



**CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock Code: 1038)



**CKI -  
A GLOBAL  
INFRASTRUCTURE  
COMPANY**

**Annual Report 2014**

**CKI** is the largest publicly listed infrastructure company in Hong Kong with diversified investments in Energy Infrastructure, Transportation Infrastructure, Water Infrastructure, Waste Management and Infrastructure Related Business. Operating in Hong Kong, Mainland China, the United Kingdom, the Netherlands, Australia, New Zealand and Canada, it is a leading player in the global infrastructure arena.



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# THE GROWTH

# 18

Consecutive Years of  
Dividend Growth Since Listing

Profit Attributable  
to Shareholders  
(HK\$ million)

# 31,782





# THE CAPITAL

Cash on Hand  
(HK\$ million)

7,108

Net Debt to  
Net Total Capital Ratio

10%

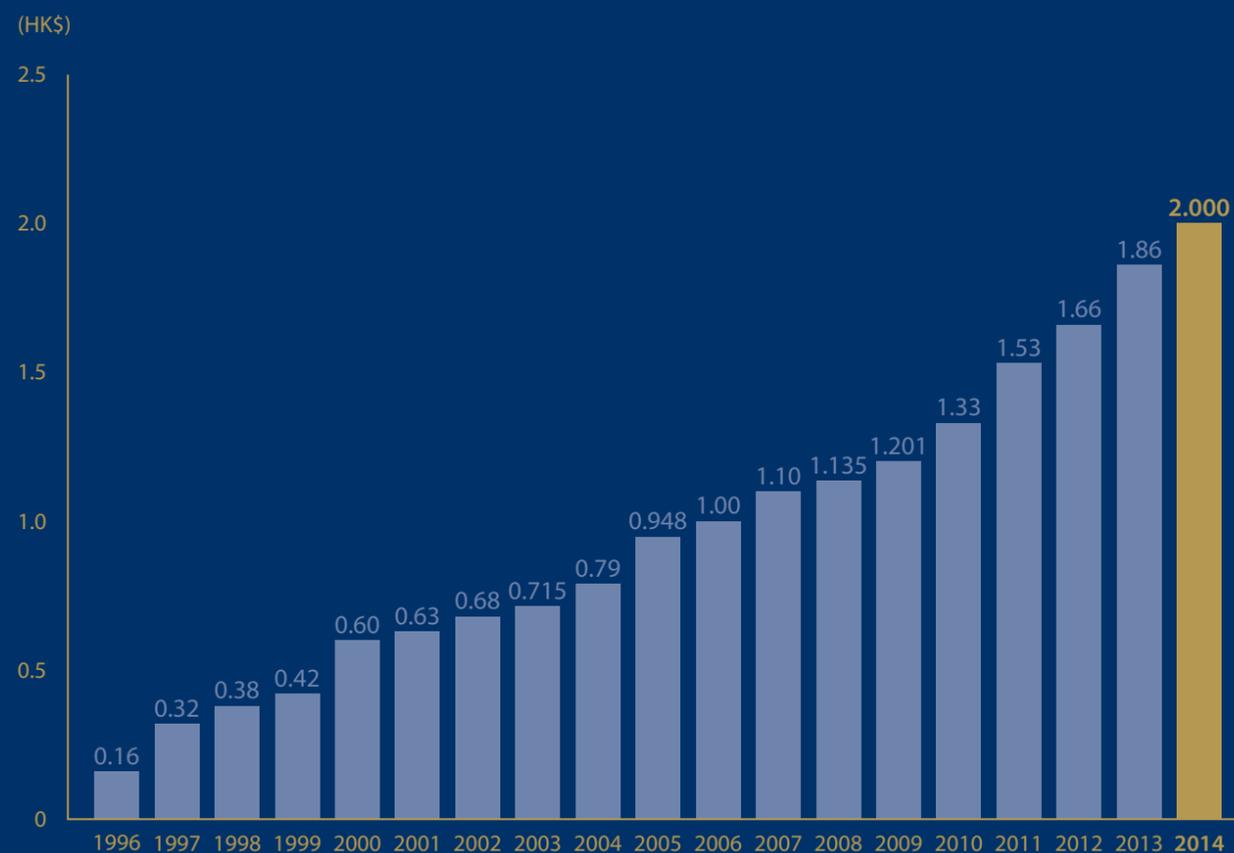
Credit Rating of

A-

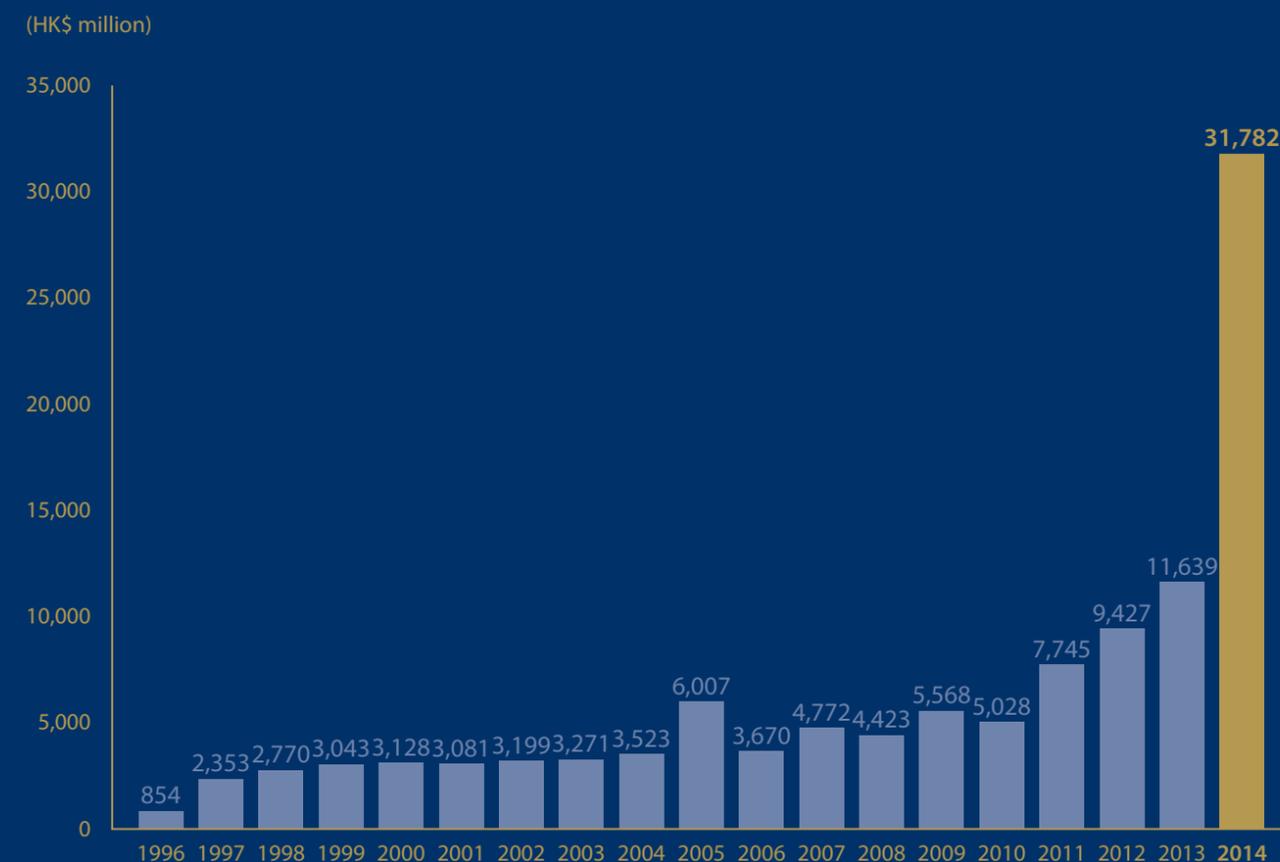
From Standard & Poor's  
Since First Rated in 1997



## 18 YEARS OF CONTINUOUS DIVIDEND GROWTH SINCE LISTING



## PROFIT ATTRIBUTABLE TO SHAREHOLDERS SINCE LISTING



# THE BUSINESS

## Infrastructure Investment in **UNITED KINGDOM**

- UK Power Networks
- Northumbrian Water
- Northern Gas Networks
- Wales & West Gas Networks
- Seabank Power
- Southern Water
- Eversholt Rail\*

## Infrastructure Investment in **AUSTRALIA**

- SA Power Networks
- Victoria Power Networks
- Australian Gas Networks
- Transmission Operations Australia
- Spark Infrastructure

## Infrastructure Investment in **MAINLAND CHINA**

- Shen-Shan Highway (Eastern Section)
- Shantou Bay Bridge
- Tangshan Tangle Road
- Changsha Wujialing and Wuyilu Bridges
- Jiangmen Chaolian Bridge
- Jiangmen Jiangsha Highway
- Panyu Beidou Bridge

## Investment in **INFRASTRUCTURE RELATED BUSINESS**

- Alliance Construction Materials
- Green Island Cement
- Anderson Asphalt
- Green Island Cement (Yunfu)
- Guangdong Gitic Green Island Cement
- Siquijor Limestone Quarry

## Infrastructure Investment in **NEW ZEALAND**

- Wellington Electricity
- EnviroWaste

## Infrastructure Investment in **NETHERLANDS**

- Dutch Enviro Energy

## Investment in **POWER ASSETS**

- Power Assets

## Infrastructure Investment in **CANADA**

- Canadian Power
- Park'N Fly

\* Completion of the acquisition is expected to take place around April 2015.



# THE PEOPLE



# TEN-YEAR FINANCIAL SUMMARY

## Consolidated Income Statement Summary

for the year ended 31st December

HK\$ million	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Group turnover	<b>6,100</b>	5,018	4,105	3,493	2,814	2,184	2,445	1,865	1,822	2,247
Share of turnover of joint ventures	<b>22,226</b>	19,413	17,527	12,832	5,187	4,053	7,816	5,856	4,534	3,228
Profit attributable to shareholders	<b>31,782</b>	11,639	9,427	7,745	5,028	5,568	4,423	4,772	3,670	6,007
Dividends										
Interim dividend paid	<b>1,281</b>	1,220	976	854	744	724	670	609	564	541
Proposed final dividend	<b>3,716</b>	3,318	3,074	2,724	2,254	1,983	1,889	1,871	1,690	1,596
	<b>4,997</b>	4,538	4,050	3,578	2,998	2,707	2,559	2,480	2,254	2,137

## Consolidated Statement of Financial Position Summary

as at 31st December

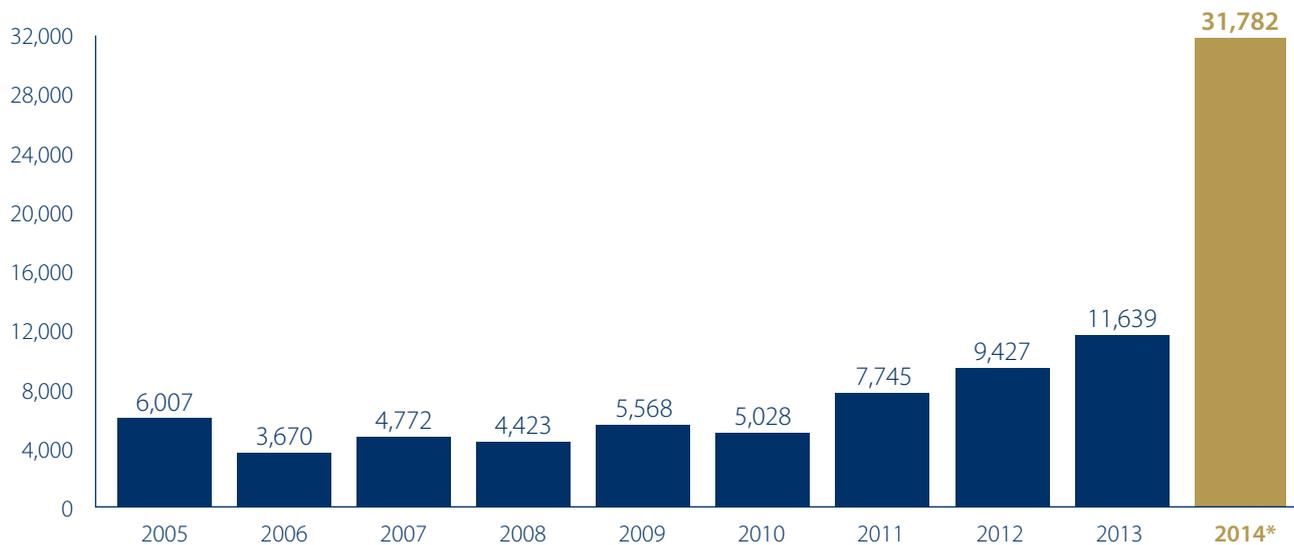
HK\$ million	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Property, plant and equipment	<b>2,452</b>	2,408	1,477	845	1,276	1,320	1,185	1,413	1,292	1,245
Investment properties	<b>305</b>	268	238	206	186	174	164	160	130	59
Interests in associates	<b>54,135</b>	34,583	32,737	30,220	29,797	26,859	24,456	26,856	25,978	23,761
Interests in joint ventures	<b>52,999</b>	46,244	39,678	33,226	21,483	7,003	7,972	6,709	7,642	7,487
Interests in infrastructure project investments	<b>–</b>	–	–	–	–	–	477	377	490	579
Investments in securities	<b>3,889</b>	4,599	6,199	5,197	4,824	4,459	2,597	4,187	3,064	2,092
Derivative financial instruments	<b>86</b>	42	–	158	209	–	624	55	38	447
Goodwill and intangible assets	<b>2,877</b>	2,966	–	–	151	158	143	209	205	175
Pledged bank deposit	<b>–</b>	–	–	–	–	–	1,113	–	–	–
Deferred tax assets	<b>15</b>	20	22	15	9	7	11	5	–	–
Other non-current assets	<b>–</b>	–	–	–	29	1	–	19	13	9
Current assets	<b>9,312</b>	8,778	8,191	6,956	6,296	11,798	6,267	9,452	8,770	8,701
Total assets	<b>126,070</b>	99,908	88,542	76,823	64,260	51,779	45,009	49,442	47,622	44,555
Current liabilities	<b>(6,571)</b>	(5,040)	(3,291)	(13,527)	(3,058)	(3,172)	(2,887)	(4,802)	(5,648)	(1,221)
Non-current liabilities	<b>(17,753)</b>	(14,270)	(11,870)	(3,524)	(7,515)	(6,320)	(5,392)	(5,183)	(6,109)	(9,798)
Total liabilities	<b>(24,324)</b>	(19,310)	(15,161)	(17,051)	(10,573)	(9,492)	(8,279)	(9,985)	(11,757)	(11,019)
Perpetual capital securities	<b>(7,933)</b>	(10,329)	(10,329)	(7,933)	(7,933)	–	–	–	–	–
Non-controlling interests	<b>(77)</b>	(84)	(89)	(95)	(81)	(72)	(55)	(48)	(41)	(38)
Equity attributable to shareholders	<b>93,736</b>	70,185	62,963	51,744	45,673	42,215	36,675	39,409	35,824	33,498

## Per Share Data

HK\$	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Earnings per share	<b>13.03</b>	4.77	3.93	3.38	2.23	2.47	1.96	2.12	1.63	2.66
Dividends per share	<b>2.000</b>	1.860	1.660	1.530	1.330	1.201	1.135	1.100	1.000	0.948
Shareholders' equity – net book value per share	<b>38.42</b>	28.77	25.81	22.13	20.26	18.73	16.27	17.48	15.89	14.86

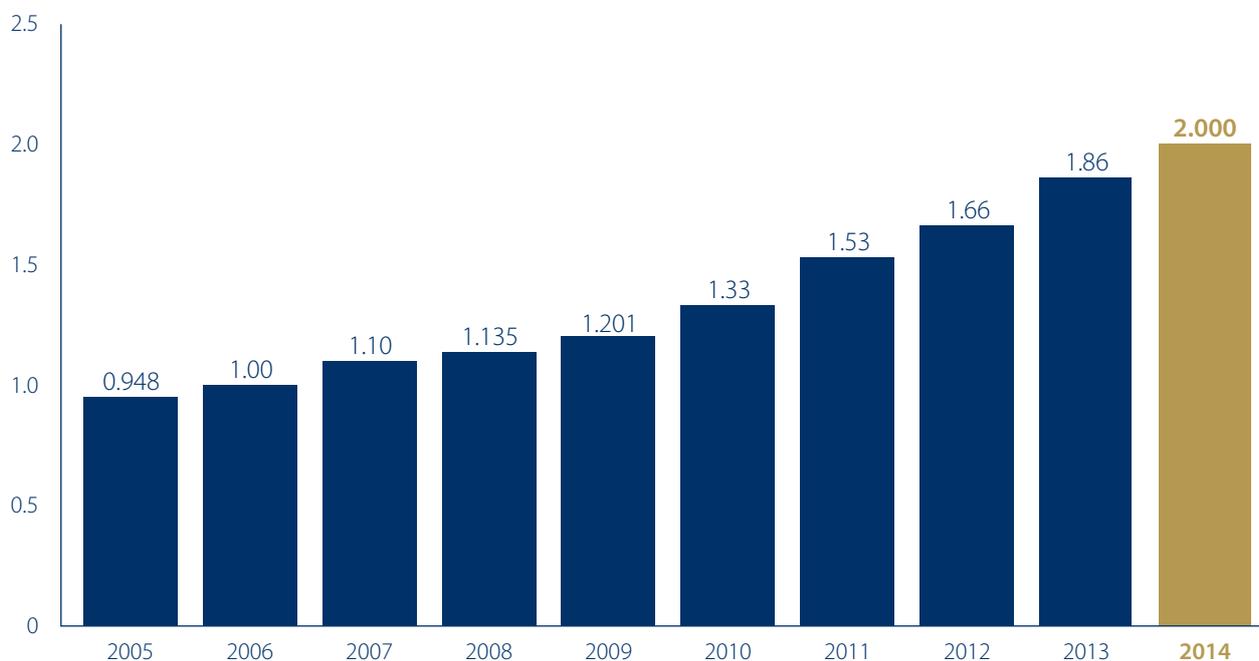
## Profit Attributable to Shareholders

(HK\$ million)



## Dividends Per Share

(HK\$)



\* The spin-off of the Hong Kong electricity business of Power Assets Holdings Limited in January 2014 generated an exceptional one-off gain of approximately HK\$19 billion to CKI.

## CHAIRMAN'S LETTER



**LI TZAR KUOI, VICTOR**  
Chairman

For the year ended 31st December, 2014, Cheung Kong Infrastructure Holdings Limited (“CKI” or the “Group”) recorded a profit attributable to shareholders of HK\$31,782 million, an increase of 173% over last year.

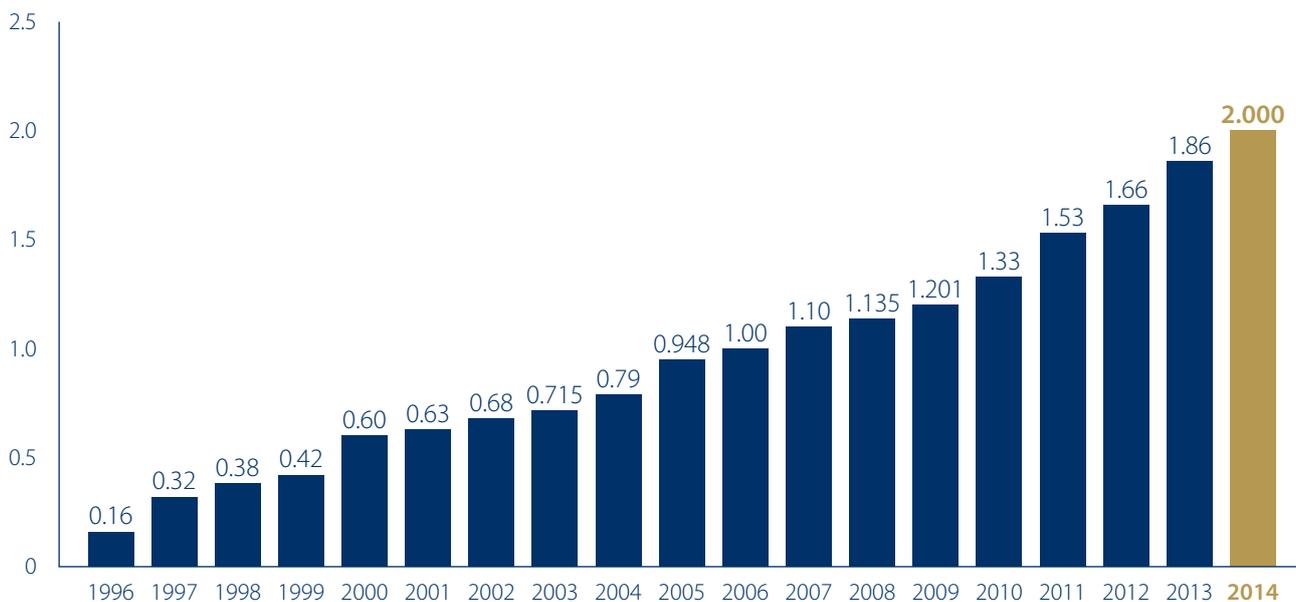
The spin-off of the Hong Kong electricity business of Power Assets Holdings Limited (“Power Assets”) in January 2014 generated an exceptional one-off gain of approximately HK\$19 billion to CKI. Excluding this one-off gain, profit attributable to shareholders would have increased by 5%.

The Board of Directors of CKI (the “Board”) has recommended a final dividend of HK\$1.475 per share. Together with the interim dividend of HK\$0.525 per share, this will bring the total dividend for the year to HK\$2.000, representing an increase of 7.5% over the previous year.

The Group has reported continuous dividend growth for 18 consecutive years since the listing of CKI in 1996.

The proposed dividend will be paid on 2nd June, 2015 following approval at the 2015 Annual General Meeting to those shareholders whose names appear on the Register of Members of the Company at close of business on 20th May, 2015.

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



## CHAIRMAN'S LETTER

### ACQUISITIONS FUEL FURTHER EXPANSION

During the year, CKI made two major acquisitions.

In July 2014, a 50/50 joint venture comprising CKI and Cheung Kong (Holdings) Limited <sup>Note</sup> ("Cheung Kong (Holdings)") acquired Park'N Fly, the off-airport car park provider in Canada. The enterprise value of the transaction was approximately HK\$2.72 billion (approximately C\$381 million).

Park'N Fly provides off-airport car park facilities mainly in Toronto, Vancouver, Montreal, Edmonton and Ottawa. This acquisition has generated immediate recurring cash flow to the Group and has strengthened CKI's presence in Canada.

CKI, together with Cheung Kong (Holdings) and Power Assets, acquired Envestra Limited ("Envestra") (now known as Australian Gas Networks Limited ("Australian Gas Networks")) through an off-market takeover bid. The acquisition was completed in the third quarter of 2014 for a total consideration of around HK\$14.1 billion (approximately A\$1.96 billion).

Envestra is one of the largest natural gas distribution companies in Australia, serving South Australia, Victoria, Queensland, New South Wales and the Northern Territory. Subsequent to the completion of the transaction, Envestra was renamed Australian Gas Networks.

These new acquisitions are expected to generate steady returns to CKI, further enhancing the Group's income base.

### STABLE PERFORMANCE UNDERPINNED THE INFRASTRUCTURE PORTFOLIO

#### Power Assets Unlocked Value of Hong Kong Business

Power Assets delivered an outstanding profit contribution to CKI for the year under review. The Hong Kong electricity business was spun-off and listed on the Main Board of The Stock Exchange of Hong Kong Limited in January 2014. This enabled Power Assets to unlock the value of its Hong Kong operations and resulted in a one-off gain of approximately HK\$19 billion for the Group.

Power Assets is in a strong net cash position, with ample resources to pursue further growth opportunities.

Note: The holding company of the Cheung Kong (Holdings) Group was changed from Cheung Kong (Holdings) Limited ("Cheung Kong (Holdings)") to CK Hutchison Holdings Limited with effect from 18th March, 2015, which replaced the listing status of Cheung Kong (Holdings) on The Stock Exchange of Hong Kong Limited with effect from the same date.

## **UK Businesses Provide Secure Foundation**

The United Kingdom portfolio continued to be a major profit contributor to CKI.

In 2014, profit contributions from the United Kingdom was HK\$6,216 million. The 17% decline over last year was due to one-off non-cash deferred tax adjustments posted in 2013.

The completion of regulatory resets represents a key achievement of CKI's four regulated businesses in the United Kingdom. UK Power Networks and Northumbrian Water received final determinations in 2014, while the new regulatory regimes for Northern Gas Networks and Wales & West Utilities commenced in 2013. These resets provide a high degree of predictability for the Group's regulated businesses in the country.

During the year, a number of awards were attained by our United Kingdom businesses. One of the most acclaimed accolades was the Queen's Award for Enterprise won by Northumbrian Water, a highly prestigious business award in the country.

## **Further Investment Enriched Australian Portfolio**

Profit contribution from the Australian portfolio increased 208% to HK\$3,468 million.

Prior to the completion of the off-market takeover bid, CKI's 17.46% shareholding in Envestra provided dividend income for the Group during the period under review. The shareholding also generated a one-off gain of approximately HK\$2.2 billion. Post-transaction, CKI holds an interest of approximately 45% in the company, and four months of profit contribution has been received since.

Both SA Power Networks and Victoria Power Networks performed well during the year. Negotiations for regulatory resets are currently underway, with SA Power Networks' new regulatory period commencing in July 2015 and Victoria Power Networks' starting in January 2016.

## **Other Businesses Provided Steady Income**

CKI's other businesses – including those in Mainland China, Canada, New Zealand and the Netherlands, as well as the materials business – performed satisfactorily during the year, providing steady earnings contributions to the Group.

The financial performance of the Mainland China portfolio was in line with expectations. The toll road investments were operationally sound and continued to deliver cash returns to CKI. However, profit contribution saw a decrease of 27%. This was primarily due to the inclusion of a one-off gain generated from the disposal of the Group's interest in the National Highway 107 (Zhumadian Sections) in 2013.

In Canada, profit contribution increased 63% to HK\$143 million. Canadian Power continued to provide stable returns, while Park'N Fly, the newly acquired off-airport car park provider, delivered five months of profit contribution.

In the Netherlands, AVR performed well and provided its first full year of profit contribution. This energy-from-waste business delivered a profit contribution of HK\$142 million.

## CHAIRMAN'S LETTER

Profit contribution from New Zealand was HK\$192 million, representing an increase of 25%. The growth was driven by the first full year of profit contribution from EnviroWaste, as well as the steady returns from Wellington Electricity.

The Group's materials business recorded growth of 2% in 2014. The new Yunfu cement plant in China is now in full operation.

### STRONG FINANCIAL POSITION

One of the Group's priorities in achieving sustainable growth is to maintain a strong financial position.

As at 31st December, 2014, the Group had cash on hand of HK\$7,108 million and a net debt to net total capital ratio of 10%. CKI has strong capabilities to continue to make acquisitions that meet its stringent investment criteria.

During the year, the Group maintained its "A-/Stable" credit rating from Standard & Poor's.

### SUBSEQUENT EVENTS

In January 2015, a 50/50 joint venture of CKI and Cheung Kong (Holdings) entered into an agreement to acquire Eversholt Rail Group ("Eversholt Rail") in the United Kingdom. The enterprise value of the transaction is approximately HK\$29.3 billion (approximately GBP2.5 billion). Completion is expected to take place around April 2015.

