportive regulatory regime in Portugal.

## **Stable Fundamentals Underpin Diverse Infrastructure Portfolio**

In 2015, all business portfolios generated increased contributions to CKI in their local currencies. However, the reported results were impacted to varying degrees when translated into Hong Kong dollars due to the relative strength of the currency.

### ***Power Assets***

The profit contribution from Power Assets was HK\$3,005 million for the year. As a result of the one-off gain booked from the spin-off of HK Electric Investments in 2014 and the accounting losses incurred from the sale of HK Electric Investments' shares in June 2015, this year's contribution represents a decline of 87% as compared to 2014. Excluding the impact of these items, the profit contribution from Power Assets would have shown a small improvement over 2014.

During the year, Power Assets formed Portugal Renewable Energy with CKI and acquired Iberwind in Portugal, expanding the company's business in renewable energy.

In September, CKI presented a merger proposal to Power Assets to create a large infrastructure company of approximately HK\$250 billion market capitalisation. Disappointingly, this proposal was not approved by the required number of independent shareholders of Power Assets though over 50% voted in favour of the scheme.

### ***UK Portfolio***

The infrastructure portfolio in the United Kingdom continued to generate good returns. Profit contributions amounted to HK\$6,765 million, an increase of 9% over last year. In local currency terms, the portfolio reported a 17% increase in profit contribution year-on-year.

In 2015, a tax credit of approximately HK\$968 million was included in the profit contribution as a result of further reductions in the United Kingdom corporate tax rate.

With both UK Power Networks and Northumbrian Water commencing new regulatory resets on 1st April, 2015, all four CKI's regulated businesses in the United Kingdom are now operating at the early years of their regulatory regimes. As such there is high predictability of income in the coming years.

All operations in the UK portfolio recorded good performance, as illustrated by the number of accolades they have all won in 2015 for their accomplishments. The most notable is UK Power Networks' being named "Utility of the Year" for the second time, having previously won this award in 2012.

The newly acquired UK Rails delivered 8½ months of profit contribution in 2015. In addition to generating the expected cash flow and recurring income, two expansion initiatives were launched since the acquisition – one involving a GBP360 million (approximately HK\$4.3 billion) procure and lease contract for 173 new vehicles, and another a GBP490 million (approximately HK\$5.5 billion) one for 281 new vehicles.

### ***Australian Businesses***

Profit contribution from CKI's Australian businesses was HK\$1,144 million, a drop of 67% as compared to the previous year. This is mainly due to the one-off gain reported from the Australian Gas Networks transaction in 2014 as well as the weakened Australian dollar. Excluding the Australian Gas Networks' one-off gain, the businesses recorded a 12% year-on-year increase in local currency.

Operational performance for SA Power Networks, Victoria Power Networks and Australian Gas Networks were in line with expectations during the year.

SA Power Networks and Victoria Power Networks commenced new regulatory resets on 1st July, 2015 and 1st January, 2016 respectively. These new regulatory regimes are expected to provide a stable and predictable framework in the coming years.

In 2015, Australian Gas Networks provided the first full year of profit contribution to the Group; the results of which are pleasing.

### ***Other Infrastructure Businesses***

CKI's other infrastructure businesses – including those in Mainland China, Canada, New Zealand, the Netherlands and Portugal, as well as the Group's materials businesses – performed satisfactorily during the year and generated steady returns.

A 21% increase in profit contribution was recorded in the Mainland China portfolio. This is mainly attributable to the gain generated from the divestment of the Jiangmen Jiangsha Highway.

In New Zealand and Canada, growth in profit contributions was affected by the weak currency exchange rates. The portfolios recorded a year-on-year decrease of 12% and 1.4% respectively. In local currency terms, the portfolio in New Zealand recorded an increase of 5%, and the Canadian portfolio a growth of 14% in profit contributions.

In Continental Europe, Dutch Enviro Energy, generated an 11% year-on-year increase in profit contribution in Hong Kong dollars, and 28% in local currency. In addition, Portugal Renewable Energy made its first contribution to the Group during the period under review.

The materials businesses achieved sound results recording profit growth of 11%. During the year, there was an increase in the demand for concrete in Hong Kong.

### **Strong Financial Platform**

As CKI continues to grow its global portfolio of infrastructure businesses and expand into new industries, the Group is committed to maintaining its strong financial position.

As at 31st December, 2015, the Group had cash on hand of HK\$8 billion and a net debt to net total capital ratio of 8%. CKI is in a strong position to make more acquisitions.