Eversholt Rail is one of the three major rolling stock operating companies in the United Kingdom. It leases a diverse range of rolling stock, including regional, commuter and high speed passenger trains, as well as freight locomotives and wagons, on long-term contracts. The acquisition adds a new facet to CKI's transportation business portfolio and is expected to deliver recurring cash flows as well as stable returns.

Another initiative that took place in January 2015 was a share placement exercise. 80 million shares were offered and approximately HK\$4.6 billion were raised. This has further strengthened CKI's financial position.

### OUTLOOK

The Group's strategy to achieve continued business growth and to enhance returns to shareholders remains unchanged: we will grow and develop existing businesses organically; we will acquire new businesses that generate attractive and secure returns; and we will maintain our strong balance sheet.

During the year, all our existing businesses continued to consolidate their foundations and provide recurring cash flows to CKI. Organic growth is also on track.

Expansion through acquisition is expected to continue. We will review potential acquisition opportunities around the world to add value to CKI's portfolio. We believe that there is significant growth potential for CKI due to our expanding capital base and extensive infrastructure investment experience. Above all, we will adhere to our prudent investment criteria and will not hold a "must-win" mentality when approaching acquisitions.

As demonstrated by our track record in balancing continued growth with a comfortable gearing position, CKI is committed to a business model which maintains a good balance between stability and growth.

I would like to take this opportunity to thank the Board, management and staff for their ongoing hard work and contributions, as well as our shareholders for their confidence and support.

## **LI TZAR KUOI, VICTOR**

Chairman

Hong Kong, 25th February, 2015

## GROUP MANAGING DIRECTOR'S REPORT

CKI has been committed to growing our infrastructure business through globalisation and diversification since the very early days of our inception.

**H L KAM**

Group Managing Director



## STRATEGIES FOR GROWTH      STRATEGIES FOR SUCCESS

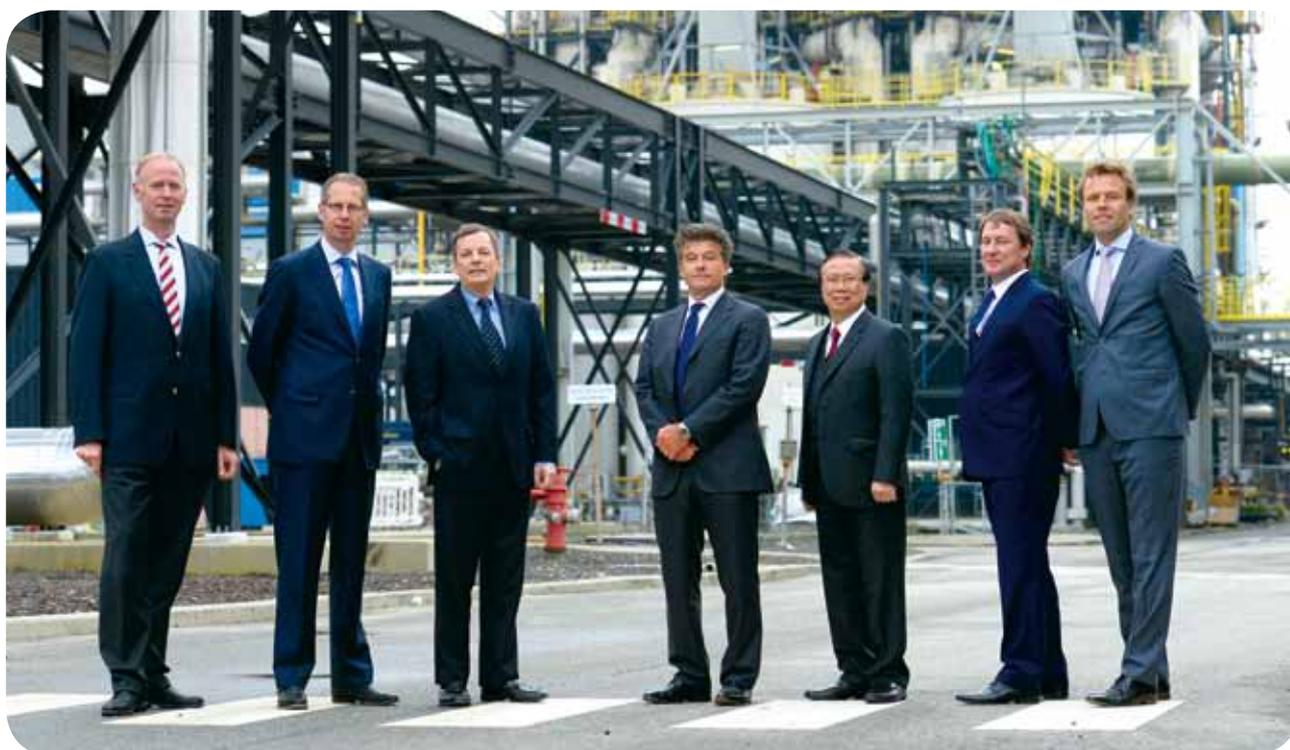
2014 has represented another successful year for CKI, with profit reaching a new landmark high. Our continued success in the infrastructure arena has been supported by the organic growth of our existing businesses and through strategic acquisitions.

### ACQUISITION STRATEGY UNDERPINS STRONG GROWTH

The Group is committed to maintaining the growth momentum of our infrastructure business through making quality acquisitions that strengthen the breadth and depth of our portfolio.

Since CKI's inception, we have consistently made timely acquisitions that have generated good organic growth. Over the years, we have expanded the scope of our business operations to new markets and new infrastructure industries. Currently, we operate in Hong Kong, Mainland China, the United Kingdom, the Netherlands, Australia, New Zealand and Canada. Our industry reach spans electricity generation, transmission and distribution; gas distribution; water and wastewater services; transportation; waste management; and infrastructure materials. The Group's portfolio of diverse investments provides a recurring, stable and predictable income stream.

From our beginnings as a Hong Kong and Mainland China-focused infrastructure investment company, we have significantly diversified our investment portfolio. Our strategic impetus to make quality, yield-accretive acquisitions has been unwavering. Looking back the five years from 2009 to 2013 – through our investments in Seabank Power, UK Power Networks, Northumbrian Water, Transmission Operations Australia, Wales & West Utilities, EnviroWaste, and AVR – CKI has significantly enhanced its portfolio of water assets, expanded into the field of waste management, strengthened its foothold in the United Kingdom market and entered into the continental Europe market for the first time.



## GROUP MANAGING DIRECTOR'S REPORT

### 2014 ACQUISITIONS TO EXPAND INCOME BASE

In 2014, CKI made two major acquisitions that are poised to further strengthen our global portfolio and expand our income base.

Through a 50/50 joint venture with Cheung Kong (Holdings), we successfully acquired the largest off-airport car park provider in Canada – Park'N Fly. Providing off-airport parking facilities in Toronto, Vancouver, Montreal, Edmonton and Ottawa, Park'N Fly bolsters the Group's Canadian investment portfolio. The enterprise value of the transaction was approximately C\$381 million. This acquisition further strengthens CKI's presence in the Canadian market and marks our entry into the transportation infrastructure sector in the country. The investment is poised to generate immediate and steady returns for the Group.

CK ENV Investments Pty Ltd – jointly held by CKI, Cheung Kong (Holdings) and Power Assets – successfully executed an off-market takeover bid for Envestra (now known as Australian Gas Networks) for a cash consideration of A\$1.32 per share. The acquisition was completed in the third quarter of 2014 for a total consideration of around A\$1.96 billion. Australian Gas Networks represents one of the largest natural gas distribution companies in Australia and CKI has been a shareholder of this company since 1999. We have benefitted from the steady, recurring income generated by this asset over the past decade and a half. Through further entrenching our ownership in Australian Gas Networks, we look forward to enhanced returns.

### STRONG FINANCIAL FOUNDATION MAINTAINED

Our strong financial platform is the foundation that secures the strength of our business. While actively making acquisitions, we always maintain a healthy balance sheet. The Group had cash on hand of HK\$7,108 million as at 31st December, 2014 and a net debt to net total capital ratio of 10%. Accordingly, CKI remains well-placed to continue our pace of acquisition growth.

### 2015 ACQUISITION TRAIL BLAZES FORWARD

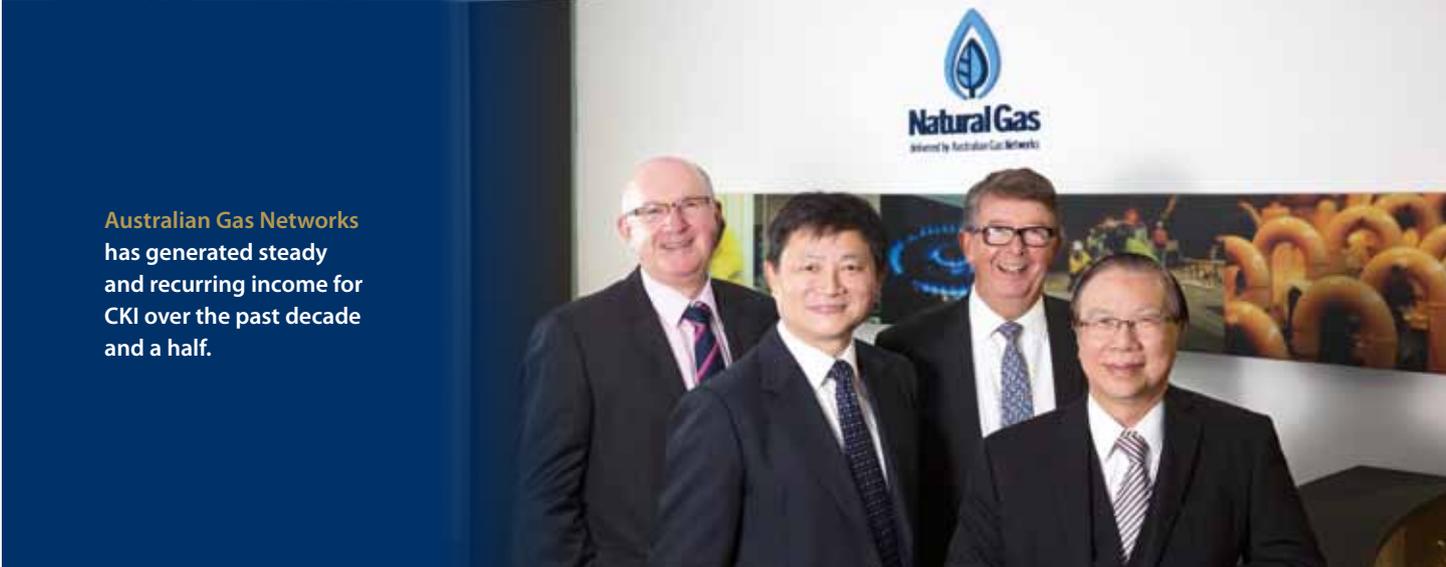
As we embark upon the new financial year, we have already made progress in our acquisition strategy.

In January 2015, a 50/50 joint venture between CKI and Cheung Kong (Holdings) entered into an agreement to acquire Eversholt Rail, one of the three major rolling stock operating companies in the United Kingdom. The enterprise value of the transaction is approximately GBP2.5 billion and completion is expected to take place around April 2015.

The Group's transportation infrastructure portfolio will be enhanced and extended to the United Kingdom through the acquisition of this rolling stock leasing business. It is poised to deliver immediate, recurring cash flow to CKI, as well as stable returns.



**Park'N Fly** is the largest off-airport car park provider in Canada.



**Australian Gas Networks** has generated steady and recurring income for CKI over the past decade and a half.



**Eversholt Rail** is one of the three major rolling stock operating companies in the United Kingdom.

## GROUP MANAGING DIRECTOR'S REPORT



### A CONTINUED STRATEGY OF GLOBALISATION AND DIVERSIFICATION

CKI has been committed to growing our infrastructure business through globalisation and diversification since the very early days of our inception. These twin strategies have enabled us to achieve continued profitability growth over the years.

2014 clearly marks our continued allegiance to our growth strategy with our acquisitions in Park'N Fly and Australian Gas Networks.

We will continue to pursue new acquisitions in 2015, both in existing industries and geographical regions. We will also consider making acquisitions in different sectors and markets if appropriate. Nevertheless, whether in existing or new industries, existing or new markets, we will adhere strictly to our stringent investment criteria.

### H L KAM

Group Managing Director

# LONG TERM DEVELOPMENT STRATEGY

CKI has come a long way since its listing on the Hong Kong Stock Exchange in 1996. The Group has grown from a Greater China-focused company into an international infrastructure enterprise with diverse businesses across different sectors around the world.

Through globalisation and diversification, CKI's portfolio now spans Hong Kong, Mainland China, the United Kingdom, the Netherlands, Australia, New Zealand and Canada. Currently, its operations include electricity generation, transmission and distribution, gas distribution, transportation, water treatment and distribution, waste management, as well as infrastructure materials.

The Group has an effective set of strategies for continued growth and development:

## **1. TO NURTURE ORGANIC GROWTH FROM THE GROUP'S EXISTING PORTFOLIO**

CKI strives to nurture organic growth from its existing portfolio through prudent management. Synergies across the Group help it to learn from its experiences and implement global best practices across its investments. CKI's head office provides guidance and works hard with local management to best run local assets.

## **2. TO EXPAND THE GROUP'S PORTFOLIO BY ACQUIRING QUALITY BUSINESSES WITH STRONG AND RECURRENT RETURNS**

When studying a potential acquisition, CKI focuses on the fundamentals of the projects and prefers to be conservative on the approach. CKI does not hold a "must-win" mentality when approaching acquisitions. Its stringent investment criteria target mainly quality infrastructure projects which provide immediate returns and stable recurring cash flows. The Group seeks investments in industries where it can capitalise on existing knowledge, and favours countries that are home to established legal systems and transparent regulatory regimes. This philosophy keeps CKI's portfolio safe and secure.

## **3. TO MAINTAIN A STRONG BALANCE SHEET WITH STEADY CASH FLOW AND LOW GEARING**

A strong balance sheet provides a stable platform to support the Group's future growth. As at 31st December, 2014, CKI had cash on hand of HK\$7,108 million, and gearing remained low at a net debt to net total capital ratio of 10%. CKI enjoys a low cost of funding from maintaining a Standard & Poor's "A-" rating for 18 consecutive years since 1997. The Group aims to preserve this financial strength to ensure it can opportunistically pursue acquisitions.

## NORTHUMBRIAN WATER GROUP LIMITED

### *Queen's Award for Enterprise (Sustainable Development category)*

#### *Utility Week Stars Awards 2014*

- Team of the Year (Supply Chain)
- Team of the Year (Back Office)
- Giving Back (Jane Morland)

#### *Utilities & Telecoms Awards 2014*

- Water Team of the Year
- Treating Customers Fairly Award

#### *Credit Today Awards 2014*

- Treating Customers Fairly Award – Creditor

#### *UK Water Efficiency Awards 2014*

- Winner – Built Environment (H<sub>2</sub>eco project)
- Winner – Landscape and Gardening (Saltersgill project)

### *Institution of Civil Engineers North East Robert Stephenson Awards 2014*

- Winner – Project value under £4m (Barkers Haugh Sewage Treatment Works Inlet)

### *Institution of Civil Engineers East of England Merit Awards 2014*

- Exceptional Merit – Sustainability (Abberton Scheme)
- Merit – Physical Achievement (Abberton Scheme)

### *Royal Institution of Chartered Surveyors East of England Awards 2014*

- Winner – Infrastructure (Abberton Scheme)

### *Responsible Business Awards 2014*

- Sustainable Products and Services Award – Big Tick

### *Water Industry Achievement Awards 2014*

- Community Project of the Year (Just an Hour Scheme)

### *Ethisphere Institute*

- Honouree – World's Most Ethical Companies 2014

### *VisitEngland Awards for Excellence 2014*

- Caravan Holiday Park / Holiday Village of the Year – Bronze (Leaplish Waterside Park)

### *TripAdvisor*

- 2014 Certificate of Excellence (Kielder Water & Forest Park)



## NORTHERN GAS NETWORKS LIMITED

### *National Business Awards 2014*

- Customer Focus Award

### *UK Customer Experience Awards 2014*

- Overall Best Customer Experience Award
- Best Customer Experience (Sector Specific): Professional & Government Services & Utilities
- Best Customer Experience (Discipline Specific): Employee Engagement – Taking the Lead
- Best Customer Experience (Discipline Specific): Business Change or Transformation – Simplification
- Best Customer Experience (Discipline Specific): Contact Centre – Small
- Best Customer Experience (People): Team – Customers at the Heart



## UK POWER NETWORKS HOLDINGS LIMITED



### *Utility Week Achievement Awards 2014*

- Digital Utilities Award
- Supply Chain Excellence

### *Utility Week Stars Awards 2014*

- Customer Service
- Team of the Year (Operational)
- Team of the Year (Customer Facing)
- Long Service Award (Morris Temple)

### *Energy Institute Awards 2014*

- Innovation Award (Flexible Plug and Play project)

### *Techworld Awards 2014*

- Enterprise Project of the Year

### *Energy Innovation Awards 2014*

- Low Carbon Energy Innovation Award (Flexible Plug and Play project)

### *Best Business Awards*

- Best Customer Focus

### *Digi Awards 2013*

- Winner – Best Consumer Website
- Highly Commended – Best Use of Digital Media for Customer Service

### *Considerate Contractor Scheme*

- Gold Award – Streetworks category

### *Investors in People*

- Gold Award

### *Responsible Business Awards 2014*

- BUPA Workwell Engagement and Wellbeing Award – Re-accredited Big Tick

### *UK Energy Innovation Awards*

- Rising Star Award (Lynne McDonald)

### *Institute of Internal*

### *Communications Awards 2014*

- Winner – News magazine up to four issues a year



## AWARDS

### WALES & WEST GAS NETWORKS (HOLDINGS) LIMITED

#### *Utility Week Achievement Awards 2014*

- Customer Care Award
- IT Initiative of the Year

#### *Royal Society for the Prevention of Accidents Awards 2014*

- Gold Award

#### *National Joint Utilities Group Awards 2014*

- Winner - Minimise Disruption (Partnership)

#### *Arts & Business Cymru Awards 2014*

- Arts, Business & Employees Award

#### *Wales Responsible Business Awards 2014*

- Building Stronger Communities Award – Winner

#### *Welsh Contact Centre Awards 2014*

- Best Customer Service Representative (Gemma Jones)



#### *Gas Industry Awards 2014*

- Manager of the Year Award (Claire Edwards)
- Gas Industry Leadership Award (Mark Olivers)
- Young Persons' Achievement Award (Oliver Lancaster)

#### *UK Energy Innovation Awards 2014*

- Best Innovation Implemented or Adopted by a Contractor

#### *Institute of Internal Communications Awards 2014*

- Award of Excellence – Relaunched Publication

### VICTORIA POWER NETWORKS PTY LTD

#### *Victorian Public Healthcare Awards*

- Minister's Award – Mental Health Employer Excellence

#### *The Australian Business Awards 2014*

- Award for Innovation



## SA POWER NETWORKS

### *Australian Association of Graduate Employers Graduate Recruitment Industry Awards 2014*

- Best Graduate Employer

## GREEN ISLAND CEMENT COMPANY, LIMITED

### *2012/2013 Hang Seng Pan Pearl River Delta Environmental Awards*

- Green Medal
- 3-year+ Entrant

### *Hong Kong Green Awards 2014*

- Green Management Award (Corporate) – Bronze

### *Junior Chamber International Hong Kong*

- Better World Company

### *Manpower Developer Award Scheme*

- Manpower Developer 2014-2016

### *2013-14 Talent-Wise Employment Charter and Inclusive Organisations Recognition Scheme*

- Outstanding Inclusive Organisation

### *18 Districts Caring Employer 2014*

### *Happiness-at-work Promotional Scheme 2014*

- Happy Company

### *Smoking Cessation Program in Workplace*

- Hong Kong Corporate Smoke-Free Logo

### *Occupational Safety and Health Council*

- Outstanding Safe Community Leader

## ALLIANCE CONSTRUCTION MATERIALS LIMITED

### *Civil Engineering and Development Department's Construction Site Safety Award 2013*

- Gold Award

### *Hong Kong Awards for Environmental Excellence 2013*

- Silver Award – Manufacturing Sector (Sectoral Awards)
- Wastewise Label

### *The 13th Hong Kong Occupational Safety & Health Award*

- Safety Performance Award – Construction

### *Hong Kong Construction Association*

- Proactive Safety Contractor Award
- Environmental Merit Award

### *Hong Kong Call Centre Association Awards 2014*

- Merit – Inbound Contact Centre below 20 seats
- Merit – Training and People Development

### *Hong Kong Quality Assurance Agency's CSR Plus Index 2014*

- CSR Plus Mark
- Outstanding Organization

# BUSINESS REVIEW

Investment in

## POWER ASSETS



Infrastructure Investment in

## UNITED KINGDOM



Infrastructure Investment in

## CANADA



Infrastructure Investment in

## NETHERLANDS



Infrastructure Investment in

## AUSTRALIA



Infrastructure Investment in

## NEW ZEALAND



Infrastructure Investment in

## MAINLAND CHINA



Investment in

## INFRASTRUCTURE RELATED BUSINESS





Investment in  
**POWER  
ASSETS**

CKI is the major shareholder of Power Assets, with a 38.87% interest. Power Assets completed a spin-off exercise in January 2014 and reduced its ownership of the Hong Kong electricity business.

In 2014, Power Assets reported a profit attributable to shareholders of HK\$61,005 million, an increase of 446% over the previous year. The growth was mainly attributable to a one-off gain generated from the spin-off of the Hong Kong electricity business.

Power Assets has a portfolio of investments in Hong Kong, Mainland China, the United Kingdom, Australia, New Zealand, Thailand, Canada and the Netherlands.

In Hong Kong, Power Assets completed the spin-off of The Hongkong Electric Company, Limited ("HK Electric") in January 2014. Following this exercise, Power Assets owns a 49.9% interest in the Hong Kong electricity business. During the year, HK Electric reported solid results and continued to deliver high standards in reliability, affordability and customer service.

In Mainland China, the performance of the coal-fired power plants benefitted from lower coal costs and operating expenses; however this was partially offset by reductions in power sales and tariff. The completion of an engineering innovation programme during the year enhanced the productivity and reliability of the wind farms in Dali and Laoting.

The United Kingdom continued to be Power Assets' biggest market. The four operating companies, namely UK Power Networks, Northern Gas Networks, Wales & West Utilities and Seabank Power, all delivered satisfactory results. With effective operating procedures, customer service as well as high performance and environmental standards, the United Kingdom operating companies are poised to continue to deliver growth.

The Australian investments provided higher profit contribution than 2013. Overall revenues increased as a result of higher tariffs. During the year, Power Assets acquired a 27.5% stake in Envestra (now known as Australian Gas Networks), one of Australia's largest natural gas distribution companies. This newly acquired project delivered four months of earnings contribution in 2014.

Other investments outside of Hong Kong achieved steady performance. In New Zealand, Wellington Electricity delivered stable sales. The Thailand generation business met its production target during the year. As for power plants in Canada, revenues from the generation business were improved through steam sales and plant efficiencies. Meanwhile, the Dutch energy-from-waste business provided its first full year of profit contribution.



The spinning off of Power Assets' electricity business in Hong Kong was completed in January 2014.



Infrastructure Investment in  
**UNITED KINGDOM**

Through investments in UK Power Networks, Northern Gas Networks and Wales & West Gas Networks, CKI delivers approximately 30% of Great Britain's electricity and distributes gas to an area inhabited by about 22% of the country's population. The Group also has an interest in Northumbrian Water which supplies water and wastewater services in the North East and South East of England.

In 2015, the Group expanded into the country's rolling stock industry by signing an agreement to acquire Eversholt Rail. Completion of the transaction is expected to take place around April 2015.

**UK POWER NETWORKS HOLDINGS LIMITED**

CKI and Power Assets each hold a 40% shareholding in UK Power Networks.

UK Power Networks owns and manages three of the 14 regulated electricity distribution networks in Great Britain. The three networks have a route length of approximately 190,000 kilometres and cover an area of about 30,000 square kilometres in London, the South East and the East of England. UK Power Networks has

approximately eight million customers. It accounts for about 30% of the country's total power demand.

Apart from the regulated business, UK Power Networks also develops and manages private networks for clients from both private and public sectors, including the British Airport Authority and the Ministry of Defence.

UK Power Networks has continued to deliver sound performance, exceeding its key financial targets. The company also invested over GBP640 million in its regulated networks during the year.

In 2014, excellent operational performance was demonstrated by reduction in the key targets of customer minutes lost and customer interruptions; and this good performance was rewarded by additional incentive revenue received by the company.

During the year, UK Power Networks received the "Gold Award" from "Investors in People", a scheme established by the Government of the United Kingdom which recognises people management excellence. The Gold status is achieved by only 7% of the scheme participants.

UK Power Networks has received the final determination of its regulatory reset which will commence in April 2015. The reset provides a high level of predictability for the company's revenue for the 2015-23 price control period.

## **NORTHUMBRIAN WATER GROUP LIMITED**

CKI holds a 40% interest in Northumbrian Water.

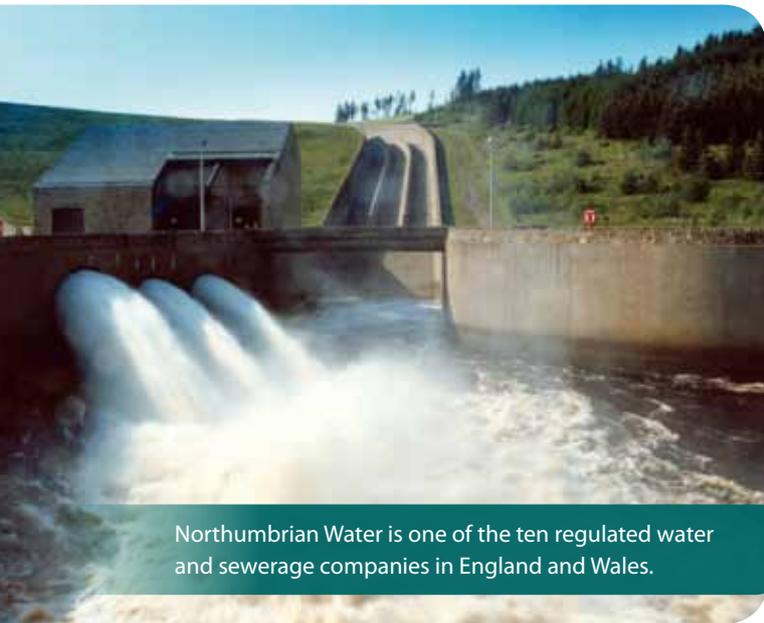
Northumbrian Water is one of the ten regulated water and sewerage companies in England and Wales. The company's network comprises approximately 26,000 kilometres of mains and about 30,000 kilometres of sewers. Through this network, drinking water is supplied to 4.5 million people in the North East and South East of England, while wastewater is collected and treated from 2.7 million people in the North East.

Northumbrian Water also runs a range of non-regulated businesses. The company operates Kielder Reservoir, the largest man-made reservoir in northern Europe. It also owns a number of companies which have long term water and wastewater contracts in Scotland, Ireland and Gibraltar.



Northumbrian Water was awarded the Queen's Award for Enterprise.

## BUSINESS REVIEW



Northumbrian Water is one of the ten regulated water and sewerage companies in England and Wales.

Solid financial performance was delivered by Northumbrian Water during the year. Investments of approximately GBP230 million were made to ensure sustained provision of water and sewerage services.

Northumbrian Water was awarded the Queen's Award for Enterprise, one of the most prestigious business awards in the United Kingdom. This is the second time Northumbrian Water has received the accolade in the category of sustainable development. The company will hold this accolade until 2019.

The price review for the 2015-20 regulatory period has been concluded. The reset will provide predictable revenues to the company for five years commencing in April 2015.

### NORTHERN GAS NETWORKS LIMITED

CKI and Power Assets jointly hold an 88.4% interest in Northern Gas Networks.

Northern Gas Networks is one of the eight major gas distribution networks in Great Britain, and operates, maintains and develops the North of England's gas distribution network. The company has 37,000 kilometres



Northern Gas Networks was ranked the most efficient gas distribution network by the national energy regulator Ofgem in the 2013/14 regulatory year.

of gas pipelines and serves a population of around 6.7 million.

Northern Gas Networks met or outperformed its key operational targets during the year. The company continued to be ranked the most efficient gas distribution network by the national energy regulator Ofgem in the 2013/14 regulatory year. Additional revenues were secured through achieving performance incentives.



In 2014, the company invested approximately GBP41 million in network enhancement and extension. The ongoing mains renewal programme has replaced over 500 kilometres of ageing iron mains to improve network safety and reliability.

Northern Gas Networks was ranked first in Ofgem's Customer Satisfaction Survey for the 2013/14 regulatory year. This outstanding customer service also won wide recognition. At the National Business Awards 2014,

Northern Gas Networks received the "Customer Focus Award". At the UK Customer Experience Awards 2014, the company was presented the highest prize – "Overall Best Customer Experience Award". It also received five "Best Customer Experience" awards in five different categories, namely "Professional & Government Services & Utilities", "Employee Engagement – Taking the Lead", "Business Change or Transformation – Simplification", "Contact Centre – Small" and "Team – Customers at the Heart".

## BUSINESS REVIEW

### WALES & WEST GAS NETWORKS (HOLDINGS) LIMITED

CKI and Power Assets both hold a 30% shareholding in Wales & West Gas Networks, which owns Wales & West Utilities. Like Northern Gas Networks, Wales & West Utilities is one of the eight major gas distribution networks in Great Britain.

Wales & West Utilities has a network of 35,000 kilometres of pipelines serving an area of 42,000 square kilometres and a population of 7.5 million in Wales and the South West of England.

Wales & West Utilities continued to perform well financially, providing a steady income stream. All key operational targets, licence obligations and standards of service were met or exceeded.

The company replaces approximately 440 kilometres of ageing metal gas mains every year. During 2014, around GBP75 million was invested in mains replacement.

Wales & West Utilities remains committed to its public awareness campaign on carbon monoxide poisoning. In recognition of its "Say NO to CO" gas safety promotional campaign, the company was awarded the "Building Stronger Communities Award" at the Wales Responsible Business Awards 2014.

### SEABANK POWER LIMITED

CKI and Power Assets each have a 25% shareholding in Seabank Power, an electricity generation plant with two combined cycle gas turbine generation units, near Bristol, in the South West of England. The total generating capacity of the plant is approximately 1,140 MW.

Overall financial performance of Seabank Power was stable during the year.



Wales & West Utilities continued to perform well financially, providing a steady income stream to CKI.



A CKI-led joint venture entered into an agreement to acquire Eversholt Rail in January 2015.

## SOUTHERN WATER SERVICES LIMITED

CKI has a 4.75% strategic interest in Southern Water.

Southern Water is a regulated water and sewerage company which supplies drinking water to 2.4 million people and treats wastewater from 4.5 million people in the South East of England across Sussex, Kent, Hampshire and the Isle of Wight.

## EVERSHOLT RAIL GROUP

A joint venture led by CKI entered into an agreement to acquire Eversholt Rail in January 2015, representing a new development for the Group's transportation infrastructure business.

The enterprise value of the transaction is approximately HK\$29.3 billion (approximately GBP2.5 billion). Completion is expected to take place around April 2015.

Created in 1994 as part of the privatisation of British Rail, Eversholt Rail is one of the three major rolling stock operating companies in Great Britain.

Eversholt Rail leases a diverse range of rolling stock, including regional, commuter and high speed passenger trains, as well as freight locomotives, on long-term contracts.

The acquisition is expected to deliver stable and predictable cash flows to CKI.



## Infrastructure Investment in **AUSTRALIA**

CKI, in conjunction with Power Assets, is one of the largest investors in electricity distribution in Australia. The Group's businesses, SA Power Networks and Victoria Power Networks, distribute electricity to the state of South Australia and over 65% of the state of Victoria respectively.

In 2014, CKI expanded its Australian portfolio by acquiring Envestra through an off-market takeover bid. The business, which was renamed Australian Gas Networks, is one of the major natural gas distributors in the country.

CKI's other investments in Australia include Transmission Operations Australia and Spark Infrastructure.

### **SA POWER NETWORKS**

CKI and Power Assets jointly hold a 51% interest in SA Power Networks.

As the primary electricity distributor in the state of South Australia, SA Power Networks serves approximately 847,000 customers with networks of more than 88,000 kilometres.

Operational performance of SA Power Networks' regulated business was good despite difficult weather conditions. During the year, SA Power Networks was ranked the most efficient electricity distributor overall on a state wide basis in the annual distribution benchmarking report of the Australian Energy Regulator ("AER").

SA Power Networks is dedicated to maintaining a high level of safety. The company maintained its safety certifications of AS/NZS 4801 and OHSAS 18001. In addition, SA Power Networks was accredited against the stringent standards of the Australian Government Building and Construction Workplace Health and Safety Accreditation Scheme.

As a part of the tariff reset for the upcoming five-year regulatory period, SA Power Networks submitted its 2015-20 regulatory proposal to the AER. A final determination will be released in October 2015. It is expected that the result will provide certainty to the business.

## VICTORIA POWER NETWORKS PTY LTD

Victoria Power Networks is the holding company of CitiPower and Powercor, in which CKI and Power Assets together hold a 51% interest.

CitiPower owns and operates an electricity distribution network in Melbourne's CBD and inner suburbs which serves about 340,000 customers.

Powercor is the largest electricity distributor in the state of Victoria, the service area of which covers regional and rural centres in central and western Victoria, as well as Melbourne's outer western suburbs. Powercor has approximately 760,000 customers.

Overall financial performance of Victoria Power Networks was sound. Key financial targets have been met or outperformed.



Victoria Power Networks' overall financial performance was sound.

## BUSINESS REVIEW

Highly reliable distribution performance was achieved during the year, with CitiPower delivering a 99.99% network availability and Powercor achieving 99.96%. Customer satisfaction targets have been surpassed.

In 2014, the effort that Victoria Power Networks put into occupational health was recognised, when the company received the “Minister’s Award – Mental Health Employer Excellence” at the 2014 Victorian Public Healthcare Awards.

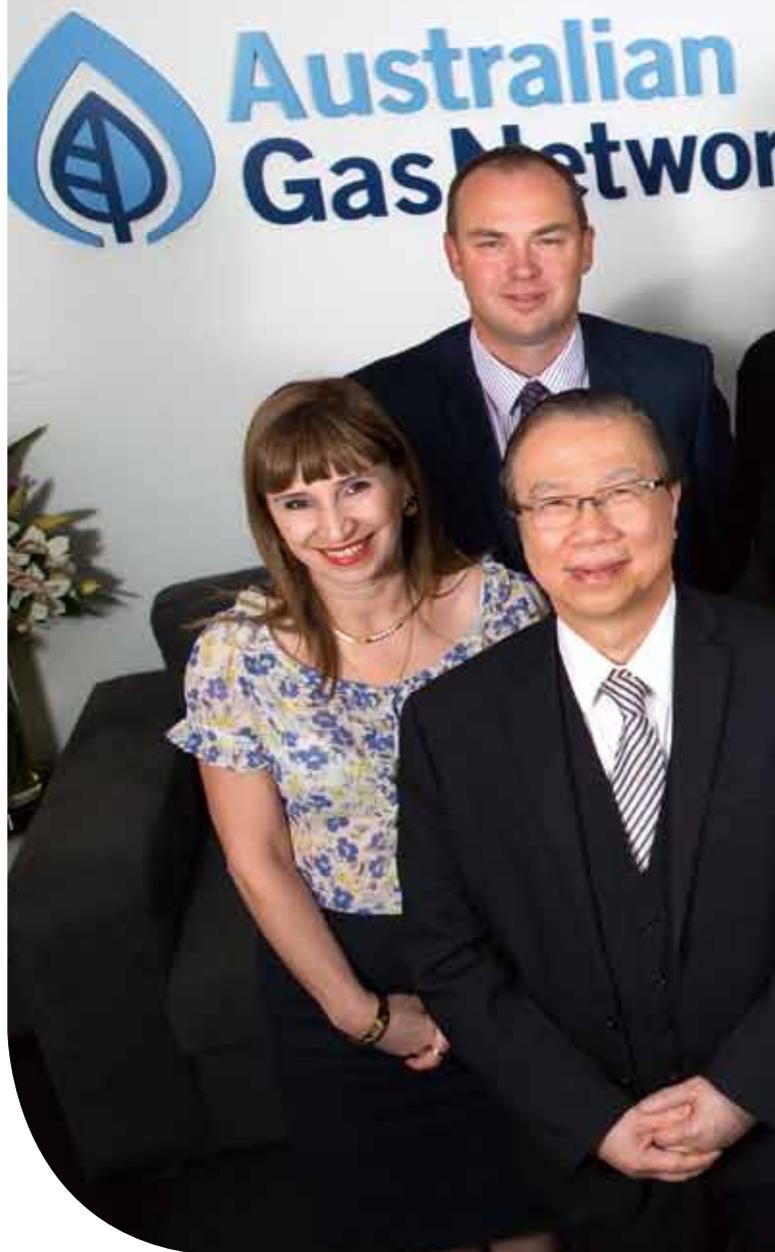
Preparations for the regulatory reset for the 2016-2020 control period are currently underway. A customer and stakeholder consultation in relation to Victoria Power Networks’ directions and priorities was completed. A regulatory proposal will be submitted to the AER in April 2015.

### AUSTRALIAN GAS NETWORKS LIMITED

In May 2014, a consortium of CKI, Cheung Kong (Holdings) and Power Assets announced an off-market takeover bid for Envestra for a cash consideration of A\$1.32 per share. The total consideration of the acquisition was around HK\$14.1 billion (approximately A\$1.96 billion). The transaction was completed in the third quarter of 2014 and Envestra was renamed Australian Gas Networks.

Australian Gas Networks is one of the largest natural gas distribution companies in the country, serving approximately 1.2 million customers in South Australia, Victoria, Queensland, New South Wales and the Northern Territory.

CKI, together with Cheung Kong (Holdings) and Power Assets, acquired Envestra (now known as Australian Gas Networks) through an off-market takeover bid during the year.



Australian Gas Networks is one of the largest natural gas distribution companies in Australia.

CKI has been a shareholder of Envestra since 1999, and has benefitted from the company’s secure and steady returns. Prior to the completion of the takeover, CKI holds a strategic shareholding of 17.46% in Envestra. The shareholding also generated a one-off gain of approximately HK\$2.2 billion at completion.

Post-transaction, CKI has an interest of approximately 45% in the gas distributor, while Power Assets holds 27.5%. Four months of earnings contribution from this increased shareholding were delivered to the Group in 2014.



## TRANSMISSION OPERATIONS (AUSTRALIA) PTY LTD

CKI and Power Assets have an equal shareholding in Transmission Operations Australia, each owning a 50% interest.

Transmission Operations Australia owns and operates a high voltage transmission network which transfers

renewable energy from the wind turbines at the 130 MW Mt Mercer Wind Farm to Victoria's power grid. The transmission network features 21 kilometres of overhead power lines, two transformers and a terminal station.

A 25-year off-take agreement with Mt Mercer Wind Farm is in place. The business is expected to provide long-term stable returns to the Group.



## Infrastructure Investment in

## NEW ZEALAND

CKI's businesses deliver electricity to New Zealand's capital city and the surrounding area, and provide waste collection and disposal services nationally.

### WELLINGTON ELECTRICITY LINES LIMITED

CKI and Power Assets each own a 50% interest in Wellington Electricity.

With a network of over 4,600 kilometres, Wellington Electricity supplies electricity to approximately 165,000 domestic, commercial and industrial customers in Wellington, Porirua and Hutt Valley regions of New Zealand.

A satisfactory operational performance was achieved by Wellington Electricity in 2014. The company continued to expand its coverage by acquiring three embedded networks within its service area.

Wellington Electricity received the final determination for the regulatory price and quality reset which will commence in April 2015.

## ENVIRO WASTE SERVICES LIMITED

CKI owns 100% of EnviroWaste, a leading waste management company in New Zealand with national coverage. The company provides waste collection and disposal services to more than half a million commercial and residential customers.

EnviroWaste also owns and manages Hampton PARRC, the largest landfill site in New Zealand which accounts for approximately 30% of annual landfill volumes in Greater Auckland. Situated outside Auckland and with an area of 360 hectares, the Hampton landfill has consent to receive

waste until 2030 while having capacity to receive waste for many more decades thereafter.

In 2014, EnviroWaste provided its first full year of profit contribution to the Group. The company met its financial targets and performed well operationally.

During the year, EnviroWaste further consolidated its market presence. The company acquired the second largest waste services operator in the City of Christchurch. In addition, the company was awarded the solid waste services contracts by the city councils in the Taranaki region.



EnviroWaste provided its first full year of profit contribution to CKI in 2014.



Infrastructure  
Investment in  
**NETHERLANDS**

CKI has an interest in Dutch Enviro Energy which owns AVR, the Netherlands' largest energy-from-waste company.

**DUTCH ENVIRO ENERGY HOLDINGS B.V.**

CKI holds a 35% shareholding in Dutch Enviro Energy, while Power Assets owns 20%. Dutch Enviro Energy in turn owns AVR, the largest energy-from-waste ("EfW") player in the Netherlands.

AVR operates five waste treatment plants in Duiven and Rozenburg. All of these plants are accredited to import waste from countries in the European Union. The plants have a total EfW capacity of 2,300 kilo tonnes per year, the largest amongst waste treatment companies in Europe.

AVR has long term contracts with domestic and overseas clients to receive residual waste, which is used to fuel the waste processing plants. Long term off-take contracts are also in place for the energy generated. In October 2014, the North Rotterdam District Heating Project commenced operations.

Dutch Enviro Energy provided its first full year of profit contribution to CKI in 2014. Financial performance of the company was in line with expectations, providing stable cash returns to the Group.



Dutch Enviro Energy's financial performance was in line with expectations.

## BUSINESS REVIEW



### Infrastructure Investment in **CANADA**

CKI owns a 50% interest in Canadian Power, whose portfolio comprises six electricity generating plants in Canada.

In 2014, CKI increased its presence in Canada through the acquisition of Park'N Fly, the national off-airport car park business.

#### **CANADIAN POWER HOLDINGS INC.**

CKI and Power Assets own Canadian Power on a 50/50 basis. The portfolio of Canadian Power includes six electricity generating plants with a total generating capacity of 1,362 MW.

Canadian Power has a 49.99% shareholding in TransAlta Cogeneration, L.P., which owns four natural gas-fired cogeneration plants in Alberta and Ontario, as well as a coal-fired generation plant in Alberta. During the year, the Ottawa Cogeneration Plant made the transition from a continuous base load operation to a dispatchable plant, enhancing the plant's capability during short term peaks.

Canadian Power also holds a 100% stake in Meridian Cogeneration Plant, a 220 MW natural gas-fired plant in the province of Saskatchewan. Under a long-term power purchase agreement with Saskatchewan Power



Mr. H L Kam, Group Managing Director of CKI (third from right), and Mr. Duncan Macrae, Head of International Business of CKI (second from right), were given a tour of Park'N Fly's facilities.

Corporation and a long-term steam supply contract with Husky Energy Inc., both of which last until 2025, the plant continued to deliver reliable supply.

Steady returns were generated from Canadian Power during the year.

## PARK'N FLY

In July 2014, a joint venture led by CKI completed the acquisition of 100% of Park'N Fly. The company is the largest off-airport car park provider in Canada, and the only national operator. The enterprise value of the transaction was approximately HK\$2.72 billion (approximately C\$381 million). Post-acquisition, CKI holds a 50% stake in Park'N Fly.

Park'N Fly provides parking facilities at most major airports in Canada, including Toronto, Vancouver, Montreal, Edmonton and Ottawa.

Park'N Fly offers three tiers of off-airport parking services – valet, self-park and economy. These services are tailored to meet the needs of both business and leisure travellers. In addition, the 24-hour shuttle service ensures fast and easy transfers between the airport and the parking facilities. Other ancillary services include auto detailing, premium oil changes and automotive maintenance.

Since completion, Park'N Fly has provided five months of profit contribution to CKI.



Infrastructure  
Investment in  
**MAINLAND  
CHINA**

In Mainland China, CKI has a portfolio of toll roads and bridges investments, totalling approximately 280 kilometres across a number of provinces.

CKI has a shareholding in various toll roads and bridges in Mainland China, including Shen-Shan Highway (Eastern Section), Shantou Bay Bridge, Tangshan Tangle Road, Changsha Wujialing and Wuyilu Bridges, Jiangmen Chaolian Bridge, Jiangmen Jiangsha Highway and Panyu Beidou Bridge.

During the year, profit contribution from Mainland China was HK\$287 million. This figure is a decrease of 27% over the previous year as a one-off gain generated from the disposal of CKI's interest in the National Highway 107 (Zhumadian Sections) was recorded in 2013. Overall, the projects have provided stable cash flows to the Group.



## Investment in **INFRASTRUCTURE RELATED BUSINESS**

CKI is one of the leading infrastructure materials suppliers in Hong Kong, with cement, concrete and aggregates, as well as asphalt businesses. The Group's infrastructure related business recorded 2% growth in profit contribution during the year.

### **CEMENT**

A stable performance was delivered by the Group's cement business which is carried out by Green Island Cement. Production volume was favourable leading to good results for the Hong Kong operation.

In Mainland China, performance was boosted by the improving market environment in the Guangdong area. Since the completion in late 2013, the flagship cement production facility in Yunfu, Guangdong province has been operating at levels exceeding the designed yearly production capacity.

### **CONCRETE, AGGREGATES AND ASPHALT**

CKI's concrete and aggregates businesses are run by Alliance Construction Materials Limited, a 50/50 joint venture between CKI and HeidelbergCement AG. During the year, Alliance achieved high volume and favourable margin.

The performance of CKI's asphalt operations through Anderson Asphalt was in line with budget and provided steady returns.

# 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, 2014, cash and bank deposits on hand amounted to HK\$7,108 million and the total borrowings of the Group amounted to HK\$18,637 million, which included Hong Kong dollar notes of HK\$260 million and foreign currency borrowings of HK\$18,377 million. Of the total borrowings, 9 per cent were repayable in 2015, 84 per cent were repayable between 2016 and 2019 and 7 per cent were repayable beyond 2019. During the year, the Group redeemed the US\$300 million perpetual capital securities in February. In June, the Group issued a US\$300 million floating rate note. 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, 2014, the Group maintained a net debt position with a net debt to net total capital ratio of 10 per cent, which was based on its net debt of HK\$11,529 million and net total capital, which represents the total borrowings plus total equity net of cash and bank deposits, of HK\$113,275 million. This ratio was higher than the net debt to net total capital ratio of 8 per cent at the year end of 2013. This change was mainly due to the funds utilised for investment in the natural gas distribution project in Australia 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, 2014, the notional amounts of these derivative instruments amounted to HK\$42,610 million.

## CHARGE ON GROUP ASSETS

As at 31st December, 2014:

- the Group's obligations under finance leases totalling HK\$60 million were secured by charges over the leased assets with carrying value of HK\$62 million;
- certain plant and machinery of the Group with carrying value of HK\$73 million were pledged to secure bank borrowings totalling HK\$24 million granted to the Group; and
- the shares of a subsidiary with net asset value of HK\$1,228 million were pledged to secure bank borrowings totalling HK\$1,100 million granted to the Group.

## CONTINGENT LIABILITIES

As at 31st December, 2014, the Group was subject to the following contingent liabilities:

HK\$ million	
Guarantee in respect of bank loan drawn by an affiliated company	1,338
Other guarantee given in respect of an affiliated company	836
Performance bond indemnities	91
Sub-contractor warranties	7
Total	2,272

## EMPLOYEES

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 2,050 employees. Employees' cost (excluding directors' emoluments) amounted to HK\$695 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.

## BOARD AND KEY PERSONNEL



### Executive Committee

Front (from left to right) Andrew Hunter, H L Kam, Victor Li, Edmond Ip, Dominic Chan

Back (from left to right) Victor Luk, Lambert Leung, Wendy Tong Barnes, Ivan Chan, Duncan Macrae, Joanna Chen, Pak Lam Lun

## DIRECTORS' BIOGRAPHICAL INFORMATION

### LI Tzar Kuoi, Victor

aged 50, has been the Chairman of the Company since its incorporation in May 1996. He has been a member of the Remuneration Committee of the Company since March 2005. He is the Managing Director, Deputy Chairman and the Chairman of Executive Committee of CK Hutchison Holdings Limited ("CK Hutchison") (a company listed on The Stock Exchange of Hong Kong Limited ("SEHK") since 18th March, 2015) and the Managing Director and Deputy Chairman of Cheung Kong Property Holdings Limited ("CK Property"). He is also the Managing Director, Deputy Chairman and the Chairman of Executive Committee of Cheung Kong (Holdings) Limited ("CKH") (whose listing status on the SEHK was replaced by CK Hutchison on 18th March, 2015). He is also the Deputy Chairman of Hutchison Whampoa Limited, the Chairman of CK Life Sciences Int'l., (Holdings) Inc., a Non-executive Director of Power Assets Holdings Limited and HK Electric Investments Manager Limited ("HKEIM") as the trustee-manager of HK Electric Investments, a Non-executive Director and the Deputy Chairman of HK Electric Investments Limited and Co-Chairman of Husky Energy Inc. Except for CK Property, CKH and HKEIM, all the companies/investment trust mentioned above are listed in Hong Kong or overseas. Mr. Victor Li is also the Deputy Chairman of Li Ka Shing Foundation Limited, Li Ka Shing (Overseas) Foundation and Li Ka Shing (Canada) Foundation, and a Director of The Hongkong and Shanghai Banking Corporation Limited. Mr. Victor Li serves as a member of the Standing Committee of the 12th National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He is also a member of the Commission on Strategic Development of the Hong Kong Special Administrative Region ("HKSAR") and Vice Chairman of the Hong Kong General Chamber of Commerce. Mr. Victor Li is the Honorary Consul of Barbados in Hong Kong. He was previously a member of the Council for Sustainable Development of HKSAR. He is a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), and a director of certain companies controlled by certain substantial shareholders of the Company. He holds a Bachelor of Science degree in Civil Engineering, a Master of Science degree in Civil Engineering and an honorary degree, Doctor of Laws, honoris causa (LL.D.). Mr. Victor Li is a son of Mr. Li Ka-shing, a substantial shareholder of the Company within the meaning of Part XV of the SFO, and a nephew of Mr. Kam Hing Lam, the Group Managing Director of the Company.

### **KAM Hing Lam**

aged 68, has been the Group Managing Director of the Company since its incorporation in May 1996. He is the Deputy Managing Director and Member of Executive Committee of CK Hutchison Holdings Limited (a company listed on the SEHK since 18th March, 2015) and the Deputy Managing Director of Cheung Kong Property Holdings Limited. He is also the Deputy Managing Director and Member of Executive Committee of Cheung Kong (Holdings) Limited (whose listing status on the SEHK was replaced by CK Hutchison on 18th March, 2015). He is also the President and Chief Executive Officer of CK Life Sciences Int'l., (Holdings) Inc. and an Executive Director of Hutchison Whampoa Limited. Except for CK Property and CKH, all the companies mentioned above are listed companies. Mr. Kam is also the Chairman of Hui Xian Asset Management Limited, which manages Hui Xian Real Estate Investment Trust, a real estate investment trust listed on the SEHK and a Director of Australian Gas Networks Limited (formerly known as Envestra Limited, whose shares were withdrawn from listing on 17th October, 2014). Mr. Kam is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO, and a director of certain companies controlled by certain substantial shareholders of the Company. Mr. Kam is an Advisor of the 12th Beijing Municipal Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He holds a Bachelor of Science degree in Engineering and a Master's degree in Business Administration. Mr. Kam is an uncle of Mr. Li Tzar Kuoi, Victor, the Chairman of the Company.

### **IP Tak Chuen, Edmond**

aged 62, has been an Executive Director of the Company since its incorporation in May 1996 and Deputy Chairman of the Company since February 2003. He is the Deputy Managing Director and Member of Executive Committee of CK Hutchison Holdings Limited (a company listed on the SEHK since 18th March, 2015) and the Deputy Managing Director of Cheung Kong Property Holdings Limited. He is also the Deputy Managing Director and Member of Executive Committee of Cheung Kong (Holdings) Limited (whose listing status on the SEHK was replaced by CK Hutchison on 18th March, 2015). In addition, he is the Senior Vice President and Chief Investment Officer of CK Life Sciences Int'l., (Holdings) Inc., a Non-executive Director of ARA Asset Management Limited, TOM Group Limited, AVIC International Holding (HK) Limited, Real Nutraceutical Group Limited and Shougang Concord International Enterprises Company Limited. Except for CK Property and CKH, all the companies mentioned above are listed companies. Mr. Ip is also a Non-executive Director of ARA Asset Management (Fortune) Limited, which manages Fortune Real Estate Investment Trust, a real estate investment trust listed on the SEHK and the Singapore Exchange Securities Trading Limited ("SGX-ST") and a Non-executive Director of Hui Xian Asset Management Limited, which manages Hui Xian Real Estate Investment Trust, a real estate investment trust listed on SEHK. He is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO, and a director of certain companies controlled by certain substantial shareholders of the Company. He holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration.

### **FOK Kin Ning, Canning**

aged 63, has been an Executive Director and Deputy Chairman of the Company since March 1997. He is currently the Group Managing Director of Hutchison Whampoa Limited. He is also a Non-executive Director of CK Hutchison Holdings Limited (a company listed on the SEHK since 18th March, 2015) and Cheung Kong (Holdings) Limited (whose listing status on the SEHK was replaced by CK Hutchison on 18th March, 2015). In addition, Mr. Fok is also the Chairman of Hutchison Telecommunications Hong Kong Holdings Limited, Hutchison Telecommunications (Australia) Limited, Hutchison Port Holdings Management Pte. Limited ("HPPM") as the trustee-manager of Hutchison Port Holdings Trust, Power Assets Holdings Limited, HK Electric Investments Manager Limited as the trustee-manager of HK Electric Investments, and HK Electric Investments Limited, Co-Chairman of Husky Energy Inc. and Alternate Director to Mrs. Chow Woo Mo Fong, Susan, a Non-executive Director of Hutchison Telecommunications Hong Kong Holdings Limited. Mr. Fok was previously the Chairman and Executive Director of Hutchison Harbour Ring Limited (now known as China Oceanwide Holdings Limited). Except for CKH, HPPM and HKEIM, all the companies/business trust/investment trust mentioned above are listed in Hong Kong or overseas. Mr. Fok is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO, and a director of certain companies controlled by certain substantial shareholders of the Company. He holds a Bachelor of Arts degree and a Diploma in Financial Management, and is a member of The Institute of Chartered Accountants in Australia.