Standard & Poor's continues to rate the Group "A-/Stable".

### **Subsequent Events**

On 1st March, 2016, CKI issued US\$1.2 billion 5.875% guaranteed perpetual capital securities. The proceeds are used for general corporate purposes, including the funding of the redemption of the US\$1 billion 6.625% guaranteed perpetual capital securities issued in 2010.

On 25th February, 2016, Hang Seng Indexes Company Limited announced that, effective from 14th March, 2016, CKI would become a constituent stock of the Hang Seng Index.

### **Outlook**

This year marks the 20th anniversary of CKI's listing on the Hong Kong Stock Exchange. We are very pleased with the growth momentum that has taken place this past two decades. We have established a good track record of solid organic growth, opportune well-priced acquisitions, and prudent financial management.

Going forward, we will continue to build on our strong financial platform and expand in existing markets and industries as well as new ones. We see ample opportunities for continuous growth both within our existing businesses and through acquisitions.

Notwithstanding our commitment to growth, we will continue to maintain our discipline of not approaching any new investments with a “must-win” mentality. We will remain steadfast in adhering to our investment criteria.

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

**LI TZAR KUOI, VICTOR**

Chairman

Hong Kong, 16th March, 2016

## **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, share placement and other project loans.

As at 31st December, 2015, cash and bank deposits on hand amounted to HK\$7,897 million and the total borrowings of the Group amounted to HK\$17,177 million, which included Hong Kong dollar notes of HK\$260 million and foreign currency borrowings of HK\$16,917 million. Of the total borrowings, 93 per cent were repayable between 2017 and 2020 and 7 per cent were repayable beyond 2020. 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, New Zealand dollars, Pounds Sterling, Canadian dollars, Euro or Renminbi. 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, 2015, the Group maintained a net debt position with a net debt to net total capital ratio of 8 per cent, which was based on its net debt of HK\$9,280 million and net total capital, which represents the total borrowings plus total equity net of cash and bank deposits, of HK\$119,839 million. This ratio was lower than the net debt to net total capital ratio of 10 per cent at the year end of 2014. This change was mainly due to the funds raised in share replacement and the sales proceeds from disposals of investment in securities, which were partially utilised for investments in a transportation project in the United Kingdom and a wind energy project in Portugal during the 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, 2015, the notional amounts of these derivative instruments amounted to HK\$44,731 million.

## Charge on Group Assets

As at 31st December, 2015:

- the Group's obligations under finance leases totalling HK\$22 million were secured by charges over the leased assets with carrying value of HK\$20 million; and
- the shares of a subsidiary with net asset value of HK\$1,027 million were pledged to secure bank borrowings totalling HK\$1,008 million granted to the Group.

## Contingent Liabilities

As at 31st December, 2015, the Group was subject to the following contingent liabilities:

HK\$ million

Guarantee in respect of bank loan drawn by affiliated companies	1,120
Other guarantee given in respect of an affiliated company	695
Performance bond indemnities	94
Sub-contractor warranties	6
Total	1,915

## Employees

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 2,070 employees. Employees' cost (excluding directors' emoluments) amounted to HK\$685 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, 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **Corporate Governance Code**

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 emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders.

Save as disclosed below, the Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code ("CG Code") 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, 2015. In respect of code provisions A.5.1 to A.5.4 of the CG Code, the Company does not have a nomination committee. At present, the Company does not consider it necessary to have a nomination committee as the full Board is responsible for reviewing the structure, size and composition of the Board and the appointment of new Directors from time to time to ensure that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole is also responsible for reviewing the succession plan for the Directors, in particular the Chairman of the Board and the Group Managing Director. In respect of code provision A.6.7 of the CG Code, two Non-executive Directors did not attend the annual general meeting of the Company held on 14th May, 2015 due to an overseas commitment and health reason respectively.

The Group is committed to achieving and maintaining standards of openness, probity and accountability. In line with this commitment and in compliance with the CG Code, the Audit Committee of the Company has established the Procedures for Reporting Possible Improprieties in Matters of Financial Reporting, Internal Control or Other Matters. In addition, the Company has established the Policy on Handling of Confidential Information, Information Disclosure, and Securities Dealing for compliance by the Company's employees.

## **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 have from time to time been modified, in accordance with the prevailing provisions of the CG Code.

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, review of the relationship with the external auditor of the Company and performance of the corporate governance functions delegated by the Board.

The Group’s annual results for the year ended 31st December, 2015 have been reviewed by the Audit Committee and audited by the independent auditor of the Company, Deloitte Touche Tohmatsu.