## BOARD AND KEY PERSONNEL

### DIRECTORS' BIOGRAPHICAL INFORMATION (CONT'D)

#### **Andrew John HUNTER**

aged 56, has been an Executive Director of the Company since December 2006 and Deputy Managing Director of the Company since May 2010. He acted as the Chief Operating Officer of the Company from December 2006 to May 2010. Mr. Hunter is also an Executive Director of Power Assets Holdings Limited, a listed company, and a Director of Australian Gas Networks Limited (formerly known as Envestra Limited, whose shares were withdrawn from listing on 17th October, 2014). He also holds directorships in certain companies controlled by certain substantial shareholders of the Company within the meaning of Part XV of the SFO. Prior to the appointment to the board of Power Assets Holdings Limited in 1999, Mr. Hunter was the Finance Director of the Hutchison Property Group. He holds a Master of Arts degree and a Master's degree in Business Administration. He is a member of the Institute of Chartered Accountants of Scotland and of the Hong Kong Institute of Certified Public Accountants. He has over 32 years of experience in accounting and financial management.

#### **CHAN Loi Shun**

aged 52, has been an Executive Director of the Company since January 2011 and Chief Financial Officer of the Company since January 2006. He joined Hutchison Whampoa Limited, which is a substantial shareholder of the Company within the meaning of Part XV of the SFO, in January 1992 and has been with the Cheung Kong Group since May 1994. Mr. Chan is also an Executive Director of Power Assets Holdings Limited, HK Electric Investments Manager Limited as the trustee-manager of HK Electric Investments, and HK Electric Investments Limited. Except for HKEIM, all the companies/investment trust mentioned above are listed in Hong Kong. He is also a Director of Australian Gas Networks Limited (formerly known as Envestra Limited, which was a listed company before its delisting on 17th October, 2014). Mr. Chan is a fellow of the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants and also a member of the Institute of Certified Management Accountants (Australia).

#### **CHOW WOO Mo Fong, Susan**

aged 61, has been an Executive Director of the Company since March 1997 and an Alternate Director to Mr. Fok Kin Ning, Canning, Deputy Chairman of the Company, and Mr. Frank John Sixt, an Executive Director of the Company, since May 2006. She is the Deputy Group Managing Director of Hutchison Whampoa Limited. She is also a Non-executive Director of Hutchison Telecommunications Hong Kong Holdings Limited, a Director of Hutchison Telecommunications (Australia) Limited and an Alternate Director of Hutchison Telecommunications (Australia) Limited, TOM Group Limited, HK Electric Investments Manager Limited as the trustee-manager of HK Electric Investments, and HK Electric Investments Limited. She was previously an Executive Director of HK Electric Investments Manager Limited as the trustee-manager of HK Electric Investments, and HK Electric Investments Limited, and Hutchison Harbour Ring Limited (now known as China Oceanwide Holdings Limited). Except for HKEIM, all the companies/investment trust mentioned above are listed in Hong Kong or overseas. She is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO, and a director of certain companies controlled by certain substantial shareholders of the Company. She is a qualified solicitor and holds a Bachelor's degree in Business Administration.

### **Frank John SIXT**

aged 63, has been an Executive Director of the Company since its incorporation in May 1996. He is a Non-executive Director of CK Hutchison Holdings Limited (a company listed on the SEHK since 18th March, 2015) and Cheung Kong (Holdings) Limited (whose listing status on the SEHK was replaced by CK Hutchison on 18th March, 2015), and the Group Finance Director of Hutchison Whampoa Limited. He is also the Non-executive Chairman of TOM Group Limited, a Non-executive Director of Hutchison Telecommunications Hong Kong Holdings Limited, Hutchison Port Holdings Management Pte. Limited as the trustee-manager of Hutchison Port Holdings Trust, and Power Assets Holdings Limited, a Director of Hutchison Telecommunications (Australia) Limited and Husky Energy Inc., and an Alternate Director of Hutchison Telecommunications (Australia) Limited. Except for CKH and HPHM, all the companies/business trust mentioned above are listed in Hong Kong or overseas. Mr. Sixt is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance, and a director of certain companies controlled by certain substantial shareholders of the Company. He holds a Master's degree in Arts and a Bachelor's degree in Civil Law, and is a member of the Bar and of the Law Society of the Provinces of Quebec and Ontario, Canada.

### **CHEONG Ying Chew, Henry**

aged 67, has been an Independent Non-executive Director of the Company since its incorporation in May 1996. He has been a member of the Audit Committee of the Company since December 1998 and acted as the Chairman of the Audit Committee of the Company from December 1998 to December 2006. Mr. Cheong has been a member of the Remuneration Committee of the Company since January 2005 and the Chairman of the Remuneration Committee of the Company since January 2012. He is also an Independent Non-executive Director of CK Hutchison Holdings Limited (a company listed on the SEHK since 18th March, 2015), Cheung Kong Property Holdings Limited, Cheung Kong (Holdings) Limited (whose listing status on the SEHK was replaced by CK Hutchison on 18th March, 2015), Hutchison Telecommunications Hong Kong Holdings Limited, TOM Group Limited, CNNC International Limited, Creative Energy Solutions Holdings Limited, New World Department Store China Limited, Greenland Hong Kong Holdings Limited and Skyworth Digital Holdings Limited, and an Independent Director of BTS Group Holdings Public Company Limited. Mr. Cheong is an Executive Director and Deputy Chairman of Worldsec Limited. He is also an Alternate Director to Dr. Wong Yick Ming, Rosanna, an Independent Non-executive Director of Hutchison Telecommunications Hong Kong Holdings Limited. Except for CK Property and CKH, all the companies mentioned above are listed companies. He is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO, and a director of certain companies controlled by certain substantial shareholders of the Company. Mr. Cheong is a member of the Securities and Futures Appeals Tribunal and a member of the Advisory Committee of the Securities and Futures Commission. He holds a Bachelor of Science degree in Mathematics and a Master of Science degree in Operational Research and Management.

## BOARD AND KEY PERSONNEL

### DIRECTORS' BIOGRAPHICAL INFORMATION (CONT'D)

#### **KWOK Eva Lee**

aged 72, has been an Independent Non-executive Director of the Company since September 2004. She is also an Independent Non-executive Director of CK Life Sciences Int'l., (Holdings) Inc. and a Director of Li Ka Shing (Canada) Foundation ("LKS Canada Foundation"). She currently serves as Chair and Chief Executive Officer of Amara Holdings Inc. ("Amara"). Mrs. Kwok also acts as an Independent Director for Husky Energy Inc. Mrs. Kwok currently acts as the Chairman of the Remuneration Committee of CK Life Sciences Int'l., (Holdings) Inc. Mrs. Kwok also sits on the Compensation Committee and Corporate Governance Committee of Husky Energy Inc., and the Audit Committee of CK Life Sciences Int'l., (Holdings) Inc. and the Company. Except for LKS Canada Foundation and Amara, all the companies mentioned above are listed companies. She also holds directorships in certain companies controlled by certain substantial shareholders of the Company within the meaning of Part XV of the SFO. In addition, she was an Independent Director of Bank of Montreal, a listed company, and previously sat on the Audit Committee and Pension Fund Society of the Bank of Montreal, the Nominating and Governance Committee of Shoppers Drug Mart Corporation, the Independent Committee of Directors and Human Resources Committee of Telesystems International Wireless (TIW) Inc., the Independent Committee of Directors and the Corporate Governance Committee of Fletcher Challenge Canada Ltd., the Audit and Corporate Governance Committees of Clarica Life Insurance Company, the Corporate Governance Committee of Air Canada, the Innovation Saskatchewan (IS) Board of Directors and the Saskatchewan-Asia Advisory Council of Saskatchewan.

#### **SNG Sow-mei alias POON Sow Mei**

aged 73, has been an Independent Non-executive Director and a member of the Audit Committee of the Company since September 2004. She is an Independent Non-executive Director and the Lead Independent Director of Hutchison Port Holdings Management Pte. Limited as the trustee-manager of Hutchison Port Holdings Trust, a business trust listed on SGX-ST, an Independent Non-executive Director of ARA Asset Management (Fortune) Limited, which manages Fortune Real Estate Investment Trust, a real estate investment trust listed on the SEHK and SGX-ST, and an Independent Non-executive Director of ARA Asset Management (Prosperity) Limited, which manages Prosperity Real Estate Investment Trust, a real estate investment trust listed on the SEHK. Mrs. Sng is also a member of the Audit Committee of HPHM, ARA Asset Management (Fortune) Limited and ARA Asset Management (Prosperity) Limited. Mrs. Sng was previously an Independent Director and a member of the Audit Committee of ARA Trust Management (Suntec) Limited, which manages Suntec Real Estate Investment Trust, a real estate investment trust listed on SGX-ST. Mrs. Sng was also previously a Director of INFA Systems Ltd. and the Senior Consultant (International Business) of Singapore Technologies Electronics Ltd. Prior to her appointment with Singapore Technologies Pte Ltd. where Mrs. Sng was the Director, Special Projects (North East Asia) in 2000 and a Consultant in 2001, Mrs. Sng was the Managing Director of CapitaLand Hong Kong Ltd. for investments in Hong Kong and the region including Japan and Taiwan. In Hong Kong from 1983 to 1997, Mrs. Sng was the Centre Director and then as Regional Director of the Singapore Economic Development Board and Trade Development Board respectively. Mrs. Sng was Singapore's Trade Commissioner in Hong Kong from 1990 to 1997. Mrs. Sng holds a Bachelor of Arts degree from the Nanyang University in Singapore and has wide experience in various fields of industrial investment, business development, strategic and financial management, especially in property investment and management. In 1996, Mrs. Sng was conferred the title of PPA(P) – Pingat Pentadbiran Awam (Perak), the Singapore Public Administration Medal (Silver) by the Republic of Singapore.

### **Colin Stevens RUSSEL**

aged 74, has been an Independent Non-executive Director and a member of the Remuneration Committee of the Company since January 2005. He has been a member of the Audit Committee of the Company since January 2005 and the Chairman of the Audit Committee of the Company since January 2007. He is also an Independent Non-executive Director of CK Life Sciences Int'l., (Holdings) Inc., ARA Asset Management Limited and Husky Energy Inc. All the companies mentioned above are listed companies. Mr. Russel is the founder and Managing Director of Emerging Markets Advisory Services Ltd., a company which provides advisory services to organisations on business strategy and planning, market development, competitive positioning and risk management. He is also Managing Director of EMAS (HK) Limited. He was the Canadian Ambassador to Venezuela, Consul General for Canada in Hong Kong, Director for China of the Department of Foreign Affairs, Ottawa, Director for East Asia Trade in Ottawa, Senior Trade Commissioner for Canada in Hong Kong, Director for Japan Trade in Ottawa, and was in the Trade Commissioner Service for Canada in Spain, Hong Kong, Morocco, the Philippines, London and India. He was Project Manager for RCA Ltd in Liberia, Nigeria, Mexico and India and electronic equipment development engineer in Canada with RCA Ltd and in Britain with Associated Electrical Industries. Mr. Russel received his Bachelor's degree in electronics engineering and Master's degree in Business Administration from McGill University, Canada. He is a Qualified Commercial Mediator.

### **LAN Hong Tsung, David**

aged 74, has been an Independent Non-executive Director and a member of the Audit Committee of the Company since February 2005. He is also an Independent Non-executive Director of Hutchison Telecommunications Hong Kong Holdings Limited and SJM Holdings Limited, a Non-executive Director and Co-Chairman of Aurum Pacific (China) Group Limited. All the companies mentioned above are listed companies. Dr. Lan is also an Independent Non-executive Director of ARA Asset Management (Fortune) Limited, which manages Fortune Real Estate Investment Trust, a real estate investment trust listed on SEHK and SGX-ST, and of ARA Asset Management (Prosperity) Limited, which manages Prosperity Real Estate Investment Trust, a real estate investment trust listed on SEHK. Dr. Lan was previously an Independent Non-executive Director of Hutchison Harbour Ring Limited (now known as China Oceanwide Holdings Limited). He is currently the Chairman of David H T Lan Consultants Ltd., Supervisor of Nanyang Commercial Bank (China), Limited and holds directorship at Nanyang Commercial Bank Ltd. He is also a Senior Advisor of Mitsui & Company (Hong Kong) Limited and the President of the International Institute of Management. He also holds directorships in certain companies controlled by certain substantial shareholders of the Company within the meaning of Part XV of the SFO. Dr. Lan was the Secretary for Home Affairs of the HKSAR Government till his retirement in July 2000. He had served as civil servant in various capacities for 39 years and was awarded the Gold Bauhinia Star Medal on 1st July, 2000. He was appointed as the 10th and 11th National Committee Member of the Chinese People's Political Consultative Conference of the People's Republic of China. Dr. Lan is a Chartered Secretary and a Fellow Member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He received his Bachelor of Arts degree from the University of London and completed the Advanced Management Program of the Harvard Business School, Boston. He was also a Fellow at Queen Elizabeth House, University of Oxford. Dr. Lan was conferred with Doctor of Humanities, honoris causa by Don Honorio Ventura Technological State University, and holder of Visiting Professorship Awards of Bulacan State University and Tarlac State University.

## BOARD AND KEY PERSONNEL

### DIRECTORS' BIOGRAPHICAL INFORMATION (CONT'D)

#### **Barrie COOK**

aged 72, acted as an Executive Director of the Company from 2000 to September 2003 and a Non-executive Director of the Company from October 2003 to December 2011, and has been an Independent Non-executive Director of the Company since January 2012. He is the Honorary Chairman of the Hong Kong Construction Materials Association. Mr. Cook is a past Chairman of the East Asian Cement Forum, the Hong Kong Cement Association and the Waste Reduction Committee of the HKSAR Government. He was previously a member of the Advisory Council on the Environment and the Council for Sustainable Development of the HKSAR Government, and was the Convenor of the Hong Kong Business Coalition on the Environment. Mr. Cook was very active in community affairs through his work with the Hong Kong General Chamber of Commerce. Mr. Cook holds a bachelor of Science Degree in Civil Engineering, and he is a Chartered Civil Engineer of the United Kingdom and a Fellow of the Chartered Management Institute of the United Kingdom.

#### **LEE Pui Ling, Angelina**

aged 66, acted as an Independent Non-executive Director of the Company from May 1996 to September 2004 and has been a Non-executive Director of the Company since September 2004. She is a practising solicitor, has a Bachelor of Laws degree and is a Fellow of the Institute of Chartered Accountants in England and Wales. She is active in public service and is currently a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority and a member of the Takeovers and Mergers Panel of the Securities and Futures Commission. She is also a Non-executive Director of TOM Group Limited and Henderson Land Development Company Limited, and an Independent Non-executive Director of Great Eagle Holdings Limited. All the companies mentioned above are listed companies.

#### **George Colin MAGNUS**

aged 79, acted as an Executive Director and Deputy Chairman of the Company from May 1996 to October 2005 and has been a Non-executive Director of the Company since November 2005. He is also a Non-executive Director of CK Hutchison Holdings Limited (a company listed on the SEHK since 18th March, 2015), Cheung Kong (Holdings) Limited (whose listing status on the SEHK was replaced by CK Hutchison on 18th March, 2015) and Hutchison Whampoa Limited, a Director of Husky Energy Inc., and an Independent Non-executive Director of HK Electric Investments Manager Limited as the trustee-manager of HK Electric Investments, and HK Electric Investments Limited. Except for CKH and HKEIM, all the companies/investment trust mentioned above are listed in Hong Kong or overseas. He is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO. He holds a Master's degree in Economics.

### **TSO Kai Sum**

aged 83, acted as an Executive Director of the Company from March 1997 to December 2012 and has been a Non-executive Director of the Company since January 2013. He is also the Senior Adviser to HK Electric Investments group. He was previously a Non-executive Director and Deputy Chairman of HK Electric Investments Limited, and a Non-executive Director of HK Electric Investments Manager Limited as the trustee-manager of HK Electric Investments. Except for HKEIM, all the companies/investment trust mentioned above are listed in Hong Kong. Mr. Tso worked with the Power Assets group from 1966 to 1981, holding the positions of Chief Project Engineer of The Hongkong Electric Company, Limited and Executive Director of Associated Technical Services Limited. In 1981, he joined International City Holdings Limited as an Executive Director. In 1987, he joined the Hutchison Whampoa group as the Group Managing Director of Hutchison Whampoa Properties. In 1997, he re-joined the Power Assets group as Group Managing Director. Mr. Tso holds a Bachelor of Science degree in Civil Engineering.

### **MAN Ka Keung, Simon**

aged 57, has been an Alternate Director to Mr. Ip Tak Chuen, Edmond, Deputy Chairman of the Company, since February 2008. He joined the Cheung Kong Group in December 1987. He is Member of the Executive Committee and the General Manager, Accounts Department of CK Hutchison Holdings Limited (a company listed on the SEHK since 18th March, 2015) and Member of the Executive Committee of Cheung Kong (Holdings) Limited (whose listing status on the SEHK was replaced by CK Hutchison on 18th March, 2015), both of which are substantial shareholders of the Company within the meaning of Part XV of the SFO. He also holds directorships in certain companies controlled by certain substantial shareholders of the Company. He has over 34 years of experience in accounting, auditing, tax and finance. He holds a Bachelor's degree in Economics and is an associate member of The Institute of Chartered Accountants in Australia.

### **Eirene YEUNG**

aged 54, Alternate Director to Mr. Kam Hing Lam, the Group Managing Director of the Company, and the Company Secretary of the Company. She is also a Member of the Executive Committee, General Manager, Company Secretarial Department and the Company Secretary of CK Hutchison Holdings Limited (a company listed on the SEHK since 18th March, 2015), and the Company Secretary of Cheung Kong Property Holdings Limited. She is also a Member of the Executive Committee and the Company Secretary of Cheung Kong (Holdings) Limited (whose listing status on the SEHK was replaced by CK Hutchison on 18th March, 2015). CK Hutchison and CKH are substantial shareholders of the Company within the meaning of Part XV of the SFO. She is also the Company Secretary of CK Life Sciences Int'l, (Holdings) Inc. Except for CK Property and CKH, all the companies mentioned above are listed companies. Ms. Yeung is a Non-executive Director of ARA Asset Management (Fortune) Limited, the manager of Fortune Real Estate Investment Trust (listed in Hong Kong and Singapore). She also holds directorships in certain companies controlled by certain substantial shareholders of the Company. Ms. Yeung joined the Cheung Kong Group in August 1994. She is a solicitor of the High Court of the HKSAR and of the Senior Courts of England and Wales. She is also a fellow member of The Hong Kong Institute of Directors, The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

## BOARD AND KEY PERSONNEL

### KEY PERSONNEL'S BIOGRAPHICAL INFORMATION

#### HONG KONG

##### **CHAN Kee Ham, Ivan**

aged 52, Chief Planning and Investment Officer, has been with the Cheung Kong Group since September 1999. He is also the Chief Financial Officer of Power Assets Holdings Limited. He has over 25 years of experience in investment, banking and finance. He holds a Bachelor's degree in Science, a Bachelor's degree in Chinese Law and a Master's degree in Business Administration.

##### **CHEN Tsien Hua, Joanna**

aged 52, Head of Business Development, joined Hutchison Whampoa Limited in August 1992, and has been with the Company since July 1996. She holds a Bachelor's degree in Social Sciences and a Master's degree in Business Administration.

##### **Donald William JOHNSTON**

aged 72, Executive Director of Anderson Asia (Holdings) Limited, Green Island Cement (Holdings) Limited and Green Island International Limited, has been with the Cheung Kong Group since 1988. He holds a Master's degree in Business Administration and a Bachelor's degree in Civil Engineering and is a Chartered Professional Engineer (Retired). He is a member of the Institute of Engineers (Australia) and a fellow of the Institute of Quarrying.

##### **LEUNG Ying Wah, Lambert**

aged 68, Chief Executive Officer of Cheung Kong Infrastructure Materials. He is a fellow of the Association of Chartered Certified Accountants, a fellow of the Hong Kong Institute of Certified Public Accountants, a fellow of the Institute of Quarrying (UK) and the past chairman of the Institute of Quarrying, Hong Kong Branch.

##### **LUK Sai Hong, Victor**

aged 51, Group General Counsel, has been with the Cheung Kong Group since July 1998. He has over 24 years of experience in the legal field. He holds a Bachelor's degree in Social Science. He was admitted as solicitor of the Supreme Court in England in 1992 and was admitted as solicitor in Hong Kong in 1993. He is a solicitor of the High Court of the HKSAR and is a member of The Law Society of Hong Kong.

**LUN Pak Lam**

aged 57, Head of China Infrastructure, joined Hutchison Whampoa Limited and Cheung Kong (Holdings) Limited in May 1993 and June 1994 respectively and has been with the Company since July 1996. He holds a Bachelor's and a Master's degree in Engineering, a Master of Finance degree in Investment Management and a Master of Science degree in Financial Analysis.

**Duncan Nicholas MACRAE**

aged 44, Head of International Business, joined the Cheung Kong Group in February 2011. He has over 21 years of experience in the infrastructure investment field. He holds Bachelor's and Master's degrees in Philosophy, Politics & Economics, and is a member of the Institute of Directors, UK.

**TONG BARNES Wai Che, Wendy**

aged 54, Chief Corporate Affairs Officer, joined the Cheung Kong Group in March 1999. She is also the Chief Corporate Affairs Officer of Cheung Kong (Holdings) Limited and CK Life Sciences Int'l., (Holdings) Inc. and the Deputy Chief Executive Officer of Hui Xian Asset Management Limited. Mrs. Barnes is also a board member of The Community Chest of Hong Kong. She holds a Bachelor's degree in Business Administration.

**TSANG Pak Chung, Eddy**

aged 57, Chief Operating Officer of Cheung Kong Infrastructure Materials. He is also an Executive Director of Green Island Cement (Holdings) Limited, Green Island International Limited and Anderson Asia (Holdings) Limited. He joined the Cheung Kong Group in January 2005. He is a member of each of the Institute of Chartered Accountants in Australia, the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Secretaries and Administrators. He holds a Master's degree in Commerce and a Bachelor's degree in Economics.

**YIP Cheung, Lawrence**

aged 51, Head of Internal Audit, has been with the Cheung Kong Group since November 1997. He holds a Master's degree in Business Administration. He is a fellow of the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants and an associate of the Institute of Chartered Accountants in England and Wales.

## BOARD AND KEY PERSONNEL

### KEY PERSONNEL'S BIOGRAPHICAL INFORMATION (CONT'D)

#### OVERSEAS

##### **Graham Winston EDWARDS**

aged 61, has been Chief Executive of Wales & West Utilities Limited since the company was established in 2005. He has over 20 years of experience in the utility and outsourced services sectors. Prior to his current position, Mr. Edwards held a senior management role with RWE Thames Water, running its unregulated businesses across Europe. He has also held senior executive positions with South Wales Electricity plc and Hyder plc, where he was responsible for the management of their electricity and water operating businesses. He is also a Non-executive Director of Dwr Cymru Welsh Water, and the past Chairman of the Confederation of British Industry (CBI) in Wales. Mr. Edwards holds a Master's degree in Business Administration, and is a Fellow of both the Institute of Directors and the Chartered Institute of Personnel and Development.

##### **Derek David GOODMANSON**

aged 48, is Chief Executive Officer of Canadian Power Holdings Inc. (formerly Stanley Power Inc.) He joined the company as Technical and Commercial Director in 2011, and was promoted to his current position in 2012. Mr. Goodmanson has over 25 years of experience in engineering, maintenance, project management, operations, and commercial management in the power industry, having held a number of key leadership roles in the power generation and transmission sectors throughout Canada. Mr. Goodmanson holds a Bachelor of Mechanical Engineering degree from the University of Saskatchewan, and is a Registered Professional Engineer in Canada.

##### **Mark John HORSLEY**

aged 55, has been Chief Executive Officer of Northern Gas Networks Limited ("NGN") since 2011. He has more than 30 years of experience in the energy sector. In the four years since joining NGN, the company has transformed its approach to customer service, securing seven accolades for customer experience in 2014. Mr. Horsley has held a number of senior appointments in the industry including being an Equity Partner and Head of Power Distribution at EC Harris, an international built asset consultancy; Strategy and Central Programmes Director at Scottish Power; and President and Chief Operating Officer at CE Electric UK. Mr. Horsley held the post of Chairman of the UK Energy Networks Association from 2004 to 2006, and was appointed Chairman of the Energy Innovation Centre (EIC) in 2014.

##### **Yves Willy André LUCA**

aged 49, is Chief Executive Officer of AVR-Afvalverwerking B.V. ("AVR"). Mr. Luca joined Van Gansewinkel Belgium, the organisation which previously owned AVR prior to its acquisition by a consortium led by Cheung Kong Infrastructure Holdings Limited, as Logistics Manager in 1995, and was promoted to a number of regional and national executive positions in the company, including as a member of the Managing Board in 2001 and the Group Board of Directors in 2005. Over the years, Mr. Luca has been responsible for the company's Belgium and Eastern Europe waste collection operations, overall group recycling activities (Glass, Minerals, WEEE) and energy-from-waste activities. Mr. Luca has more than 18 years of experience in the waste management industry, and holds a Master's degree in Applied Economic Science from the Ghent University.

### **Carlo MARRELLO**

aged 50, is Chief Executive Officer of Park'N Fly. He joined the company in 2014. Mr. Marrello has over 25 years of experience in executive management, consulting, sales, and operations in both the financial and commercial logistics industries. Mr. Marrello has held a number of senior appointments including the Global Head of Commodities Logistics at the Royal Bank of Canada. Mr. Marrello holds a Bachelor's degree from the University of Toronto.

### **Stuart Michael MAYER**

aged 48, is General Manager of Seabank Power Limited ("Seabank"). He joined the company as Commercial Financial Controller in 2001, and was promoted to his current position in 2007. Mr. Mayer joined Seabank from Rolls-Royce plc where he held a variety of commercial and financial roles in the civil and military aero engine sectors in the United Kingdom and overseas. Mr. Mayer is a Chartered Management Accountant with over 28 years of experience in engineering and utilities.

### **Heidi MOTTRAM**

aged 50, is Chief Executive Officer of the Northumbrian Water Group Limited and Northumbrian Water Limited Boards. Ms. Mottram has held the positions since 2010 before the organisation's acquisition by a consortium led by Cheung Kong Infrastructure Holdings Limited in October 2011. Prior to her current position, Ms. Mottram has held a number of senior management roles in the past including Managing Director of Northern Rail Limited, Commercial Director of Arriva Trains, and Operations Director of Midland Mainline. She has worked in Great North Eastern Railway holding various key positions. Ms. Mottram began her career with British Rail in the mid-1980s where her first senior role was as Station Manager in Harrogate. Ms. Mottram is currently a Board Member of Kielder Water and Forest Park Development Trust, Eurostar International Limited and CBI, and a member of Newcastle University Council. She is also a member of the United Kingdom Government's Green Economy Council. Ms. Mottram was named Rail Business Manager of the Year in 2009 for being an "inspirational leader", and was awarded an OBE in the New Year honours list 2010 for services to the rail industry.

### **Richard Clive PEARSON**

aged 69, has been Chairman of Wellington Electricity Distribution Network Limited and its subsidiary companies since the organisation's establishment in 2008. He was also appointed Chairman of Enviro Waste Services Limited in 2013. Prior to his current positions, Mr. Pearson worked for Hutchison Whampoa Group from 1975 to 2007, holding various financial and management roles with Hutchison Port Holdings Group, including Managing Director – Europe Division from 2005 to 2007, President ECT Rotterdam from 2002 to 2004, as well as Managing Director of Hong Kong International Terminals Ltd from 1996 to 1998. Mr. Pearson holds a Bachelor's degree in Commerce and is a member of the New Zealand Society of Accountants.

## BOARD AND KEY PERSONNEL

### KEY PERSONNEL'S BIOGRAPHICAL INFORMATION (CONT'D)

#### OVERSEAS (CONT'D)

##### **Timothy Hugh ROURKE**

aged 43, is Chief Executive Officer of Victoria Power Networks Pty Ltd. (formerly CHEDHA Holdings Pty Ltd.) and its subsidiaries, including CitiPower I Pty Ltd. ("CitiPower") and Powercor Australia Limited ("Powercor"). He joined Victoria Power Networks Pty Ltd. in April 2013. Before joining the company, Mr. Rourke was Asia Pacific Regional Executive of GE Aero Energy based in Singapore. Prior to that, he was Chief Executive Officer of GE Energy Infrastructure Australia and New Zealand. His previous experience included senior executive roles with AGL, Southern Hydro Pty Ltd and Alliant Energy Australia. Before entering the energy sector, he worked for BHP in their minerals division, as well as PwC.

##### **Gary Brian SAUNDERS**

aged 60, is Managing Director of Enviro Waste Services Limited ("EnviroWaste"). He has been with the company since 2007. Mr. Saunders has over 25 years of experience in the waste management industry in Australia and New Zealand. Prior to joining EnviroWaste, Mr. Saunders has held a number of senior executive positions in a variety of industries including transport, document security, armoured cars, aviation and pallet pooling. He is an Accountant by profession gaining his qualification in Sydney, Australia.

##### **Basil SCARSELLA**

aged 59, has been Chief Executive Officer of UK Power Networks Holdings Limited since the company was established in 2010. Prior to his current position, Mr. Scarsella held a number of senior positions in Cheung Kong Infrastructure Holdings Limited ("CKI")'s businesses, including Chief Executive Officer of Northern Gas Networks Limited in the United Kingdom from 2005 to 2010, and Chief Executive Officer of SA Power Networks (formerly ETSA Utilities) in Australia from 1998 to 2005. Before SA Power Networks was acquired by CKI and Power Assets Holdings Limited, Mr. Scarsella was General Manager of ETSA Power Corporation. Prior to that, Mr. Scarsella was Group Planning and Finance Manager of South Australia Gas Company. Mr. Scarsella holds a degree in Economics from the University of Adelaide and is a Certified Practising Accountant. He is a Life Member of Football Australia and former Member of the Executive Committee of The Fédération Internationale de Football Association (FIFA). He received the Australian Sports Medal in 2000, and in 2003 became a Member of the Order of Australia for services to sport.

### **Greg Donald SKELTON**

aged 50, is Chief Executive Officer of Wellington Electricity Lines Limited. He has been with the company since its formation in 2009. Mr. Skelton has over 30 years of experience in the fields of production engineering, electrical engineering and business management. He holds a Bachelor's degree in Electrical Engineering, a Master's degree in Business Administration, and is a Fellow of the Institute of Professional Engineers of New Zealand.

### **Robert STOBBE**

aged 58, has been Chief Executive Officer of SA Power Networks (formerly ETSA Utilities) since 2010. He has held senior executive positions from 1999 to 2008 at various businesses of Cheung Kong Infrastructure Holdings Limited including Northern Gas Networks Limited in the United Kingdom; as well as Powercor Australia Limited, CitiPower I Pty Ltd., and SA Power Networks in Australia. Before returning to SA Power Networks to assume his current position, he was Chief Executive Officer of TransAdelaide with responsibility for Adelaide's rail passenger transport system from 2008 to 2010. Prior to that, he was Chief Executive Officer of Spark Infrastructure Group from 2005 to 2008. Mr. Stobbe holds directorships in not-for-profit charitable organisations including Asthma Foundation SA, Operation Flinders Foundation, as well as the James Brown Memorial Trust. He also is Director of the Electricity Networks Association of Australia. Mr. Stobbe has a Bachelor of Business (Accounting) degree and is a Fellow of CPA Australia. He is a Member of the Australian Institute of Company Directors.

### **Peter Peace TULLOCH**

aged 71, has been Chairman of SA Power Networks (formerly ETSA Utilities), Victoria Power Networks Pty Ltd. (formerly CHEDHA Holdings Pty Ltd.), as well as its subsidiaries, CitiPower I Pty Ltd. and Powercor Australia Limited since 2005. Mr. Tulloch is also Non-executive Director of CK Life Sciences Int'l., (Holdings) Inc. Previously, Mr. Tulloch was Managing Director, Asia of CIBC World Markets; Chairman and Director of the major operating companies of the CEF Group, a joint venture between CIBC and Cheung Kong (Holdings) Limited; as well as Non-executive Director of CIBC Australia Holdings Limited. Prior to moving to Australia in late 2002, Mr. Tulloch worked for more than 30 years in banking in Asia. He was educated in Scotland and is a Fellow of the Institute of Canadian Bankers.

## BOARD AND KEY PERSONNEL

### KEY PERSONNEL'S BIOGRAPHICAL INFORMATION (CONT'D)

#### OVERSEAS (CONT'D)

##### **Benjamin Hollis WILSON**

aged 40, is Chief Executive Officer of Australian Gas Networks Limited ("AGN") (formerly Envestra). He joined the company in March 2015. Before joining AGN, Mr. Wilson was Director of Strategy & Regulation and Chief Financial Officer of UK Power Networks, with responsibility for treasury, long term business planning, regulation, innovation, and business transformation. Prior to joining UK Power Networks in 2011, Mr. Wilson was an investment banker, with 15 years of experience in utilities and natural resources financings, mergers and acquisitions and privatisations in Europe, Asia and Latin America, most recently as a Managing Director at Deutsche Bank in London. Mr. Wilson holds a Bachelor's degree in Natural Sciences from the University of Cambridge.

# REPORT OF THE DIRECTORS

The Directors are pleased to present shareholders with the annual report together with the audited financial statements of the Group for the year ended 31st December, 2014.

## PRINCIPAL ACTIVITIES

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

## RESULTS AND DIVIDENDS

Results of the Group for the year ended 31st December, 2014 are set out in the consolidated income statement on page 80.

The Directors recommend the payment of a final dividend of HK\$1.475 per share which, together with the interim dividend of HK\$0.525 per share paid on 5th September, 2014, makes the total dividend of HK\$2.000 per share for the year.

## PROPERTY, PLANT AND EQUIPMENT

Movements in the Group's property, plant and equipment during the year are set out in note 15 to the consolidated financial statements on pages 109 and 110.

## RESERVES

Details of changes in the reserves of the Group are set out in the consolidated statement of changes in equity on page 83.

## GROUP FINANCIAL SUMMARY

Results, assets and liabilities of the Group for the last ten years are summarised on pages 8 and 9.

## PROPERTIES

Particulars of major properties held by the Group are set out in Appendix 4 on page 150.

## DIRECTORS

The Directors of the Company in office at the date of this report are listed on page 190 and their biographical information is set out on pages 50 to 57.

In accordance with the Company's Bye-laws, the Directors of the Company (including Non-executive Directors) shall be subject to retirement by rotation at each annual general meeting. Accordingly, Mr. Li Tzar Kuoi, Victor, Mr. Fok Kin Ning, Canning, Mr. Andrew John Hunter, Mr. Cheong Ying Chew, Henry, Mr. Barrie Cook and Mr. Tso Kai Sum will retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Each of the Independent Non-executive Directors had made an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considered that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

## REPORT OF THE DIRECTORS

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st December, 2014, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

#### (1) Long Positions in Shares

Name of Company	Name of Director	Capacity	Number of Ordinary Shares				Total	Approximate % of Shareholding
			Personal Interests	Family Interests	Corporate Interests	Other Interests		
Company	Li Tzar Kuoi, Victor	Beneficiary of trusts	-	-	-	1,912,109,945 (Note 1)	1,912,109,945	78.37%
	Kam Hing Lam	Beneficial owner	100,000	-	-	-	100,000	0.004%
Hutchison Whampoa Limited	Li Tzar Kuoi, Victor	Interest of child or spouse, interest of controlled corporations & beneficiary of trusts	-	300,000	1,086,770 (Note 3)	2,141,698,773 (Note 2)	2,143,085,543	50.26%
	Kam Hing Lam	Beneficial owner & interest of child or spouse	60,000	40,000	-	-	100,000	0.002%
	Fok Kin Ning, Canning	Interest of controlled corporation	-	-	6,010,875 (Note 5)	-	6,010,875	0.14%
	Chow Woo Mo Fong, Susan	Beneficial owner	190,000	-	-	-	190,000	0.004%
	Frank John Sixt	Beneficial owner	200,000	-	-	-	200,000	0.005%
	Lan Hong Tsung, David	Beneficial owner	20,000	-	-	-	20,000	0.0004%
	Lee Pui Ling, Angelina	Beneficial owner	38,500	-	-	-	38,500	0.0009%
	George Colin Magnus	Beneficial owner, interest of child or spouse & founder & beneficiary of a discretionary trust	40,000	9,900	-	950,100 (Note 6)	1,000,000	0.02%
Man Ka Keung, Simon	Beneficial owner & interest of child or spouse	2,770 (Note 7)	2,770 (Note 7)	-	-	2,770	0.00006%	

Name of Company	Name of Director	Capacity	Number of Ordinary Shares				Total	Approximate % of Shareholding
			Personal Interests	Family Interests	Corporate Interests	Other Interests		
Power Assets Holdings Limited	Li Tzar Kuoi, Victor	Interest of child or spouse & beneficiary of trusts	-	151,000	-	829,599,612 (Note 4)	829,750,612	38.87%
	Kam Hing Lam	Interest of child or spouse	-	100,000	-	-	100,000	0.004%
	Lee Pui Ling, Angelina	Beneficial owner	8,800	-	-	-	8,800	0.0004%
Hutchison Telecommunications (Australia) Limited	Fok Kin Ning, Canning	Beneficial owner & interest of controlled corporation	4,100,000	-	1,000,000 (Note 5)	-	5,100,000	0.037%
	Frank John Sixt	Beneficial owner	1,000,000	-	-	-	1,000,000	0.007%
Hutchison Telecommunications Hong Kong Holdings Limited	Li Tzar Kuoi, Victor	Interest of child or spouse, interest of controlled corporations & beneficiary of trusts	-	192,000	2,519,250 (Note 3)	3,185,136,120 (Note 8)	3,187,847,370	66.15%
	Fok Kin Ning, Canning	Interest of controlled corporation	-	-	1,202,380 (Note 5)	-	1,202,380	0.025%
	Chow Woo Mo Fong, Susan	Beneficial owner	250,000	-	-	-	250,000	0.005%
	George Colin Magnus	Beneficial owner & interest of child or spouse	13,201	132	-	-	13,333	0.0003%

## (2) Long Positions in Underlying Shares

Name of Company	Name of Director	Capacity	Number of Underlying Shares				Total
			Personal Interests	Family Interests	Corporate Interests	Other Interests	
Hutchison Telecommunications Hong Kong Holdings Limited	Frank John Sixt	Beneficial owner	255,000 (Note 9)	-	-	-	255,000

## REPORT OF THE DIRECTORS

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONT'D)

#### (3) Long Positions in Debentures

Name of Company	Name of Director	Capacity	Amount of Debentures				Total
			Personal Interests	Family Interests	Corporate Interests	Other Interests	
Hutchison Whampoa Finance (CI) Limited	Man Ka Keung, Simon	Beneficial owner & interest of child or spouse	US\$100,000 7.45% Notes due 2017 (Note 7)	US\$100,000 7.45% Notes due 2017 (Note 7)	–	–	US\$100,000 7.45% Notes due 2017
Hutchison Whampoa International (09) Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation	–	–	US\$45,792,000 7.625% Notes due 2019 (Note 3)	–	US\$45,792,000 7.625% Notes due 2019
Hutchison Whampoa International (09/19) Limited	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	US\$4,000,000 5.75% Notes due 2019 (Note 5)	–	US\$4,000,000 5.75% Notes due 2019
Hutchison Whampoa International (10) Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation	–	–	US\$35,395,000 Subordinated Guaranteed Perpetual Capital Securities (Note 3)	–	US\$35,395,000 Subordinated Guaranteed Perpetual Capital Securities
	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	US\$5,000,000 Subordinated Guaranteed Perpetual Capital Securities (Note 5)	–	US\$5,000,000 Subordinated Guaranteed Perpetual Capital Securities
	Frank John Sixt	Beneficial owner	US\$1,000,000 Subordinated Guaranteed Perpetual Capital Securities	–	–	–	US\$1,000,000 Subordinated Guaranteed Perpetual Capital Securities
Hutchison Whampoa International (12) Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation	–	–	US\$16,800,000 Subordinated Guaranteed Perpetual Capital Securities (Note 3)	–	US\$16,800,000 Subordinated Guaranteed Perpetual Capital Securities

Notes:

1. The 1,912,109,945 shares in the Company comprise 1,906,681,945 shares held by a subsidiary of Hutchison Whampoa Limited ("HWL") and 5,428,000 shares held by Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of The Li Ka-Shing Unity Trust ("UT1").

The discretionary beneficiaries of each of The Li Ka-Shing Unity Discretionary Trust ("DT1") and another discretionary trust ("DT2") are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard. Each of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1", which is the trustee of DT1) and Li Ka-Shing Unity Trustcorp Limited ("TDT2", which is the trustee of DT2) holds units in UT1 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. TUT1 as trustee of UT1 and its related companies in which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings ("TUT1 related companies") hold more than one-third of the issued share capital of Cheung Kong (Holdings) Limited ("CKH"). Certain subsidiaries of CKH in turn together hold more than one-third of the issued share capital of HWL.

The entire issued share capital of TUT1 and of the trustees of DT1 and DT2 are owned by Li Ka-Shing Unity Holdings Limited ("Unity Holdco"). Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-third of the entire issued share capital of Unity Holdco. TUT1 is only interested in the shares of CKH by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of CKH independently without any reference to Unity Holdco or any of Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor as a holder of the shares of Unity Holdco as aforesaid.

By virtue of the above and as a discretionary beneficiary of each of DT1 and DT2 and as a director of CKH, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the shares of CKH held by TUT1 as trustee of UT1 and TUT1 related companies, the shares of HWL held by the subsidiaries of CKH and the shares of the Company held by each of the subsidiary of HWL and TUT1 as trustee of UT1 under the SFO as a Director of the Company.

2. The 2,141,698,773 shares in HWL comprise:
  - (a) 2,130,202,773 shares held by certain subsidiaries of CKH. By virtue of the interests in shares of CKH in relation to which Mr. Li Tzar Kuoi, Victor has a duty of disclosure under the SFO in the issued share capital of CKH as described in Note 1 above and as a Director of the Company, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said shares of HWL under the SFO; and
  - (b) 11,496,000 shares held by Li Ka-Shing Castle Trustee Company Limited ("TUT3") as trustee of The Li Ka-Shing Castle Trust ("UT3"). The discretionary beneficiaries of each of the two discretionary trusts ("DT3" and "DT4") are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard. Each of the trustees of DT3 and DT4 holds units in UT3 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust.

The entire issued share capital of TUT3 and the trustees of DT3 and DT4 are owned by Li Ka-Shing Castle Holdings Limited ("Castle Holdco"). Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-third of the entire issued share capital of Castle Holdco. TUT3 is only interested in the shares of HWL by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of HWL independently without any reference to Castle Holdco or any of Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor as a holder of the shares of Castle Holdco as aforesaid.

By virtue of the above and as a discretionary beneficiary of each of DT3 and DT4 and as a director of HWL, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said shares of HWL held by TUT3 as trustee of UT3 under the SFO as a Director of the Company.

3. Such interests are held by certain companies of which Mr. Li Tzar Kuoi, Victor is interested in the entire issued share capital.
4. By virtue of being a Director of the Company and his deemed interest in those shares of the Company as described in Note 1 above, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to those shares of Power Assets Holdings Limited held through the Company under the SFO.
5. These interests are held by a company which is equally owned by Mr. Fok Kin Ning, Canning and his wife.

## REPORT OF THE DIRECTORS

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONT'D)

Notes (Cont'd):

6. Such interests are indirectly held by a trust of which Mr. George Colin Magnus is the settlor and a discretionary beneficiary.
7. Such interests are jointly held by Mr. Man Ka Keung, Simon and his wife.
8. Such shares of Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH") comprise:
  - (a) 3,184,982,840 ordinary shares of which 52,092,587 ordinary shares and 3,132,890,253 ordinary shares are held by certain wholly-owned subsidiaries of CKH and HWL respectively. By virtue of the interests in the shares of CKH and HWL in relation to which Mr. Li Tzar Kuoi, Victor has a duty of disclosure under the SFO in the issued share capital of CKH and HWL as described in Notes 1 and 2 above and as a Director of the Company, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said shares of HTHKH under the SFO; and
  - (b) 153,280 ordinary shares held by TUT3 as trustee of UT3. Mr. Li Tzar Kuoi, Victor as a Director of the Company, by virtue of being a discretionary beneficiary of each of DT3 and DT4 and his deemed interests in TUT3 as trustee of UT3 as described in Note 2(b) above, is taken to have a duty of disclosure in relation to the said shares of HTHKH under the SFO.
9. Such underlying shares are derived from the 17,000 American Depositary Shares (each representing 15 ordinary shares) in HTHKH beneficially owned by Mr. Frank John Sixt.

As at 31st December, 2014, by virtue of his deemed interest in the share capital of the Company as described above and as a Director of the Company, Mr. Li Tzar Kuoi, Victor is deemed to be interested in the securities of the subsidiaries and associated companies of the Company held through the Company and in those securities of the subsidiaries of HWL held through HWL under the provisions of the SFO, in addition to any separate interest held by him in the Company and its subsidiaries and associated companies. A waiver from compliance with the disclosure requirement under paragraph 13(1) of Appendix 16 to the Listing Rules in respect of the above-mentioned deemed interests of Mr. Li Tzar Kuoi, Victor to be disclosed in this annual report, on the ground that compliance with such paragraph would result in particulars being given which were not material in the context of the Group and were of excessive length, had been obtained from the Stock Exchange.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 31st December, 2014, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

No contracts of significance to which the Company or its subsidiary was a party and in which a Director of the Company had a material interest, whether directly or indirectly, during the year ended 31st December, 2014.

At no time during the year was the Company or subsidiary a party to any arrangements which enabled any Director of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate.

None of the Directors of the Company has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 31st December, 2014, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

### Long Positions of Substantial Shareholders in the Shares of the Company

Name	Capacity	Number of Ordinary Shares	Total	Approximate % of Shareholding
Hutchison Infrastructure Holdings Limited	Beneficial owner	1,906,681,945 (Note i)	1,906,681,945	78.15%
Hutchison International Limited	Interest of controlled corporation	1,906,681,945 (Note ii)	1,906,681,945	78.15%
Hutchison Whampoa Limited	Interest of controlled corporations	1,906,681,945 (Note ii)	1,906,681,945	78.15%
Cheung Kong (Holdings) Limited	Interest of controlled corporations	1,906,681,945 (Note iii)	1,906,681,945	78.15%
Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust	Trustee	1,912,109,945 (Note iv)	1,912,109,945	78.37%
Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust	Trustee & beneficiary of a trust	1,912,109,945 (Note v)	1,912,109,945	78.37%
Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust	Trustee & beneficiary of a trust	1,912,109,945 (Note v)	1,912,109,945	78.37%
Li Ka-shing	Founder of discretionary trusts	1,912,109,945 (Note v)	1,912,109,945	78.37%

Notes:

- i. 1,906,681,945 shares of the Company are held by Hutchison Infrastructure Holdings Limited, a subsidiary of HWL. Its interests are duplicated in the interests of HWL in the Company described in Note ii below.
- ii. HWL is deemed to be interested in the 1,906,681,945 shares of the Company referred to in Note i above as it holds more than one-third of the issued share capital of Hutchison International Limited, which holds more than one-third of the issued share capital of Hutchison Infrastructure Holdings Limited.
- iii. CKH is deemed to be interested in the 1,906,681,945 shares of the Company referred to in Note ii above as certain subsidiaries of CKH hold more than one-third of the issued share capital of HWL.
- iv. TUT1 as trustee of UT1 is deemed to be interested in those shares of the Company described in Note iii above as TUT1 as trustee of UT1 and TUT1 related companies hold more than one-third of the issued share capital of CKH and TUT1 as trustee of UT1 holds 5,428,000 shares of the Company.

## REPORT OF THE DIRECTORS

### INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS (CONT'D)

Notes (Cont'd):

- v. By virtue of the SFO, each of Mr. Li Ka-shing, being the settlor and may being regarded as a founder of each DT1 and DT2 for the purpose of the SFO, TDT1 as trustee of DT1 and TDT2 as trustee of DT2 is deemed to be interested in the same block of shares TUT1 as trustee of UT1 is deemed to be interested in as referred to in Note iv above as all issued and outstanding units in UT1 are held by TDT1 as trustee of DT1 and by TDT2 as trustee of DT2. More than one-third of the issued share capital of TUT1 and of the trustees of the said discretionary trusts are owned by Unity Holdco. Mr. Li Ka-shing owns one-third of the issued share capital of Unity Holdco.

Save as disclosed above, as at 31st December, 2014, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### CONTINUING CONNECTED TRANSACTIONS

The following transactions of the Group constituted continuing connected transactions ("Continuing Connected Transactions") under the Listing Rules during the financial year ended 31st December, 2014:

- (a) On 31st August, 2011, the Company had entered into a tenancy agreement (the "2011 Tenancy Agreement") to renew the previous tenancy agreement with Turbo Top Limited ("Turbo Top"), which is a connected person of the Company by virtue of its being a wholly-owned subsidiary of HWL, a substantial shareholder of the Company, in respect of the lease of Office Unit 1202, 12th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong with a lettable floor area of approximately 10,079 square feet as the principal business office of the Group in Hong Kong for a term of three years commencing from 1st September, 2011 to 31st August, 2014 at a monthly rental of HK\$927,268, exclusive of Government rates and other charges. The aggregate rent and service charges payable under the 2011 Tenancy Agreement are subject to the annual caps of HK\$5,000,000 for the period from 1st September, 2011 to 31st December, 2011, HK\$13,000,000 for the year ended 31st December, 2012, HK\$13,000,000 for the year ended 31st December, 2013, and HK\$9,000,000 for the period from 1st January, 2014 to 31st August, 2014 taking into account of the possible adjustment on the monthly service charges of HK\$88,695.20. During the year, HK\$8,272,843.20 has been paid/payable by the Company to Turbo Top pursuant to the 2011 Tenancy Agreement.
- (b) In order to renew the 2011 Tenancy Agreement and another tenancy agreement dated 25th September, 2013 made between the Company and Turbo Top in respect of the lease of Office Unit 1903 on 19th Floor of Cheung Kong Center, 2 Queen's Road Central, Hong Kong with a lettable floor area of approximately 3,311 square feet and a term from 16th September, 2013 to 31st August, 2014 at a monthly rental of HK\$364,210 and service charges of HK\$32,447.80 per month (subject to adjustments), on 29th August, 2014, the Company had entered into two tenancy agreements (the "2014 Tenancy Agreements") with Turbo Top in respect of the lease of Office Unit 1202 on 12th Floor and Office Unit 1903 on 19th Floor of Cheung Kong Center, 2 Queen's Road Central, Hong Kong with a total lettable floor area of approximately 13,390 square feet as the principal business office of the Group in Hong Kong. The term for each of the 2014 Tenancy Agreements is for a period of three years commencing from 1st September, 2014 to 31st August, 2017, at a total monthly rental of HK\$1,439,425, exclusive of Government rates and other charges. The aggregate rent and service charges payable under the 2014 Tenancy Agreements are subject to the annual caps of HK\$5,000,000 for the period from 1st September, 2014 to 31st December, 2014, HK\$20,000,000 for the year ending 31st December, 2015, HK\$20,000,000 for the year ending 31st December, 2016, and HK\$14,000,000 for the period from 1st January, 2017 to 31st August, 2017 taking into account of the possible adjustment on the total monthly service charges of HK\$141,934. During the year, HK\$4,886,011 has been paid/payable by the Company to Turbo Top pursuant to the 2014 Tenancy Agreements.

- (c) On 15th May, 2013, the Company had entered into a master agreement with HWL (the “2013 Master Agreement”) pursuant to which the Company or its subsidiaries may acquire such bonds, notes, commercial paper or other similar debt instruments as are or to be issued by HWL or any of its subsidiaries (the “Connected Issuers”) (the “2013 Connected Debt Securities”) in the secondary markets from independent third parties from time to time during the period commencing from 20th May, 2013 until the conclusion of the 2014 annual general meeting of the Company (the “2013 Term”). The Connected Issuers are connected persons of the Company by virtue of being either a substantial shareholder of the Company or an associate thereof.

The consideration for the 2013 Connected Debt Securities was on normal commercial terms determined with reference to market prices quoted on financial data providers. The cap applicable to the transactions contemplated under the 2013 Master Agreement was subject to (I) the aggregate gross purchase price of 2013 Connected Debt Securities of a particular issue held and proposed to be acquired by the Group during the 2013 Term not exceeding 20 per cent of the aggregate value of the subject issue and all outstanding 2013 Connected Debt Securities of the same issuer with the same maturity or shorter maturities; and (II) (i) the aggregate gross purchase price paid in respect of the 2013 Connected Debt Securities held by the Group at the commencement of the 2013 Term, if any; (ii) the aggregate gross purchase price paid in respect of the 2013 Connected Debt Securities acquired by the Group prior to such date during the 2013 Term, if any; and (iii) the aggregate gross purchase price in respect of the 2013 Connected Debt Securities of a particular issue proposed to be acquired by the Group on such date, less (iv) the aggregate net sale proceeds in respect of 2013 Connected Debt Securities sold by the Group prior to such date during the 2013 Term and (v) the aggregate principal amount repaid to the Group for any such 2013 Connected Debt Securities redeemed prior to such date during the 2013 Term, at any time during the 2013 Term not exceeding: (a) HK\$2.6 billion or (b) 20 per cent of the aggregate net liquid assets of the Group, being the aggregate value of the cash, deposits and marketable securities (including for the avoidance of doubt any 2013 Connected Debt Securities held at the time all valued at their respective fair market values as at such date) held by the Group which was accounted for and consolidated in the accounts of the Company less the aggregate value of any such assets which are subject to pledges or other encumbrances, which were accounted for and consolidated in the accounts of the Company as at 31st December, 2012, or if different, 20 per cent of the Company’s “unaudited consolidated net liquid assets” as at the last day of the immediately preceding calendar quarter, being the reference date, whichever is the lower.

During the year, the Company and its subsidiaries had not acquired any 2013 Connected Debt Securities in the secondary markets pursuant to the 2013 Master Agreement. On 24th January, 2014, the connected debt securities held by the Company and its subsidiaries were matured and HK\$1,340,750,000, being 100% of the principal amount thereof, was received.