## **Remuneration Committee**

In compliance with the CG Code, 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, and two Independent Non-executive Directors, namely, Mr. Cheong Ying Chew, Henry (Chairman of the Remuneration Committee) and Mr. Colin Stevens Russel.

## **Annual General Meeting**

The 2016 Annual General Meeting of the shareholders of the Company will be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Thursday, 12th May, 2016 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 Monday, 9th May, 2016 to Thursday, 12th May, 2016, both days inclusive, during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the 2016 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 at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 6th May, 2016.

The final dividend is payable to shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 18th May, 2016, being the record date for determination of entitlement to the final dividend. In order to qualify for the proposed final dividend, 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 at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 18th May, 2016.

*As at the date of this document, 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) and Mr. Frank John SIXT; 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), Mr. Barrie COOK (Independent Non-executive Director), Mrs. LEE Pui Ling, Angelina and Mr. George Colin MAGNUS; and 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	2015	2014
<b>Turnover</b>	2	<b>28,537</b>	28,197
<b>Sales and interest income</b>			
<b>from infrastructure investments</b>	2	<b>5,557</b>	5,971
Other income	3	537	447
Operating costs	4	(2,865)	(4,395)
Finance costs		(726)	(906)
Exchange (loss) / gain		(326)	207
Gain on disposal of a subsidiary		-	2,236
Share of results of associates		3,275	23,156
Share of results of joint ventures		6,198	5,630
<b>Profit before taxation</b>		<b>11,650</b>	32,346
Taxation	5(a)	8	(26)
<b>Profit for the year</b>	6	<b>11,658</b>	32,320
<b>Attributable to:</b>			
Shareholders of the Company		11,162	31,782
Owners of perpetual capital securities		517	543
Non-controlling interests		(21)	(5)
		<b>11,658</b>	32,320
<b>Earnings per share</b>	7	<b>HK\$4.44</b>	HK\$13.03

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31st December

HK\$ million	Notes	2015	2014
Property, plant and equipment		2,379	2,452
Investment properties		334	305
Interests in associates		54,004	54,135
Interests in joint ventures		60,988	52,999
Investments in securities		1,985	3,889
Derivative financial instruments		571	86
Goodwill and intangible assets		2,525	2,877
Deferred tax assets		21	15
Other non-current assets		17	-
<b>Total non-current assets</b>		<b>122,824</b>	<b>116,758</b>
Inventories		165	175
Derivative financial instruments		423	825
Debtors and prepayments	9	793	1,204
Bank balances and deposits		7,897	7,108
<b>Total current assets</b>		<b>9,278</b>	<b>9,312</b>
Bank and other loans		15	1,690
Derivative financial instruments		121	24
Creditors and accruals	10	3,432	4,749
Taxation		113	108
<b>Total current liabilities</b>		<b>3,681</b>	<b>6,571</b>
<b>Net current assets</b>		<b>5,597</b>	<b>2,741</b>
<b>Total assets less current liabilities</b>		<b>128,421</b>	<b>119,499</b>
Bank and other loans		17,162	16,947
Derivative financial instruments		175	214
Deferred tax liabilities		488	552
Other non-current liabilities		37	40
<b>Total non-current liabilities</b>		<b>17,862</b>	<b>17,753</b>
<b>Net assets</b>		<b>110,559</b>	<b>101,746</b>
Representing:			
Share capital		2,520	2,440
Reserves		100,051	91,296
<b>Equity attributable to shareholders of the Company</b>		<b>102,571</b>	<b>93,736</b>
Perpetual capital securities		7,933	7,933
Non-controlling interests		55	77
<b>Total equity</b>		<b>110,559</b>	<b>101,746</b>

## 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, 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.

### 2. 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
<b>Sales and interest income</b>		
<b>from infrastructure investments</b>	<b>5,557</b>	<b>5,971</b>
<b>Share of turnover of joint ventures</b>	<b>22,980</b>	<b>22,226</b>
<b>Turnover</b>	<b>28,537</b>	<b>28,197</b>

### 3. 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

### 4. OPERATING COSTS

Operating costs include the following:

HK\$ million	2015	2014
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	-

### 5. TAXATION

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

HK\$ million	2015	2014
Current taxation – Hong Kong	(1)	3
Current taxation – outside Hong Kong	39	44
Deferred taxation	(46)	(21)
<b>Total</b>	<b>(8)</b>	<b>26</b>

## **5. TAXATION (Cont'd)**

- (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.