An announcement in respect of the above transaction in paragraph (a) was published on 31st August, 2011 in accordance with the Listing Rules. An announcement in respect of the above transaction in paragraph (b) was published on 29th August, 2014 in accordance with the Listing Rules. An announcement in respect of the above transaction in paragraph (c) was published on 15th May, 2013 in accordance with the Listing Rules.

The Continuing Connected Transactions have been reviewed by the Independent Non-executive Directors. The Independent Non-executive Directors have confirmed that for the year 2014 the Continuing Connected Transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Company’s shareholders as a whole.

## REPORT OF THE DIRECTORS

### CONTINUING CONNECTED TRANSACTIONS (CONT'D)

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged the auditor of the Company to report the Continuing Connected Transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported to the Board of Directors and confirmed that for the year 2014 nothing has come to their attention that causes them to believe that the Continuing Connected Transactions (i) have not been approved by the Board of Directors of the Company; and (ii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and (iii) have exceeded the relevant caps.

### MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's turnover attributable to the Group's five largest customers was less than 30 per cent of the Group's turnover and the Group's purchases attributable to the Group's five largest suppliers were less than 30 per cent of the Group's purchases.

### DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year, the interests of Directors in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group (the "Competing Business") as required to be disclosed pursuant to the Listing Rules were as follows:

#### (a) Core Business Activities of the Group

- (1) Development, investment and operation of energy infrastructure;
- (2) Development, investment and operation of transportation infrastructure;
- (3) Development, investment and operation of water infrastructure;
- (4) Development, investment and operation and commercialisation of infrastructure related business;
- (5) Investment holding and project management; and
- (6) Securities investment.

#### (b) Interests in Competing Business

Name of Director	Name of Company	Nature of Interest	Competing Business (Note)
Li Tzar Kuoi, Victor	Cheung Kong (Holdings) Limited	Managing Director and Deputy Chairman	(1), (3), (5) & (6)
	Hutchison Whampoa Limited	Deputy Chairman	(1), (3), (5) & (6)
	Power Assets Holdings Limited	Non-executive Director *	(1), (5) & (6)
	HK Electric Investments and HK Electric Investments Limited	Non-executive Director and Deputy Chairman #	(1) & (5)
	CK Life Sciences Int'l., (Holdings) Inc.	Chairman	(6)
Kam Hing Lam	Cheung Kong (Holdings) Limited	Deputy Managing Director	(1), (3), (5) & (6)
	Hutchison Whampoa Limited	Executive Director	(1), (3), (5) & (6)
	Power Assets Holdings Limited	Executive Director ^	(1), (5) & (6)
	CK Life Sciences Int'l., (Holdings) Inc.	President and Chief Executive Officer	(6)
	Australian Gas Networks Limited <i>(formerly known as Envestra Limited)</i> <i>(whose shares were withdrawn from listing on 17th October, 2014)</i>	Director **	(1)

Name of Director	Name of Company	Nature of Interest	Competing Business (Note)
Ip Tak Chuen, Edmond	Cheung Kong (Holdings) Limited	Deputy Managing Director	(1), (3), (5) & (6)
	CK Life Sciences Int'l., (Holdings) Inc.	Senior Vice President and Chief Investment Officer	(6)
	TOM Group Limited	Non-executive Director	(5) & (6)
	AVIC International Holding (HK) Limited	Non-executive Director	(5) & (6)
	Shougang Concord International Enterprises Company Limited	Non-executive Director	(5) & (6)
	ARA Asset Management Limited	Non-executive Director	(5) & (6)
Fok Kin Ning, Canning	Cheung Kong (Holdings) Limited	Non-executive Director	(1), (3), (5) & (6)
	Hutchison Whampoa Limited	Group Managing Director	(1), (3), (5) & (6)
	Power Assets Holdings Limited	Chairman	(1), (5) & (6)
	HK Electric Investments and HK Electric Investments Limited <i>(share stapled units commenced listing on 29th January, 2014)</i>	Chairman	(1) & (5)
	Hutchison Telecommunications Hong Kong Holdings Limited	Chairman and Alternate Director	(5)
Andrew John Hunter	Power Assets Holdings Limited	Executive Director	(1), (5) & (6)
	Australian Gas Networks Limited <i>(formerly known as Envestra Limited) (whose shares were withdrawn from listing on 17th October, 2014)</i>	Director **	(1)
Chan Loi Shun	Power Assets Holdings Limited	Executive Director and Alternate Director **	(1), (5) & (6)
	HK Electric Investments and HK Electric Investments Limited <i>(share stapled units commenced listing on 29th January, 2014)</i>	Executive Director	(1) & (5)
	Australian Gas Networks Limited <i>(formerly known as Envestra Limited) (whose shares were withdrawn from listing on 17th October, 2014)</i>	Director	(1)
Chow Woo Mo Fong, Susan	Hutchison Whampoa Limited	Deputy Group Managing Director	(1), (3), (5) & (6)
	Power Assets Holdings Limited	Executive Director and Alternate Director ^^	(1), (5) & (6)
	HK Electric Investments and HK Electric Investments Limited <i>(share stapled units commenced listing on 29th January, 2014)</i>	Executive Director and Alternate Director ***	(1) & (5)
	TOM Group Limited	Alternate Director	(5) & (6)
	Hutchison Telecommunications Hong Kong Holdings Limited	Non-executive Director	(5)
Frank John Sixt	Cheung Kong (Holdings) Limited	Non-executive Director	(1), (3), (5) & (6)
	Hutchison Whampoa Limited	Group Finance Director	(1), (3), (5) & (6)
	Power Assets Holdings Limited	Non-executive Director *	(1), (5) & (6)
	TOM Group Limited	Non-executive Chairman	(5) & (6)
	Hutchison Telecommunications Hong Kong Holdings Limited	Non-executive Director	(5)

## REPORT OF THE DIRECTORS

### DIRECTORS' INTERESTS IN COMPETING BUSINESSES (CONT'D)

#### (b) Interests in Competing Business (Cont'd)

Name of Director	Name of Company	Nature of Interest	Competing Business (Note)
Lee Pui Ling, Angelina	TOM Group Limited	Non-executive Director	(5) & (6)
	Henderson Land Development Company Limited	Non-executive Director	(1), (2) & (5)
George Colin Magnus	Cheung Kong (Holdings) Limited	Non-executive Director	(1), (3), (5) & (6)
	Hutchison Whampoa Limited	Non-executive Director	(1), (3), (5) & (6)
Tso Kai Sum	Power Assets Holdings Limited	Non-executive Director and Deputy Chairman and Senior Adviser to the Board <sup>###</sup>	(1), (5) & (6)
	HK Electric Investments and HK Electric Investments Limited <i>(share stapled units commenced listing on 29th January, 2014)</i>	Non-executive Director and Deputy Chairman and Senior Adviser to the Board <sup>^^^</sup>	(1) & (5)

Note: Such businesses may be conducted through subsidiaries, associated companies or by way of other forms of investments.

\* With effect from 29th January, 2014, Mr. Li Tzar Kuoi, Victor and Mr. Frank John Sixt have been re-designated as Non-executive Directors of Power Assets Holdings Limited.

# With effect from 28th November, 2014, Mr. Li Tzar Kuoi, Victor has been appointed as a Non-executive Director of HK Electric Investments Manager Limited as the trustee-manager of HK Electric Investments, and HK Electric Investments Limited, and also the Deputy Chairman of HK Electric Investments Limited.

<sup>^</sup> With effect from 29th January, 2014, Mr. Kam Hing Lam has resigned as an Executive Director of Power Assets Holdings Limited.

<sup>\*\*</sup> With effect from 1st September, 2014, Mr. Kam Hing Lam and Mr. Andrew John Hunter have been appointed as Directors of Australian Gas Networks Limited.

<sup>##</sup> With effect from 29th January, 2014, Mr. Chan Loi Shun has ceased as an Alternate Director of Power Assets Holdings Limited.

<sup>^^</sup> With effect from 29th January, 2014, Mrs. Chow Woo Mo Fong, Susan has resigned as an Executive Director and has ceased as an Alternate Director of Power Assets Holdings Limited.

<sup>\*\*\*</sup> With effect from 28th November, 2014, Mrs. Chow Woo Mo Fong, Susan has resigned as an Executive Director and has been appointed as an Alternate Director of HK Electric Investments Manager Limited as the trustee-manager of HK Electric Investments, and HK Electric Investments Limited.

<sup>###</sup> With effect from 29th January, 2014, Mr. Tso Kai Sum has resigned as a Non-executive Director and the Deputy Chairman and Senior Adviser to the Board of Power Assets Holdings Limited.

<sup>^^^</sup> With effect from 28th November, 2014, Mr. Tso Kai Sum has resigned as a Non-executive Director of HK Electric Investments Manager Limited as the trustee-manager of HK Electric Investments, and HK Electric Investments Limited, and also the Deputy Chairman of HK Electric Investments Limited.

Save as disclosed above, none of the Directors is interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with businesses of the Group.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws and there are no restrictions against such rights under the laws of Bermuda.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

On 27th February, 2014, the Company has bought back and cancelled 56,234,455 shares at US\$5.52 or HK\$42.82 per share by private arrangement.

Save as disclosed above, during the year ended 31st December, 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## PLACING AND SUBSCRIPTION OF SHARES

On 21st January, 2015, Hutchison Infrastructure Holdings Limited ("HIHL"), a wholly-owned subsidiary of HWL and a controlling shareholder of the Company, the Company, Deutsche Bank AG, Hong Kong Branch ("Deutsche Bank"), J.P. Morgan Securities (Asia Pacific) Limited ("J.P. Morgan") and Morgan Stanley & Co. International plc ("Morgan Stanley") as the joint placing agents entered into a Placing and Subscription Agreement pursuant to which (i) the joint placing agents have severally agreed to place, on a fully underwritten basis, and HIHL has agreed to sell in aggregate 80,000,000 shares of the Company at a price of HK\$58.00 per placing share ("Placing Price") (Deutsche Bank, J.P. Morgan and Morgan Stanley have each severally agreed to place 26,666,667 shares, 26,666,667 shares and 26,666,666 shares, respectively); and (ii) HIHL has conditionally agreed to subscribe for 80,000,000 new ordinary shares of HK\$1.00 each in the share capital of the Company ("Subscription Shares") equivalent to the number of the placing shares. The closing price of the Company's shares on 20th January, 2015 (being the last trading day for the shares prior to the date of such announcement) was HK\$60.70 and the net price to the Company for each Subscription Share was approximately HK\$57.50. On 30th January, 2015, the Company allotted and issued the Subscription Shares to HIHL at the Placing Price (less the costs and expenses incurred by the Company and HIHL in connection with the above-mentioned placing and subscription). The Company has applied the net proceeds for general funding purpose.

## PUBLIC FLOAT

As announced by the Company on 8th January, 1997 and 17th February, 1997, the Stock Exchange granted a waiver from strict compliance with Rule 8.08 of the Listing Rules to the Company on 9th January, 1997 subject to approximately not less than 15.2 per cent of the issued share capital of the Company being held in public hands. Based on information available and within the knowledge of the Directors, the obligation has been complied with.

## DONATIONS

Donations made by the Group during the year amounted to HK\$2,791,000.

## REPORT OF THE DIRECTORS

### DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

The following information is disclosed in accordance with Rules 13.21 and 13.22 of Chapter 13 of the Listing Rules:

As at 31st December, 2014, the Group's financial assistance to certain affiliated companies exceeded the assets ratio of 8 per cent. A combined statement of financial position of the affiliated companies as at 31st December, 2014 is set out below:

HK\$ million	
Non-current assets	381,627
Current assets	17,736
Current liabilities	(28,088)
Non-current liabilities	(285,591)
Net assets	85,684
Share capital	37,378
Reserves	48,263
Non-controlling interests	43
Total Equity	85,684

As at 31st December, 2014, the consolidated attributable interest of the Group in these affiliated companies amounted to HK\$52,102 million.

### AUDIT COMMITTEE

The Group's annual report for the year ended 31st December, 2014 has been reviewed by the audit committee of the Company ("Audit Committee"). Information on the work of Audit Committee and its composition are set out in the Code Provision C.3 of the Corporate Governance Report on pages 164 to 166.

### AUDITOR

The financial statements for the year have been audited by Messrs. Deloitte Touche Tohmatsu who retire and offer themselves for re-appointment.

On behalf of the Board

**LI TZAR KUOI, VICTOR**

Chairman

Hong Kong, 25th February, 2015

# INDEPENDENT AUDITOR'S REPORT



**TO THE MEMBERS OF CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED**  
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Cheung Kong Infrastructure Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 80 to 149, which comprise the consolidated statement of financial position as at 31st December, 2014, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong

25th February, 2015

# CONSOLIDATED INCOME STATEMENT

for the year ended 31st December

HK\$ million	Notes	2014	2013
Group turnover	6	6,100	5,018
Share of turnover of joint ventures	6	22,226	19,413
		28,326	24,431
<b>Group turnover</b>	6	6,100	5,018
Other income	7	318	544
Operating costs	8	(4,395)	(4,538)
Finance costs	9	(906)	(765)
Exchange gain		207	571
Gain on disposal of a subsidiary	39	2,236	–
Share of results of associates		23,156	4,741
Share of results of joint ventures		5,630	6,683
<b>Profit before taxation</b>	10	32,346	12,254
Taxation	11(a)	(26)	58
<b>Profit for the year</b>	12	32,320	12,312
<b>Attributable to:</b>			
Shareholders of the Company		31,782	11,639
Owners of perpetual capital securities		543	681
Non-controlling interests		(5)	(8)
		32,320	12,312
<b>Earnings per share</b>	13	HK\$13.03	HK\$4.77

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31st December

HK\$ million	2014	2013
<b>Profit for the year</b>	<b>32,320</b>	12,312
<b>Other comprehensive income</b>		
Items that may be reclassified subsequently to profit or loss:		
Gain from fair value changes of available-for-sale financial assets	688	420
Gain from fair value changes of derivatives designated as effective cash flow hedges	32	127
Gain/(Loss) from fair value changes of derivatives designated as effective net investment hedges	1,698	(26)
Exchange differences on translation of financial statements of foreign operations	(2,980)	(1,021)
Share of other comprehensive (expense)/income of associates	(671)	208
Share of other comprehensive (expense)/income of joint ventures	(506)	38
Reserves released upon disposal of a subsidiary	(1,929)	–
Income tax relating to components of other comprehensive income	18	(195)
	<b>(3,650)</b>	(449)
Items that will not be reclassified to profit or loss:		
Actuarial gain of defined benefit retirement schemes	–	10
Share of other comprehensive (expense)/income of associates	(81)	599
Share of other comprehensive income/(expense) of joint ventures	73	(50)
Income tax relating to components of other comprehensive income	21	(230)
	<b>13</b>	329
Other comprehensive expense for the year	<b>(3,637)</b>	(120)
<b>Total comprehensive income for the year</b>	<b>28,683</b>	12,192
<b>Attributable to:</b>		
Shareholders of the Company	28,147	11,516
Owners of perpetual capital securities	543	681
Non-controlling interests	(7)	(5)
	<b>28,683</b>	12,192

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31st December

HK\$ million	Notes	2014	2013
Property, plant and equipment	15	2,452	2,408
Investment properties	16	305	268
Interests in associates	17	54,135	34,583
Interests in joint ventures	18	52,999	46,244
Investments in securities	19	3,889	4,599
Derivative financial instruments	20	86	42
Goodwill and intangible assets	21	2,877	2,966
Deferred tax assets	28	15	20
<b>Total non-current assets</b>		<b>116,758</b>	91,130
Inventories	22	175	215
Investment in securities	19	–	1,341
Derivative financial instruments	20	825	80
Debtors and prepayments	23	1,204	1,162
Bank balances and deposits	24	7,108	5,958
		<b>9,312</b>	8,756
Assets classified as held for sale	25	–	22
<b>Total current assets</b>		<b>9,312</b>	8,778
Bank and other loans	26	1,690	44
Derivative financial instruments	20	24	491
Creditors and accruals	27	4,749	4,413
Taxation		108	92
<b>Total current liabilities</b>		<b>6,571</b>	5,040
<b>Net current assets</b>		<b>2,741</b>	3,738
<b>Total assets less current liabilities</b>		<b>119,499</b>	94,868
Bank and other loans	26	16,947	12,985
Derivative financial instruments	20	214	416
Deferred tax liabilities	28	552	838
Other non-current liabilities		40	31
<b>Total non-current liabilities</b>		<b>17,753</b>	14,270
<b>Net assets</b>		<b>101,746</b>	80,598
Representing:			
Share capital	30	2,440	2,496
Reserves		91,296	67,689
<b>Equity attributable to shareholders of the Company</b>		<b>93,736</b>	70,185
Perpetual capital securities	31	7,933	10,329
Non-controlling interests		77	84
<b>Total equity</b>		<b>101,746</b>	80,598

LI TZAR KUOI, VICTOR  
Director

IP TAK CHUEN, EDMOND  
Director

25th February, 2015

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December

HK\$ million	Attributable to shareholders of the Company										Perpetual capital securities	Non-controlling interests	Total
	Share capital	Share premium	Treasury shares	Contributed surplus	Property revaluation reserve	Investment revaluation reserve	Hedging reserve	Exchange translation reserve	Retained profits	Sub-total			
At 1st January, 2013	2,496	13,900	(2,291)	6,062	68	1,546	(1,422)	2,191	40,413	62,963	10,329	89	73,381
Profit for the year	-	-	-	-	-	-	-	-	11,639	11,639	681	(8)	12,312
Gain from fair value changes of available-for-sale financial assets	-	-	-	-	-	420	-	-	-	420	-	-	420
Gain from fair value changes of derivatives designated as effective cash flow hedges	-	-	-	-	-	-	127	-	-	127	-	-	127
Loss from fair value changes of derivatives designated as effective net investment hedges	-	-	-	-	-	-	-	(26)	-	(26)	-	-	(26)
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	-	(1,024)	-	(1,024)	-	3	(1,021)
Actuarial gain of defined benefit retirement schemes	-	-	-	-	-	-	-	-	10	10	-	-	10
Share of other comprehensive income/(expense) of associates	-	-	-	-	-	-	443	(235)	599	807	-	-	807
Share of other comprehensive income/(expense) of joint ventures	-	-	-	-	-	-	38	-	(50)	(12)	-	-	(12)
Income tax relating to components of other comprehensive income	-	-	-	-	-	(64)	(131)	-	(230)	(425)	-	-	(425)
Total comprehensive income/(expense) for the year	-	-	-	-	-	356	477	(1,285)	11,968	11,516	681	(5)	12,192
Final dividend for the year 2012 paid	-	-	-	-	-	-	-	-	(3,074)	(3,074)	-	-	(3,074)
Interim dividend paid	-	-	-	-	-	-	-	-	(1,220)	(1,220)	-	-	(1,220)
Interest paid on perpetual capital securities	-	-	-	-	-	-	-	-	-	-	(681)	-	(681)
At 31st December, 2013	2,496	13,900	(2,291)	6,062	68	1,902	(945)	906	48,087	70,185	10,329	84	80,598
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 39)	-	-	-	-	-	(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 31)	(56)	(2,235)	2,291	-	-	-	-	-	3	3	(2,340)	-	(2,337)
<b>At 31st December, 2014</b>	<b>2,440</b>	<b>11,665</b>	<b>-</b>	<b>6,062</b>	<b>68</b>	<b>722</b>	<b>(1,388)</b>	<b>(1,119)</b>	<b>75,286</b>	<b>93,736</b>	<b>7,933</b>	<b>77</b>	<b>101,746</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31st December

HK\$ million	Notes	2014	2013
<b>OPERATING ACTIVITIES</b>			
Cash from operations	33	2,912	2,729
Income taxes (paid)/recovered		(26)	23
<b>Net cash from operating activities</b>		<b>2,886</b>	<b>2,752</b>
<b>INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment		(292)	(405)
Disposals of property, plant and equipment		1	1
Additions to intangible assets		(14)	(11)
Disposal of interest in an associate		29	–
Advances to associates		(5)	(27)
Repayment from an associate		–	1
Investments in joint ventures		(4,705)	(2,287)
Disposal of interest in a joint venture		–	111
Return of capital from a joint venture		5	–
Advances to joint ventures		(11)	(2,067)
Repayment from joint ventures		–	1,102
Acquisition of businesses	38(a)	(147)	–
Acquisition of a subsidiary	38(b)	–	(3,208)
Purchases of securities		(1,641)	(62)
Redemption of securities		1,341	–
Loan note repayment from stapled securities		33	32
Dividends received from associates		2,342	2,276
Dividends received from joint ventures		2,450	3,284
Interest received		116	156
<b>Net cash utilised in investing activities</b>		<b>(498)</b>	<b>(1,104)</b>
<b>Net cash before financing activities</b>		<b>2,388</b>	<b>1,648</b>
<b>FINANCING ACTIVITIES</b>			
New bank and other loans		7,308	3,071
Repayments of bank and other loans		(113)	(31)
Finance costs paid		(900)	(738)
Dividends paid		(4,599)	(4,294)
Interest paid on perpetual capital securities		(599)	(681)
Redemption of perpetual capital securities		(2,340)	–
<b>Net cash utilised in financing activities</b>		<b>(1,243)</b>	<b>(2,673)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,145</b>	<b>(1,025)</b>
Cash and cash equivalents at 1st January		5,955	6,980
<b>Cash and cash equivalents at 31st December</b>		<b>7,100</b>	<b>5,955</b>
<b>Analysis of balances of cash and cash equivalents:</b>			
Bank balances and deposits	24	7,108	5,958
Bank overdrafts		(8)	(3)
		<b>7,100</b>	<b>5,955</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL

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

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

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

## 2. CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective to the Group for accounting periods beginning on or after 1st January, 2014. 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 19 (Amendments)	Defined Benefit Plans: Employee Contributions
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements
HKFRSs (Amendments)	Annual improvement to HKFRSs 2010-2012 Cycle
HKFRSs (Amendments)	Annual improvement to HKFRSs 2011-2013 Cycle
HKFRSs (Amendments)	Annual improvement to HKFRSs 2012-2014 Cycle

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

#### (j) Assets classified as held for sale

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

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

#### (k) Financial Instruments

##### *Investments in securities*

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

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

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.

### 3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

#### (k) Financial Instruments (Cont'd)

##### *Derivative financial instruments and hedge accounting (Cont'd)*

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

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

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

##### *Debtors*

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

##### *Cash and cash equivalents*

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

##### *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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

#### (k) 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.

#### (l) Revenue Recognition

##### *Sales of goods*

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

##### *Sales of services*

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

##### *Interest income*

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

##### *Income from investments in securities*

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

##### *Contract revenue*

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

### 3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

#### (m) Foreign Currencies

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

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

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

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

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

#### (n) Taxation

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

#### (n) Taxation (Cont'd)

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.

#### (o) Operating Leases

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

#### (p) Finance Leases

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

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

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

### 3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

#### (q) Employee Retirement Benefits

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

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

The cost of providing retirement benefits under the Group's defined benefit retirement plans is determined using the projected unit credit method, with actuarial valuations being carried out annually. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Past service cost is recognised in profit or loss in the period of a planned amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. 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.

#### (r) Borrowing Costs

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

### 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

#### (a) Currency Risk

The Group is exposed to currency risk primarily arising from foreign investments and borrowings denominated in currencies other than the functional currency of individual subsidiaries, which accounted for 23 per cent of the Group's borrowings (2013: 17 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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 80 per cent of the Group's bank balances and deposits at the end of the reporting period (2013: 87 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:

HK\$ million	2014		2013	
	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	47	(203)	72	(236)
Pounds sterling	230	(2,383)	239	(2,564)
Japanese yen	(200)	–	(227)	–
Canadian dollars	36	(122)	31	(134)
New Zealand dollars	33	(167)	16	(173)

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 2013.

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

### (b) Interest Rate Risk

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

Details of the Group's interest rate swaps and borrowings entered into by the Group at the end of the reporting period are set out in notes 20 and 26, respectively.

#### *Sensitivity analysis*

At 31st December, 2014, 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\$610 million (2013: HK\$88 million). Other comprehensive income would increase by HK\$96 million (2013: HK\$162 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 2013.

### (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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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 36, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these guarantees at the end of the reporting period is disclosed in note 36.

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

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

#### (d) Liquidity Risk

The Group's treasury activities are centralised to achieve better risk control and minimise the cost of funds. Cash is generally placed in short-term deposits mostly denominated in United States dollars, Hong Kong dollars, Australian dollars, Pounds sterling, Canadian dollars, 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	2014						2013					
	Carrying amount	Total contractual undiscounted cash outflows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Carrying amount	Total contractual undiscounted cash outflows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
Unsecured bank loans	13,674	14,536	2,006	315	12,215	-	10,303	11,073	249	2,005	8,819	-
Secured bank loans	1,124	1,342	109	67	1,148	18	1,009	1,243	85	56	1,086	16
Obligations under finance leases	60	68	39	18	10	1	97	110	45	35	28	2
Unsecured notes	3,779	4,309	61	61	2,670	1,517	1,617	2,164	43	43	131	1,947
Trade creditors	282	282	282	-	-	-	333	333	333	-	-	-
Amount due to a joint venture	1	1	1	-	-	-	1	1	1	-	-	-
Other payables and accruals	557	557	531	2	-	24	374	374	347	-	-	27
	<b>19,477</b>	<b>21,095</b>	<b>3,029</b>	<b>463</b>	<b>16,043</b>	<b>1,560</b>	<b>13,734</b>	<b>15,298</b>	<b>1,103</b>	<b>2,139</b>	<b>10,064</b>	<b>1,992</b>
Derivatives settled gross:												
Forward foreign exchange contracts held as net investment hedging instruments (note 20):												
- outflow		29,336	22,786	-	2,426	4,124		30,876	24,658	4,949	1,269	-
- inflow		(30,371)	(23,596)	-	(2,502)	(4,273)		(30,493)	(24,501)	(4,737)	(1,255)	-
		(1,035)	(810)	-	(76)	(149)		383	157	212	14	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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, 2014, 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 (2013: HK\$69 million). Other comprehensive income would decrease by HK\$165 million (2013: HK\$180 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 2013.

#### (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								
HK\$ million	Level 1		Level 2		Level 3		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>Investment properties (note 16)</b>	–	–	305	268	–	–	305	268
<b>Financial assets at fair value through profit or loss (note 19)</b>								
Notes, listed overseas	–	1,341	–	–	–	–	–	1,341
Equity securities, unlisted	–	–	46	46	–	–	46	46
<b>Available-for-sale financial assets (note 19)</b>								
Stapled securities, listed overseas	1,526	1,266	–	–	–	–	1,526	1,266
Equity securities, listed overseas	–	2,460	–	–	–	–	–	2,460
Stapled securities, listed in Hong Kong	1,526	–	–	–	–	–	1,526	–
Debt securities, unlisted	–	–	207	217	–	–	207	217
Equity securities, unlisted	–	–	32	32	–	–	32	32
<b>Derivative financial instruments (note 20)</b>								
Forward foreign exchange contracts	–	–	897	80	–	–	897	80
Interest rate swaps	–	–	14	42	–	–	14	42
<b>Total</b>	<b>3,052</b>	<b>5,067</b>	<b>1,501</b>	<b>685</b>	<b>–</b>	<b>–</b>	<b>4,553</b>	<b>5,752</b>

Liabilities measured at fair value								
HK\$ million	Level 1		Level 2		Level 3		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>Derivative financial instruments (note 20)</b>								
Forward foreign exchange contracts	–	–	1	744	–	–	1	744
Interest rate swaps	–	–	237	163	–	–	237	163
<b>Total</b>	<b>–</b>	<b>–</b>	<b>238</b>	<b>907</b>	<b>–</b>	<b>–</b>	<b>238</b>	<b>907</b>

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 (2013: nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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, 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		Net amounts
				Financial assets (liabilities)	Cash collateral pledged (received)	
<b>Financial asset</b>						
Derivative financial instruments	620	-	620	(135)	-	485
<b>Financial liability</b>						
Derivative financial instruments	(135)	-	(135)	135	-	-

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

### 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, 2014 is HK\$1,030 million (2013: HK\$1,024 million). Details of the impairment testing of goodwill are disclosed in note 21.

### (b) Impairment testing of intangible assets

Impairment testing of intangible assets requires significant judgment and 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, 2014 is HK\$1,847 million (2013: HK\$1,942 million).

## 6. GROUP TURNOVER AND SHARE OF TURNOVER OF JOINT VENTURES

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

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

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

HK\$ million	2014	2013
Sales of infrastructure materials	2,642	2,192
Interest income from loans granted to associates	452	484
Interest income from loans granted to joint ventures	1,473	1,295
Sales of waste management services	1,298	819
Distribution from investments in securities	185	186
Income from the supply of water	50	42
<b>Group turnover</b>	<b>6,100</b>	5,018
<b>Share of turnover of joint ventures</b>	<b>22,226</b>	19,413
	<b>28,326</b>	24,431

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 7. OTHER INCOME

Other income includes the following:

HK\$ million	2014	2013
Bank and other interest income	78	157
Gain on disposal of an associate	12	–
Gain on disposal of a joint venture	–	111
Change in fair values of investment properties	37	30

### 8. OPERATING COSTS

HK\$ million	2014	2013
Staff costs including directors' emoluments	777	609
Depreciation of property, plant and equipment	232	152
Amortisation of intangible assets	30	17
Cost of inventories sold	3,023	2,431
Other operating expenses	333	1,329
<b>Total</b>	<b>4,395</b>	<b>4,538</b>

### 9. FINANCE COSTS

HK\$ million	2014	2013
<b>Interest and other finance costs on</b>		
Bank borrowings wholly repayable within 5 years	541	441
Notes wholly repayable within 5 years	22	–
Notes repayable after 5 years	38	45
Others	305	279
<b>Total</b>	<b>906</b>	<b>765</b>

### 10. PROFIT BEFORE TAXATION

HK\$ million	2014	2013
<b>Profit before taxation is arrived at after (crediting)/charging:</b>		
Contract revenue	(193)	(282)
Operating lease rental for land and buildings	21	19
Directors' emoluments (note 34)	82	78
Auditor's remuneration	7	6

## 11. TAXATION

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

HK\$ million	2014	2013
Current taxation – Hong Kong	3	–
Current taxation – outside Hong Kong	44	3
Deferred taxation (note 28)	(21)	(61)
<b>Total</b>	<b>26</b>	<b>(58)</b>

- (b) A subsidiary of the Company paid AUD64 million (2013: AUD61 million) in aggregate, to the Australian Tax Office (“ATO”) being an amount equivalent to 50 per cent (which percentage is based on ATO Administrative Guidelines) of the tax in dispute, including interest and penalties, claimed by the ATO, pending the resolution of a dispute with the ATO regarding the deductibility of certain fees paid by that subsidiary for income tax purposes. The subsidiary is of the view that the fees are deductible and that no amount should be payable to the ATO and that the above amount paid is expected to be recovered from the ATO. The subsidiary has obtained legal advice and is poised to vigorously defend its position.
- (c) Reconciliation between tax charge/(credit) and accounting profit at Hong Kong profits tax rate:

HK\$ million	2014	2013
Profit before taxation	32,346	12,254
Less: share of results of associates	(23,156)	(4,741)
share of results of joint ventures	(5,630)	(6,683)
	<b>3,560</b>	830
Tax at 16.5% (2013: 16.5%)	<b>587</b>	137
<b>Tax impact on:</b>		
Different domestic rates of subsidiaries operating in other tax jurisdictions	(533)	(238)
Income not subject to tax	(151)	(185)
Expenses not deductible for tax purpose	93	232
Tax losses and other temporary differences not recognised	7	20
Others	23	(24)
<b>Tax charge/(credit)</b>	<b>26</b>	<b>(58)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 12. PROFIT FOR THE YEAR AND SEGMENT INFORMATION

for the year ended 31st December

	Infrastructure Investments														Infrastructure related business				Consolidated		
	Investment in Power Assets*		United Kingdom		Australia		Mainland China		New Zealand		Canada and Netherlands		Sub-total		Infrastructure related business		Unallocated items		Consolidated		
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	
HK\$ million																					
Group turnover #	-	-	1,318	1,148	637	670	-	-	1,362	886	141	122	3,458	2,826	2,642	2,192	-	-	6,100	5,018	
Share of turnover of joint ventures	-	-	17,678	16,426	545	2	635	661	667	588	1,494	740	21,019	18,417	1,207	996	-	-	22,226	19,413	
	-	-	18,996	17,574	1,182	672	635	661	2,029	1,474	1,635	862	24,477	21,243	3,849	3,188	-	-	28,326	24,431	
Group turnover	-	-	1,318	1,148	637	670	-	-	1,362	886	141	122	3,458	2,826	2,642	2,192	-	-	6,100	5,018	
Bank and other interest income	-	-	-	-	-	-	2	3	-	-	-	-	2	3	47	61	29	93	78	157	
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	-	-	-	-	-	-	111	111	-	-	-	-	-	111	-	-	-	-	-	-	
Other income	-	-	4	-	-	-	108	91	1	1	-	-	113	92	62	180	53	4	228	276	
Change in fair value of derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(134)	-	(134)	-	
Depreciation and amortisation	-	-	(5)	(5)	-	-	-	-	(159)	(97)	-	-	(164)	(102)	(97)	(67)	(1)	-	(262)	(169)	
Other operating expenses	-	-	(48)	(42)	-	-	(67)	(13)	(929)	(588)	-	-	(1,044)	(643)	(2,454)	(2,130)	(501)	(1,596)	(3,999)	(4,369)	
Finance costs	-	-	(2)	(2)	-	-	-	-	(84)	(55)	-	-	(86)	(57)	(1)	(3)	(819)	(705)	(906)	(765)	
Exchange gain	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	4	205	567	207	571	
Share of results of associates and joint ventures	22,695	4,315	4,918	6,369	583	456	267	199	14	(8)	145	(6)	5,927	7,010	164	99	-	-	28,786	11,424	
<b>Profit/(Loss) before taxation</b>	<b>22,695</b>	<b>4,315</b>	<b>6,185</b>	<b>7,468</b>	<b>3,468</b>	<b>1,126</b>	<b>310</b>	<b>391</b>	<b>205</b>	<b>139</b>	<b>286</b>	<b>116</b>	<b>10,454</b>	<b>9,240</b>	<b>365</b>	<b>336</b>	<b>(1,168)</b>	<b>(1,637)</b>	<b>32,346</b>	<b>12,254</b>	
Taxation	-	-	31	40	-	-	(23)	4	(13)	15	(1)	-	(6)	59	(20)	(1)	-	-	(26)	58	
<b>Profit/(Loss) for the year</b>	<b>22,695</b>	<b>4,315</b>	<b>6,216</b>	<b>7,508</b>	<b>3,468</b>	<b>1,126</b>	<b>287</b>	<b>395</b>	<b>192</b>	<b>154</b>	<b>285</b>	<b>116</b>	<b>10,448</b>	<b>9,299</b>	<b>345</b>	<b>335</b>	<b>(1,168)</b>	<b>(1,637)</b>	<b>32,320</b>	<b>12,312</b>	
<b>Attributable to:</b>																					
Shareholders of the Company	22,695	4,315	6,216	7,508	3,468	1,126	287	395	192	154	285	116	10,448	9,299	350	343	(1,711)	(2,318)	31,782	11,639	
Owners of perpetual capital securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	543	681	543	681	
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5)	(8)	-	-	(5)	(8)	
	22,695	4,315	6,216	7,508	3,468	1,126	287	395	192	154	285	116	10,448	9,299	345	335	(1,168)	(1,637)	32,320	12,312	

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

for the year ended 31st December

	Infrastructure Investments																		
	Investment in Power Assets*				Mainland China				New Zealand		Canada and Netherlands		Infrastructure related business		Unallocated items		Consolidated		
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	
HK\$ million																			
<b>Other information</b>																			
Expenditure for segment non-current assets:																			
– Additions to property, plant and equipment	-	-	-	-	-	-	-	132	-	-	-	-	132	270	1	3	292	405	
– Additions to intangible assets	-	-	-	-	-	-	11	11	-	-	-	-	11	-	-	-	14	11	
– Investments in joint ventures	-	-	-	27	-	-	159	-	-	2,101	-	2,287	-	-	-	-	4,705	2,287	
– Acquisition of business (note 38)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	78	-	
– Acquisition of a subsidiary (note 38)	-	-	-	-	-	-	-	2,159	-	-	-	-	2,159	-	-	-	-	2,159	
– Disposal of a subsidiary (note 39)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
as at 31st December																			
<b>Assets</b>																			
Interests in associates and joint ventures	47,384	27,458	40,810	40,424	546	718	1,156	1,233	3,226	3,515	53,049	375	320	-	-	107,134	80,827		
Property, plant and equipment and investment properties <sup>§</sup>	-	-	83	91	-	-	780	696	-	-	863	1,890	1,885	4	4	2,757	2,676		
Other segment assets	-	-	787	826	5	-	3,095	3,169	-	-	5,413	2,001	1,699	-	-	7,414	9,442		
Unallocated corporate assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,765	8,765	6,963	6,963	
<b>Total assets</b>	<b>47,384</b>	<b>27,458</b>	<b>41,680</b>	<b>41,341</b>	<b>551</b>	<b>718</b>	<b>5,031</b>	<b>5,098</b>	<b>3,226</b>	<b>3,515</b>	<b>61,579</b>	<b>4,266</b>	<b>3,904</b>	<b>8,769</b>	<b>126,070</b>	<b>99,908</b>			
<b>Liabilities</b>																			
Segment liabilities	-	-	57	65	27	31	1,843	1,747	7	9	1,981	841	792	-	-	2,822	2,877		
Unallocated corporate liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	21,502	16,433	21,502	16,433		
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>57</b>	<b>65</b>	<b>27</b>	<b>31</b>	<b>1,843</b>	<b>1,747</b>	<b>7</b>	<b>9</b>	<b>1,981</b>	<b>841</b>	<b>792</b>	<b>21,502</b>	<b>16,433</b>	<b>24,324</b>	<b>19,310</b>		

Notes:

\* During the year, the Group has a 38.87 per cent (2013: 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.

# Sales of infrastructure materials comprise sales in Hong Kong of HK\$1,611 million (2013: HK\$1,520 million), sales in Mainland China of HK\$1,030 million (2013: HK\$670 million) and sales in other region of HK\$1 million (2013: HK\$2 million).

§ The carrying value of HK\$575 million (2013: HK\$544 million) and HK\$1,316 million (2013: HK\$1,341 million) of the property, plant and equipment and investment properties of infrastructure related business are located in Hong Kong and Mainland China respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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\$31,782 million (2013: HK\$11,639 million) and on 2,439,610,945 shares (2013: 2,439,610,945 shares) in issue during the year.

During the year ended 31st December, 2013, the shares issued in connection with the issue of perpetual capital securities in February 2012 (note 31) were excluded from the calculation of earnings per share since these shares are disregarded for the purpose of determining the number of shares held by the public.

### 14. DIVIDENDS

(a)	HK\$ million	2014	2013
	Interim dividend paid of HK\$0.525 per share (2013: HK\$0.50 per share)	1,281	1,220
	Proposed final dividend of HK\$1.475 per share (2013: HK\$1.36 per share)	3,716	3,318
	<b>Total</b>	<b>4,997</b>	4,538

During the year ended 31st December, 2013, dividends of HK\$4,538 million were stated after elimination of HK\$104 million paid/proposed for the shares issued in connection with the issue of perpetual capital securities in February 2012. There is no such elimination for the dividend in 2014 since the Company redeemed the corresponding perpetual capital securities in February 2014 (note 31).

(b)	HK\$ million	2014	2013
	Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$1.36 per share (2013: HK\$1.26 per share)	3,318	3,074

Proposed final dividend for the year ended 31st December, 2012, approved and paid during the year ended 31st December, 2013, is stated after elimination of HK\$71 million for the shares issued in connection with the issue of perpetual capital securities in February 2012. There is no such elimination for the dividend in 2014 since the Company redeemed the corresponding perpetual capital securities in February 2014 (note 31).

## 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, 2013	393	114	–	649	2,521	51	3,728
Acquisition of a subsidiary	–	–	145	64	452	–	661
Transfer between categories	–	–	–	576	(577)	1	–
Additions	–	–	24	2	344	35	405
Disposals	–	–	–	–	(4)	(1)	(5)
Exchange translation differences	–	4	(4)	8	26	–	34
At 31st December, 2013	393	118	165	1,299	2,762	86	4,823
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
Accumulated depreciation							
At 1st January, 2013	166	41	–	625	1,382	37	2,251
Charge for the year	8	3	–	9	126	6	152
Disposals	–	–	–	–	(3)	(1)	(4)
Exchange translation differences	–	1	–	9	5	1	16
At 31st December, 2013	174	45	–	643	1,510	43	2,415
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
Carrying value							
<b>At 31st December, 2014</b>	<b>212</b>	<b>69</b>	<b>177</b>	<b>704</b>	<b>1,250</b>	<b>40</b>	<b>2,452</b>
At 31st December, 2013	219	73	165	656	1,252	43	2,408

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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\$62 million (2013: HK\$105 million) in respect of assets held under finance leases, and another amount of HK\$73 million (2013: HK\$84 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, 2013	238
Change in fair values	30
At 31st December, 2013	268
Change in fair values	37
<b>At 31st December, 2014</b>	<b>305</b>

The fair values of the Group's investment properties at 31st December, 2014 and 2013 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	2014	2013
Investment costs		
– Listed in Hong Kong	8,687	8,687
– Unlisted	1,010	1,010
Share of post-acquisition reserves	40,549	20,670
	50,246	30,367
Amounts due by unlisted associates (note 37)	3,889	4,216
	54,135	34,583
<b>Market value of investment in a listed associate</b>	<b>62,386</b>	51,145

Included in the amounts due by unlisted associates are subordinated loans of HK\$3,764 million (2013: HK\$4,091 million). The rights in respect of these loans are subordinated to the rights of any other lenders to the associates.

## 17. INTERESTS IN ASSOCIATES (CONT'D)

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

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

HK\$ million	Power Assets	
	2014	2013
Current assets	62,101	10,494
Non-current assets	72,988	96,701
Current liabilities	(2,700)	(4,952)
Non-current liabilities	(10,486)	(31,603)
Equity	121,903	70,640
<b>Reconciled to the Group's interests in the material associate</b>		
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	47,384	27,458

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

HK\$ million	Power Assets	
	2014	2013
Turnover	2,131	11,578
Profit for the year	58,385	11,101
Other comprehensive (expense)/income	(1,870)	530
Total comprehensive income	56,515	11,631
Dividend received from the material associate	2,132	2,057

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

HK\$ million	2014	2013
Aggregate carrying amount of individually insignificant associates in the consolidated financial statements	2,862	2,909
Aggregate amounts of the Group's share of those associates'		
Profit for the year	461	426
Other comprehensive (expense)/income	(11)	349
Total comprehensive income	450	775

Particulars of the principal associates are set out in Appendix 2 on pages 146 and 147.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 18. INTERESTS IN JOINT VENTURES

HK\$ million	2014	2013
Investment costs	<b>30,594</b>	22,898
Share of post-acquisition reserves	<b>7,671</b>	7,810
	<b>38,265</b>	30,708
Impairment losses	<b>(97)</b>	(31)
	<b>38,168</b>	30,677
Amounts due by joint ventures (note 37)	<b>14,831</b>	15,567
	<b>52,999</b>	46,244

Included in the amounts due by joint ventures are subordinated loans of HK\$6,330 million (2013: HK\$6,666 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, 2014. Due to the suspension of the annual pass system in Changsha, Hunan Province, China with effect from January 2015, an impairment loss of HK\$66 million (2013: nil) was made against interest in joint ventures, which operated Wujialing and Wuyilu Bridges in Changsha, Hunan Province, China.

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.

## 18. INTERESTS IN JOINT VENTURES (CONT'D)

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

HK\$ million	UK Power Networks		Northumbrian Water	
	2014	2013	2014	2013
Current assets	5,604	5,528	3,215	3,360
Non-current assets	124,050	122,172	77,979	80,450
Current liabilities	(10,340)	(9,718)	(3,038)	(3,254)
Non-current liabilities	(76,647)	(79,117)	(62,435)	(63,844)
Equity	42,667	38,865	15,721	16,712
<b>Reconciled to the Group's interest in the joint ventures</b>				
Group's effective interest	40%	40%	40%	40%
Group's share of net assets of the joint ventures	17,067	15,546	6,288	6,685
Consolidation adjustments at Group level and non-controlling interests	143	149	61	57
Carrying amount of the joint ventures in the consolidated financial statements	17,210	15,695	6,349	6,742
Included in the above assets and liabilities:				
Cash and cash equivalents	2,172	1,939	796	1,181
Current financial liabilities (excluding trade and other payables and provisions)	–	–	(182)	(381)
Non-current financial liabilities (excluding trade and other payables and provisions)	(60,560)	(61,593)	(49,277)	(50,741)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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		Northumbrian Water	
	2014	2013	2014	2013
Turnover	<b>22,938</b>	21,327	<b>10,772</b>	10,047
Profit for the year	<b>8,381</b>	9,823	<b>1,439</b>	2,197
Other comprehensive income/(expense)	<b>347</b>	(944)	<b>(345)</b>	566
Total comprehensive income	<b>8,728</b>	8,879	<b>1,094</b>	2,763
Dividend received from the joint ventures	<b>1,109</b>	1,114	<b>533</b>	426
Included in the above profit:				
Depreciation and amortisation	<b>(2,732)</b>	(1,942)	<b>(1,948)</b>	(1,403)
Interest income	<b>423</b>	406	<b>11</b>	3
Interest expense	<b>(3,426)</b>	(3,147)	<b>(3,212)</b>	(3,071)
Income tax (expense)/credit	<b>(1,988)</b>	(473)	<b>345</b>	910

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

HK\$ million	2014	2013
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	<b>14,609</b>	8,240
Aggregate amounts of the Group's share of those joint ventures'		
Profit for the year	<b>1,702</b>	1,875
Other comprehensive (expense)/income	<b>(355)</b>	43
Total comprehensive income	<b>1,347</b>	1,918

Particulars of the principal joint ventures are set out in Appendix 3 on pages 148 and 149.

## 19. INVESTMENTS IN SECURITIES

HK\$ million	2014	2013
<b>Financial assets at fair value through profit or loss*</b>		
Notes, listed overseas	–	1,341
Equity securities, unlisted	46	46
<b>Available-for-sale financial assets</b>		
Stapled securities, listed overseas, at fair value	1,526	1,266
Equity securities, listed overseas, at fair value	–	2,460
Stapled securities, listed in Hong Kong, at fair value	1,526	–
Equity securities, unlisted, at cost	552	578
Debt securities, unlisted, at fair value	207	217
Equity securities, unlisted, at fair value	32	32
<b>Total</b>	<b>3,889</b>	5,940
<b>Portion classified as:</b>		
Non-current	3,889	4,599
Current	–	1,341
<b>Total</b>	<b>3,889</b>	5,940

\* 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20. DERIVATIVE FINANCIAL INSTRUMENTS

HK\$ million	2014		2013	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	897	(1)	80	(744)
Interest rate swaps	14	(237)	42	(163)
	911	(238)	122	(907)
<b>Portion classified as:</b>				
Non-current	86	(214)	42	(416)
Current	825	(24)	80	(491)
	911	(238)	122	(907)

#### 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.

## 20. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

### Currency Derivatives (Cont'd)

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

<b>As at 31st December, 2014</b>	
Notional amount	Maturity
Sell AUD 319 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

<b>As at 31st December, 2013</b>	
Notional amount	Maturity
Sell AUD 323.8 million*	2014
Sell CAD 184.2 million*	2014
Sell NZD 280.0 million*	2014
Sell GBP 1,521.8 million*	2014
Sell GBP 390.0 million*	2015
Sell GBP 100.0 million*	2017

\* 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\$896 million (net assets to the Group) (2013: HK\$664 million (net liabilities to the Group)) have been deferred in equity at 31st December, 2014.

None of above currency derivatives is designated and effective as cash flow hedges at 31st December, 2014 and 2013.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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, 2014 and the major terms of these contracts are as follows:

<b>As at 31st December, 2014</b> 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

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

- \* 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\$89 million (net liabilities to the Group) (2013: HK\$121 million) have been deferred in equity at 31st December, 2014.

## 21. GOODWILL AND INTANGIBLE ASSETS

HK\$ million	2014	2013
Goodwill	1,030	1,024
Intangible assets	1,847	1,942
<b>Total</b>	<b>2,877</b>	2,966

### Goodwill

HK\$ million	2014	2013
At 1st January	1,024	–
Acquisition of businesses	69	–
Acquisition of a subsidiary	–	1,052
Exchange difference	(63)	(28)
<b>At 31st December</b>	<b>1,030</b>	1,024

During the year ended 31st December, 2014, the goodwill is recognised on acquisition of the entire interest in the recycling and waste collection business in New Zealand (note 38(a)).

During the year ended 31st December, 2013, the goodwill is recognised on acquisition of the entire interest in Enviro Waste Services Limited (“EnviroWaste”), a diversified, vertically integrated waste management business that has national coverage across New Zealand (note 38(b)).

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 (2013: 10 years). Cash flow projections for each cash-generating unit are based on the expected growth rate of 3 per cent (2013: 3 per cent). The Group considers that cash flow projections of 5 years (2013: 10 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 9.1 per cent to 15.1 per cent (2013: 13.1 per cent to 14 per cent). The impairment test of its assets is then assessed using the value in use for each cash-generating unit. Based on impairment tests prepared, there is no impairment for goodwill as at 31st December, 2014 and 2013.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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, 2013	-	-	-	-	-	-
Acquisition of subsidiary	132	62	1,799	3	8	2,004
Additions	-	4	6	1	-	11
Exchange translation differences	(3)	(2)	(48)	-	-	(53)
At 31st December, 2013	129	64	1,757	4	8	1,962
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
Accumulated amortisation						
At 1st January, 2013	-	-	-	-	-	-
Charge for the year	-	4	11	1	1	17
Exchange translation differences	-	1	1	1	-	3
At 31st December, 2013	-	5	12	2	1	20
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
Carrying value						
<b>At 31st December, 2014</b>	<b>142</b>	<b>53</b>	<b>1,637</b>	<b>10</b>	<b>5</b>	<b>1,847</b>
At 31st December, 2013	129	59	1,745	2	7	1,942

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	2014	2013
Raw materials	72	111
Work-in-progress	52	53
Stores, spare parts and supplies	29	25
Finished goods	22	26
<b>Total</b>	<b>175</b>	<b>215</b>

## 23. DEBTORS AND PREPAYMENTS

HK\$ million	2014	2013
Trade debtors	438	413
Prepayments, deposits and other receivables	766	749
<b>Total</b>	<b>1,204</b>	<b>1,162</b>

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

HK\$ million	2014	2013
Current	289	269
Less than 1 month past due	123	120
1 to 3 months past due	40	37
More than 3 months but less than 12 months past due	11	6
More than 12 months past due	16	15
Amount past due	190	178
Allowance for doubtful debts	(41)	(34)
<b>Total after allowance</b>	<b>438</b>	<b>413</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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	2014	2013
At 1st January	34	35
Impairment loss recognised	12	1
Impairment loss written back	(4)	(3)
Exchange translation differences	(1)	1
<b>At 31st December</b>	<b>41</b>	34

At 31st December, 2014, gross trade debtors' balances totalling HK\$41 million (2013: HK\$34 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\$41 million (2013: HK\$34 million) was recognised at 31st December, 2014. 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	2014	2013
Neither past due nor impaired	286	262
Less than 1 month past due	122	118
1 to 3 months past due	25	30
More than 3 months but less than 12 months past due	3	1
More than 12 months past due	2	2
Amount past due	152	151
<b>Total</b>	<b>438</b>	413

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

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

## 24. BANK BALANCES AND DEPOSITS

Bank balances and deposits carry average effective interest rate at 1.17 per cent (2013: 1.17 per cent) per annum.

## 25. ASSETS CLASSIFIED AS HELD FOR SALE

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

On 19th December, 2013, the Group together with CK Life Sciences Int'l., (Holdings) Inc., which owns 51 per cent interest in the Disposal Unit, entered into a sale and purchase agreement with independent third parties in relation to the Disposal Unit. Upon the completion of disposal in June 2014, a cash consideration of AUD4,534,324 (equivalent to approximately HK\$32,992,000) was received by the Group, on the terms of the sale and purchase agreement.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 26. BANK AND OTHER LOANS

HK\$ million	2014	2013
Unsecured bank loans and bank overdraft repayable:		
Within 1 year	1,654	3
In the 2nd year	–	1,788
In the 3rd to 5th year, inclusive	12,020	8,515
	<b>13,674</b>	10,306
Obligations under finance leases repayable:		
Within 1 year	34	39
In the 2nd year	16	32
In the 3rd to 5th year, inclusive	9	25
After 5 years	1	1
	<b>60</b>	97
Unsecured notes repayable:		
In the 3rd to 5th year, inclusive	2,524	–
After 5 years	1,255	1,617
	<b>3,779</b>	1,617
Secured bank loans repayable:		
Within 1 year	2	2
In the 2nd year	2	2
In the 3rd to 5th year, inclusive	1,104	990
After 5 years	16	15
	<b>1,124</b>	1,009
<b>Total</b>	<b>18,637</b>	13,029
<b>Portion classified as:</b>		
Current liabilities	1,690	44
Non-current liabilities	16,947	12,985
<b>Total</b>	<b>18,637</b>	13,029

## 26. BANK AND OTHER LOANS (CONT'D)

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

HK\$ million	Bank loans		Finance leases		Notes		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
GBP	3,671	3,836	2	6	–	–	3,673	3,842
AUD	7,359	3,508	–	–	–	–	7,359	3,508
JPY	796	904	–	–	1,194	1,357	1,990	2,261
EUR	1,872	2,084	–	–	–	–	1,872	2,084
NZD	1,100	983	40	57	–	–	1,140	1,040
USD	–	–	–	–	2,325	–	2,325	–
HKD	–	–	–	–	260	260	260	260
RMB	–	–	18	34	–	–	18	34
<b>Total</b>	<b>14,798</b>	11,315	<b>60</b>	97	<b>3,779</b>	1,617	<b>18,637</b>	13,029

The average effective interest rates of the Group's bank loans and finance leases are 4.23 per cent (2013: 4.31 per cent) per annum and 11.02 per cent (2013: 8.19 per cent) per annum, respectively.

The Group's notes of HK\$1,454 million (2013: HK\$1,617 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 3 per cent.

Fixed rate notes, other loans and finance leases carried interest ranging from 1.75 per cent to 13.50 per cent (2013: 1.75 per cent to 12.44 per cent) per annum.