## 6. PROFIT FOR THE YEAR AND SEGMENT INFORMATION

for the year ended 31st December

HK\$ million	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		2015	2014	2015	2014	2015	2014
	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	-	-	1,556	1,318	424	508	-	-	1,279	1,362	137	141	3,396	3,329	2,161	2,642	-	-	5,557	5,971
from infrastructure investments	-	-	-	-	-	-	1	2	-	-	-	-	1	2	33	47	55	29	89	78
Bank and other interest income	-	-	-	-	-	-	-	-	-	-	-	-	-	2,236	-	-	-	-	-	2,236
Gain on disposal of a subsidiary	-	-	-	-	-	12	-	-	-	-	-	-	-	12	-	-	-	-	-	12
Gain on disposal of an associate	-	-	-	-	-	-	34	-	-	-	-	-	34	-	-	-	-	-	34	-
Gain on disposal of a joint venture	-	-	28	4	-	129	163	108	1	1	-	-	192	242	68	62	109	53	369	357
Other income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	45	(134)	45	(134)
Change in fair value of derivative financial instruments	-	-	(5)	(5)	-	-	-	-	(142)	(159)	-	-	(147)	(164)	(95)	(97)	(1)	(1)	(243)	(262)
Depreciation and amortisation	-	-	(41)	(48)	-	-	(46)	(67)	(897)	(929)	-	-	(984)	(1,044)	(2,002)	(2,454)	364	(501)	(2,622)	(3,999)
Other operating expenses	-	-	(1)	(2)	-	-	-	-	(68)	(84)	-	-	(69)	(86)	-	(1)	(657)	(819)	(726)	(906)
Finance costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2	(328)	205	(326)	207
Exchange gain / (loss)	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
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
<b>Profit / (Loss) before taxation</b>	<b>3,005</b>	<b>22,695</b>	<b>6,709</b>	<b>6,185</b>	<b>1,144</b>	<b>3,468</b>	<b>357</b>	<b>310</b>	<b>177</b>	<b>205</b>	<b>300</b>	<b>286</b>	<b>8,687</b>	<b>10,454</b>	<b>371</b>	<b>365</b>	<b>(413)</b>	<b>(1,168)</b>	<b>11,650</b>	<b>32,346</b>
Taxation	-	-	56	31	-	-	(11)	(23)	(8)	(13)	(1)	(1)	36	(6)	(2)	(20)	(26)	-	8	(26)
<b>Profit / (Loss) for the year</b>	<b>3,005</b>	<b>22,695</b>	<b>6,765</b>	<b>6,216</b>	<b>1,144</b>	<b>3,468</b>	<b>346</b>	<b>287</b>	<b>169</b>	<b>192</b>	<b>299</b>	<b>285</b>	<b>8,723</b>	<b>10,448</b>	<b>369</b>	<b>345</b>	<b>(439)</b>	<b>(1,168)</b>	<b>11,658</b>	<b>32,320</b>
<b>Attributable to:</b>																				
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)
	<b>3,005</b>	<b>22,695</b>	<b>6,765</b>	<b>6,216</b>	<b>1,144</b>	<b>3,468</b>	<b>346</b>	<b>287</b>	<b>169</b>	<b>192</b>	<b>299</b>	<b>285</b>	<b>8,723</b>	<b>10,448</b>	<b>369</b>	<b>345</b>	<b>(439)</b>	<b>(1,168)</b>	<b>11,658</b>	<b>32,320</b>

\* 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 The Stock Exchange of Hong Kong Limited. 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.

## 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 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\$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.

## 8. 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
<b>Total</b>	<b>5,417</b>	<b>4,997</b>

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 11).

(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

## 9. DEBTORS AND PREPAYMENTS

Included in debtors and prepayments are trade debtors of HK\$312 million (2014: HK\$438 million) and their aging analysis 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)
<b>Total after allowance</b>	<b>312</b>	<b>438</b>

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.

## 10. CREDITORS AND ACCRUALS

Included in creditors and accruals are trade creditors of HK\$190 million (2014: HK\$282 million) and their aging analysis 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
<b>Total</b>	<b>190</b>	<b>282</b>

## **11. 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).

## **12. COMPARATIVE FIGURES**

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

## **13. REVIEW OF ANNUAL RESULTS**

The annual results have been reviewed by the Audit Committee.

## **14. SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group’s consolidated statement of financial position as at 31st December, 2015, consolidated income statement and the related notes thereto for the year then ended 31st December, 2015 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.