The shares of a subsidiary with net asset value of HK\$1,228 million (2013: HK\$1,302 million) were pledged to secure bank borrowings totalling HK\$1,100 million (2013: HK\$983 million) granted to the Group.

\* BBSY – Australian Bank Bill Swap Bid Rate

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 26. BANK AND OTHER LOANS (CONT'D)

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

HK\$ million	2014	2013
<b>Minimum lease payments:</b>		
Within 1 year	38	45
In the 2nd year	18	35
In the 3rd to 5th year, inclusive	9	28
After 5 years	2	2
	67	110
Less: Future finance charges	(7)	(13)
<b>Present value of lease payments</b>	<b>60</b>	97
Less: Amount due for settlement within 12 months	(34)	(39)
Amount due for settlement after 12 months	26	58

At 31st December, 2014, the remaining weighted average lease term was 2.2 years (2013: 3.7 years). All leases are denominated in GBP, RMB and NZD on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The Group's obligations under finance leases are secured by the lessors' charge over the leased assets (note 15).

## 27. CREDITORS AND ACCRUALS

HK\$ million	2014	2013
Trade creditors	282	333
Other payables and accruals	4,467	4,080
<b>Total</b>	<b>4,749</b>	4,413

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

HK\$ million	2014	2013
Current	171	254
1 month	31	38
2 to 3 months	14	6
Over 3 months	66	35
<b>Total</b>	<b>282</b>	333

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 28. DEFERRED TAX ASSETS/LIABILITIES

HK\$ million	2014	2013
Deferred tax assets	15	20
Deferred tax liabilities	(552)	(838)
<b>Total</b>	<b>(537)</b>	<b>(818)</b>

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, 2013	64	(22)	199	–	19	260
(Credit)/Charge to profit for the year	(22)	(42)	–	(3)	6	(61)
Charge to other comprehensive income for the year	–	–	64	–	12	76
Acquisition of a subsidiary	70	–	–	509	(23)	556
Exchange translation differences	(2)	–	(30)	(13)	–	(45)
Others	(1)	44	–	–	(11)	32
At 31st December, 2013	109	(20)	233	493	3	818
(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
<b>At 31st December, 2014</b>	<b>105</b>	<b>(15)</b>	<b>–</b>	<b>460</b>	<b>(13)</b>	<b>537</b>

## 28. 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\$1,474 million (2013: HK\$1,475 million) at 31st December, 2014. 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	2014	2013
Within 1 year	1	18
In the 3rd to 5th year, inclusive	83	88
No expiry date	1,390	1,369
<b>Total</b>	<b>1,474</b>	<b>1,475</b>

## 29. RETIREMENT PLANS

### (a) Defined Contribution Retirement Plans

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 29. 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\$23 million (2013: HK\$20 million). No forfeited contributions and earnings for the year under the defined contribution plans were used to reduce the existing level of contributions (2013: nil). At 31st December, 2014, there were no forfeited contributions and earnings available to the Group to reduce its contributions to the defined contribution plans in future years (2013: 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, 2014, 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:

	2014	2013
Discount rate at 31st December	<b>1.10% per annum</b>	1.20% per annum
Expected rate of salary increase	<b>5.00% per annum</b>	4.50% per annum

The actuarial valuation showed that the market value of plan assets was HK\$86 million (2013: HK\$80 million) and that the actuarial value of these assets represented 93 per cent (2013: 95 per cent) of the benefits that had accrued to members.

## 29. 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, 2014 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	2014	2013
Current service cost (net of employee contributions)	3	3
<b>Net amount debited to the consolidated income statement</b>	<b>3</b>	<b>3</b>

The actual return on plan assets for the year ended 31st December, 2014 was a gain of HK\$4 million (2013: HK\$9 million).

The amount included in the consolidated statement of financial position at 31st December, 2014 arising from the Group's obligations in respect of its defined benefit plan in Hong Kong is as follows:

HK\$ million	2014	2013
Present value of defined benefit obligations	92	85
Fair value of plan assets	(86)	(80)
<b>Employee retirement benefit liabilities classified as other non-current liabilities included in the consolidated statement of financial position</b>	<b>6</b>	<b>5</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 29. 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	2014	2013
At 1st January	85	85
Current service cost (net of employee contributions)	3	3
Interest cost	1	–
Actual benefits paid	–	(3)
Actual employee contributions	1	1
Actuarial loss on experience	1	1
Actuarial loss/(gain) on financial assumptions	1	(2)
<b>At 31st December</b>	<b>92</b>	<b>85</b>

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

HK\$ million	2014	2013
At 1st January	80	72
Return on plan assets greater than discount rate	3	9
Interest income	1	–
Actual company contributions	1	1
Actual employee contributions	1	1
Actual benefits paid	–	(3)
<b>At 31st December</b>	<b>86</b>	<b>80</b>

## 29. RETIREMENT PLANS (CONT'D)

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

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

As at 31st December	2014	2013
Equity instruments	50%	51%
Debt instruments	50%	49%
<b>Total</b>	<b>100%</b>	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 (2013: gain of HK\$1 million) and return on plan assets greater than discount rate amounting to HK\$3 million for the year ended 31st December, 2014 (2013: HK\$9 million) directly through other comprehensive income.

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

The Group expects to make a contribution of HK\$2 million (2013: HK\$1 million) to the defined benefit plan during the next financial year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 30. SHARE CAPITAL

	Number of Shares		Amount	
	2014	2013	2014 HK\$ million	2013 HK\$ million
<b>Authorised:</b>				
Ordinary shares of HK\$1 each	<b>4,000,000,000</b>	4,000,000,000	<b>4,000</b>	4,000
<b>Issued and fully paid:</b>				
At 1st January	<b>2,495,845,400</b>	2,495,845,400	<b>2,496</b>	2,496
Return and cancel of shares in connection with the redemption of perpetual capital securities (note 31)	<b>(56,234,455)</b>	–	<b>(56)</b>	–
<b>At 31st December</b>	<b>2,439,610,945</b>	2,495,845,400	<b>2,440</b>	2,496

### 31. PERPETUAL CAPITAL SECURITIES

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

On 27th February, 2012, The Bank of New York Mellon (Luxembourg) S.A. (the "Fiduciary") issued US\$300 million perpetual capital securities (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.

### 31. PERPETUAL CAPITAL SECURITIES (CONT'D)

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.

### 32. CAPITAL MANAGEMENT

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

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

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

The Group maintained a low net debt to net total capital ratio of 10 per cent (2013: 8 per cent) as at 31st December, 2014. The management targets to maintain a solid capital position to pursue more new investment opportunities. The Group's overall strategy remains unchanged from 2013.

The net debt to net total capital ratio at 31st December, 2014 and 2013 was as follows:

HK\$ million	2014	2013
Total debts	18,637	13,029
Bank balances and deposits	(7,108)	(5,958)
Net debt	11,529	7,071
Net total capital	113,275	87,669
<b>Net debt to net total capital ratio</b>	<b>10%</b>	8%

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 33. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

#### Cash from Operations

HK\$ million	2014	2013
Profit before taxation	32,346	12,254
Share of results of associates	(23,156)	(4,741)
Share of results of joint ventures	(5,630)	(6,683)
Interest income from loans granted to associates	(452)	(484)
Interest income from loans granted to joint ventures	(1,473)	(1,295)
Interest income from banks	(73)	(73)
Interest income from investments in securities	(61)	(145)
Finance costs	906	765
Depreciation of property, plant and equipment	232	152
Amortisation of intangible assets	30	17
Change in fair values of investment properties	(37)	(30)
Gain on disposal of property, plant and equipment	(1)	–
Gain on disposal of a subsidiary	(2,236)	–
Gain on disposal of an associate	(12)	–
Gain on disposal of a joint venture	–	(111)
Dividend from investments in securities	(129)	(125)
Change in fair value of derivative financial instruments	134	–
Pension costs of defined benefit retirement plans	3	3
Unrealised exchange gain	(285)	(598)
Returns received from joint ventures	365	216
Distribution received from investments in securities	185	186
Interest received from associates	455	488
Interest received from joint ventures	1,445	1,439
Contributions to defined benefit retirement plans	(1)	(1)
Net cash received at close of derivative financial instruments	138	250
Others	(25)	53
Operating cash flows before changes in working capital	2,668	1,537
Decrease/(increase) in inventories	40	(60)
Increase in debtors and prepayments	(119)	(76)
Increase in creditors and accruals	346	1,331
Exchange translation differences	(23)	(3)
<b>Cash from operations</b>	<b>2,912</b>	<b>2,729</b>

### 34. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

HK\$ million	Basic Salaries, Allowances and		Bonuses	Provident Fund Contributions	Inducement or Compensation Fees	<b>Total Emoluments 2014</b>	Total Emoluments 2013
	Fees	Other Benefits					
Li Tzar Kuoi, Victor <sup>(1)</sup>	0.075	-	24.012	-	-	<b>24.087</b>	22.944
Kam Hing Lam <sup>(1)</sup>	0.075	4.200	10.267	-	-	<b>14.542</b>	14.053
Ip Tak Chuen, Edmond	0.075	1.800	10.245	-	-	<b>12.120</b>	11.449
Fok Kin Ning, Canning <sup>(1)</sup>	0.075	-	-	-	-	<b>0.075</b>	0.075
Andrew John Hunter <sup>(1)</sup>	0.075	10.059	10.367	1.005	-	<b>21.506</b>	20.304
Chan Loi Shun, Dominic <sup>(1 and 3)</sup>	0.075	5.166	2.789	0.515	-	<b>8.545</b>	7.638
Chow Woo Mo Fong, Susan <sup>(1 and 2)</sup>	0.075	-	-	-	-	<b>0.075</b>	0.075
Frank John Sixt <sup>(1)</sup>	0.075	-	-	-	-	<b>0.075</b>	0.075
Cheong Ying Chew, Henry <sup>(4)</sup>	0.180	-	-	-	-	<b>0.180</b>	0.180
Kwok Eva Lee <sup>(4)</sup>	0.155	-	-	-	-	<b>0.155</b>	0.155
Sng Sow-Mei <sup>(4)</sup>	0.155	-	-	-	-	<b>0.155</b>	0.155
Colin Stevens Russel <sup>(4)</sup>	0.180	-	-	-	-	<b>0.180</b>	0.180
Lan Hong Tsung, David <sup>(4)</sup>	0.155	-	-	-	-	<b>0.155</b>	0.155
Barrie Cook	0.075	-	-	-	-	<b>0.075</b>	0.075
Lee Pui Ling, Angelina	0.075	-	-	-	-	<b>0.075</b>	0.075
George Colin Magnus <sup>(1)</sup>	0.075	-	-	-	-	<b>0.075</b>	0.075
Tso Kai Sum <sup>(1)</sup>	0.075	-	-	-	-	<b>0.075</b>	0.075
<b>Total for the year 2014</b>	<b>1.725</b>	<b>21.225</b>	<b>57.680</b>	<b>1.520</b>	<b>-</b>	<b>82.150</b>	
Total for the year 2013	1.725	20.191	54.404	1.418	-		77.738

Notes:

- (1) During the year, Mr. Li Tzar Kuoi, Victor, Mr. Andrew John Hunter, Mr. Chan Loi Shun, Dominic and Mr. Frank John Sixt each received directors' fees of HK\$70,000 (2013: HK\$70,000), Mr. Fok Kin Ning, Canning received director's fees of HK\$120,000 (2013: HK\$120,000), 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 (2013: HK\$70,000) from Power Assets. Except for HK\$5,370 (2013: HK\$70,000) received by Mr. Tso Kai Sum and HK\$5,370 (2013: HK\$70,000) received by Mr. George Colin Magnus, the directors' fees totalling HK\$410,740 (2013: HK\$540,000) were then paid back to the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Notes (Cont'd):

- (2) During the year, 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 (2013: HK\$3,600,000) received by Mr. Chan Loi Shun, Dominic 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 (2013: HK\$825,000).

Of the 5 individuals with the highest emoluments in the Group, all (2013: all) are directors whose emoluments are disclosed above.

### 35. COMMITMENTS

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

HK\$ million	Contracted but not provided for		Authorised but not contracted for	
	2014	2013	2014	2013
Investment in a joint venture	–	–	189	206
Plant and machinery	43	225	529	277
<b>Total</b>	<b>43</b>	<b>225</b>	<b>718</b>	<b>483</b>

- (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	2014	2013
Within 1 year	49	40
In the 2nd to 5th year, inclusive	100	60
Over 5 years	31	9
<b>Total</b>	<b>180</b>	<b>109</b>

### 36. CONTINGENT LIABILITIES

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

HK\$ million	2014	2013
Guarantee in respect of bank loan drawn by a joint venture	1,338	–
Other guarantees given in respect of a joint venture	836	909
Performance bond indemnities	91	94
Sub-contractor warranties	7	9
<b>Total</b>	<b>2,272</b>	1,012

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

### 37. MATERIAL RELATED PARTY TRANSACTIONS

During the year, the Group advanced HK\$5 million (2013: HK\$27 million) to its unlisted associates. During the year ended 31st December, 2013, the Group received repayments totalling HK\$1 million from unlisted associates. The total outstanding loan balances as at 31st December, 2014 amounted to HK\$3,889 million (2013: HK\$4,216 million), of which HK\$3,764 million (2013: HK\$4,091 million) at fixed rates ranging from 10.85 per cent to 11.19 per cent (2013: from 10.85 per cent to 11.19 per cent) per annum and HK\$125 million (2013: HK\$125 million) was interest-free. The average effective interest rate of the loan granted to associates is 11.02 per cent (2013: 10.98 per cent) per annum. As stated in note 6, interest income from loans granted to associates during the year amounted to HK\$452 million (2013: HK\$484 million). Except for a loan of HK\$94 million (2013: HK\$94 million) which was repayable within seven years (2013: eight years), the loans had no fixed terms of repayment.

During the year, the Group advanced HK\$11 million (2013: HK\$2,067 million) to its joint ventures. During the year ended 31st December, 2013, the Group received loan repayments of HK\$1,102 million from its joint ventures. The total outstanding loan balances as at 31st December, 2014 amounted to HK\$14,831 million (2013: HK\$15,567 million), of which HK\$1,408 million (2013: HK\$1,462 million) bore interest with reference to London Interbank Offered Rate and Hong Kong Dollar Prime Rate, and HK\$13,043 million (2013: HK\$13,744 million) at fixed rate ranging from 8 per cent to 11 per cent (2013: from 8 per cent to 11 per cent) per annum, and HK\$380 million (2013: HK\$361 million) was interest-free. As stated in note 6, interest income from loans granted to joint ventures during the year amounted to HK\$1,473 million (2013: HK\$1,295 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\$339 million (2013: HK\$289 million) and HK\$33 million (2013: HK\$24 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\$81 million (2013: HK\$67 million) and HK\$45 million (2013: HK\$39 million), respectively for the current year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 37. MATERIAL RELATED PARTY TRANSACTIONS (CONT'D)

During the year, 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 39 below.

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

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

### 38. BUSINESS COMBINATION

- (a) 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 are 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
<b>Total consideration</b>	<b>147</b>

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

The operation acquired during the year contributed HK\$70 million to the Group's 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 Group's 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 revenue 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. BUSINESS COMBINATION (CONT'D)

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

The acquisition-related costs were insignificant and were recognised as expenses during the year ended 31st December, 2013 within operating costs.

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 38. BUSINESS COMBINATION (CONT'D)

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

The operation acquired contributed HK\$819 million to the Group's turnover and a contribution of HK\$101 million to profit attributable to shareholders of the Company for the year ended 31st December, 2013.

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

### 39. 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 represents approximately 17.46 per cent equity interest in the joint venture.

HK\$ million	2014
<b>Net assets disposed of:</b>	
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
<b>Total consideration</b>	<b>2,995</b>
<b>Satisfied by:</b>	
Interest in a joint venture	2,995

#### 40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

as at 31st December

HK\$ million	2014	2013
Total assets	57,074	51,125
Total liabilities	(18,679)	(10,415)
<b>Net assets</b>	<b>38,395</b>	40,710
Representing:		
Share capital	2,440	2,496
Reserves	35,955	38,214
<b>Total equity</b>	<b>38,395</b>	40,710

Of the Group's profit attributable to shareholders of the Company for the current year, HK\$4,607 million (2013: HK\$4,308 million) has been dealt with in the financial statements of the Company.

Total distributable reserves of the Company amounted to HK\$24,322 million as at 31st December, 2014 (2013: HK\$24,314 million).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 41. EVENT AFTER THE REPORTING PERIOD

On 20th January, 2015, the Group together with Cheung Kong (Holdings) Limited ("CKH") entered into a shareholders' agreement in relation to the formation of a 50/50 shareholding joint venture ("JV Co") for the purpose of an acquisition of Eversholt Rail Group ("Eversholt Rail"). On the same day, Eversholt Investment Group S. C. S and two individuals as sellers, the JV Co as purchaser, the Company and CKH as guarantors also entered into a sale and purchase agreement for the acquisition of Eversholt Rail by the JV Co. The maximum capital commitment by the Group under the joint venture transaction is GBP600 million (equivalent to approximately HK\$7 billion). Eversholt Rail is a rolling stock operating company in the United Kingdom. Completion will be conditional upon fulfilment of certain conditions and is expected to take place around April 2015.

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 ("Placing Price"), 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. After the completion of the subscription, the issued share capital of the Company has been increased from 2,439,610,945 shares to 2,519,610,945 shares and the shareholding of HIHL in the Company has been changed from approximately 78.16 per cent to approximately 75.67 per cent.

### 42. COMPARATIVE FIGURES

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

### 43. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements set out on pages 80 to 149 were approved by the Board of Directors on 25th February, 2015.

# PRINCIPAL SUBSIDIARIES

## APPENDIX 1

The table below shows the subsidiaries as at 31st December, 2014 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
<b>Incorporated and operating in Hong Kong</b>			
Anderson Asia (Holdings) Limited	HK\$1 ordinary HK\$60,291,765 non-voting deferred	100	Investment holding
Anderson Asphalt Limited	HK\$30,300,000	100	Production and laying of asphalt and 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
<b>Incorporated in British Virgin Islands and operating in Hong Kong</b>			
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
<b>Incorporated and operating in Australia</b>			
Cheung Kong Infrastructure Finance (Australia) Pty Ltd	A\$63,840,181	100	Financing
<b>Incorporated and operating in New Zealand</b>			
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, 2014 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	Approximate share of equity shares held by the Group (per cent)	Principal activities
<b>Incorporated and operating in Hong Kong</b>			
Power Assets Holdings Limited (note 1)	HK\$2,134,261,654	39	Investment in power and utility-related businesses
<b>Incorporated and operating in Australia</b>			
SA Power Networks Partnership (note 2)	N/A	23	Electricity distribution
CKI/HEI Electricity Distribution Pty Limited (note 3)	A\$810,000,000	23	Electricity distribution
CKI/HEI Electricity Distribution Two Pty Limited (note 4)	A\$551,882,246	23	Electricity distribution

## APPENDIX 2 (CONT'D)

Notes:

1. The associate is listed on Hong Kong Stock Exchange.
2. SA Power Networks Partnership, an unincorporated body, is formed by the following companies:

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

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

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

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

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

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

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

CitiPower 1 Pty Ltd  
CitiPower Pty  
The CitiPower Trust

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

# PRINCIPAL JOINT VENTURES

## APPENDIX 3

The table below shows the joint ventures as at 31st December, 2014 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	Approximate share of equity shares held by the Group (per cent)	Principal activities
<b>Incorporated and operating in the United Kingdom</b>			
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
<b>Incorporated and operating in Australia</b>			
Australian Gas Networks Limited (formerly known as Envestra Limited)	A\$879,082,752.8	45	Gas distribution

## APPENDIX 3 (CONT'D)

Name	Issued share capital	Approximate share of equity shares held by the Group (per cent)	Principal activities
<b>Incorporated and operating in Canada</b>			
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
<b>Incorporated and operating in New Zealand</b>			
Wellington Electricity Distribution Network Limited	NZ\$172,000,100	50	Electricity distribution
<b>Incorporated and operating in the Netherlands</b>			
AVR-Afvalverwerking B.V.	€1	35	Producing energy from waste

# SCHEDULE OF MAJOR PROPERTIES

## APPENDIX 4

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

I: Industrial      C: Commercial

# CORPORATE GOVERNANCE REPORT

The Board of Directors ("Board") and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value. 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, 2014. 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, a Non-executive Director did not attend the annual general meeting of the Company held on 15th May, 2014 due to a sudden indisposition.

Key corporate governance principles and corporate governance practices of the Company are summarised below:

## I. CODE PROVISIONS

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices																																										
<b>A.</b>	<b>DIRECTORS</b>																																												
<b>A.1</b>	<b>THE BOARD</b>  <i>Corporate Governance Principle</i> <i>The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.</i>  <i>The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether he is spending sufficient time performing them.</i>																																												
A.1.1	Regular board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of majority of directors.	C	<ul style="list-style-type: none"> <li>The Board meets regularly and held meetings in February, May, July and November of 2014.</li> <li>Directors' attendance records in 2014 are as follows: <table border="1"> <thead> <tr> <th>Members of the Board</th> <th>Attendance</th> </tr> </thead> <tbody> <tr> <td colspan="2"><b>Executive Directors</b></td> </tr> <tr> <td>LI Tzar Kuoi, Victor (<i>Chairman</i>)</td> <td>4/4</td> </tr> <tr> <td>KAM Hing Lam (<i>Group Managing Director</i>)</td> <td>4/4</td> </tr> <tr> <td>IP Tak Chuen, Edmond (<i>Deputy Chairman</i>)</td> <td>3/4</td> </tr> <tr> <td>FOK Kin Ning, Canning (<i>Deputy Chairman</i>)</td> <td>4/4</td> </tr> <tr> <td>Andrew John HUNTER (<i>Deputy Managing Director</i>)</td> <td>4/4</td> </tr> <tr> <td>CHAN Loi Shun (<i>Chief Financial Officer</i>)</td> <td>4/4</td> </tr> <tr> <td>CHOW WOO Mo Fong, Susan</td> <td>4/4</td> </tr> <tr> <td>Frank John SIXT *</td> <td>3/4</td> </tr> <tr> <td colspan="2"><b>Independent Non-executive Directors</b></td> </tr> <tr> <td>CHEONG Ying Chew, Henry</td> <td>4/4</td> </tr> <tr> <td>KWOK Eva Lee</td> <td>4/4</td> </tr> <tr> <td>SNG Sow-mei alias POON Sow Mei</td> <td>4/4</td> </tr> <tr> <td>Colin Stevens RUSSEL</td> <td>4/4</td> </tr> <tr> <td>LAN Hong Tsung, David</td> <td>4/4</td> </tr> <tr> <td>Barrie COOK</td> <td>4/4</td> </tr> <tr> <td colspan="2"><b>Non-executive Directors</b></td> </tr> <tr> <td>LEE Pui Ling, Angelina</td> <td>4/4</td> </tr> <tr> <td>George Colin MAGNUS</td> <td>4/4</td> </tr> <tr> <td>TSO Kai Sum</td> <td>3/4</td> </tr> </tbody> </table> </li> </ul> <p>* Attended three meetings in person and one meeting by his alternate Mrs. Chow Woo Mo Fong, Susan but in accordance with Appendix 14 to the Listing Rules, attendance by an alternate is not to be counted for the purposes of the Corporate Governance Report.</p> <ul style="list-style-type: none"> <li>The Directors may attend meetings in person, by phone or through other means of electronic communication or by their alternate directors (if applicable) in accordance with the Company's Bye-laws. An updated and consolidated version of the Company's Memorandum of Association and Bye-laws (both English and Chinese versions) are available on the websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEx"). The Company's constitutional documents were amended during the year 2014.</li> </ul>	Members of the Board	Attendance	<b>Executive Directors</b>		LI Tzar Kuoi, Victor ( <i>Chairman</i> )	4/4	KAM Hing Lam ( <i>Group Managing Director</i> )	4/4	IP Tak Chuen, Edmond ( <i>Deputy Chairman</i> )	3/4	FOK Kin Ning, Canning ( <i>Deputy Chairman</i> )	4/4	Andrew John HUNTER ( <i>Deputy Managing Director</i> )	4/4	CHAN Loi Shun ( <i>Chief Financial Officer</i> )	4/4	CHOW WOO Mo Fong, Susan	4/4	Frank John SIXT *	3/4	<b>Independent Non-executive Directors</b>		CHEONG Ying Chew, Henry	4/4	KWOK Eva Lee	4/4	SNG Sow-mei alias POON Sow Mei	4/4	Colin Stevens RUSSEL	4/4	LAN Hong Tsung, David	4/4	Barrie COOK	4/4	<b>Non-executive Directors</b>		LEE Pui Ling, Angelina	4/4	George Colin MAGNUS	4/4	TSO Kai Sum	3/4
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A.1.2	All directors are given an opportunity to include matters in the agenda for regular board meetings.	C	<ul style="list-style-type: none"> <li>All Directors are consulted as to whether they may wish to include any matter in the agenda before the agenda for each regular Board meeting is issued.</li> </ul>																																										

## CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.1.3	<ul style="list-style-type: none"> <li>– At least 14 days notice for regular board meetings</li> <li>– Reasonable notice for other board meetings</li> </ul>	C C	<ul style="list-style-type: none"> <li>• Regular Board meetings in a particular year are usually scheduled towards the end of the immediately preceding year to give all Directors adequate time to plan their schedules to attend the meetings.</li> <li>• At least 14 days formal notice would be given before each regular meeting.</li> <li>• According to the Company's Bye-laws, any Director may waive notice of any meeting.</li> </ul>
A.1.4	Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting and should be open for inspection at any reasonable time on reasonable notice by any director.	C	<ul style="list-style-type: none"> <li>• The Company Secretary prepares written resolutions or minutes and keeps records of substantive matters discussed and decisions resolved at all Board and Board Committee meetings.</li> <li>• Board and Board Committee minutes/resolutions are sent to all Directors/Board Committee members within a reasonable time (generally within 14 days) after each Board and Board Committee meeting.</li> <li>• Board and Board Committee minutes/resolutions are available for inspection by Directors/Board Committee members.</li> </ul>
A.1.5	<ul style="list-style-type: none"> <li>– Minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered and decisions reached.</li> <li>– Draft and final versions of minutes for all directors to comment and to keep records within a reasonable time after the board meeting</li> </ul>	C C	<ul style="list-style-type: none"> <li>• Minutes record in sufficient detail the matters considered by the Board/Board Committees and decisions reached.</li> <li>• Directors are given an opportunity to comment on draft Board minutes.</li> <li>• Final version of Board minutes is placed on record within a reasonable time after the Board meeting.</li> </ul>
A.1.6	<ul style="list-style-type: none"> <li>– A procedure agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the company's expense</li> <li>– The board should resolve to provide separate independent professional advice to directors to assist them perform their duties to the company.</li> </ul>	C C	<ul style="list-style-type: none"> <li>• Directors have been advised that the Company Secretary can arrange independent professional advice at the expense of the Company should such advice be considered necessary by any Director.</li> </ul>
A.1.7	<ul style="list-style-type: none"> <li>– If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution.</li> <li>– Independent non-executive directors who, and whose close associates, have no material interest in the transaction should be present at that board meeting.</li> </ul>	C C	<ul style="list-style-type: none"> <li>• Important matters are usually dealt with by way of written resolutions so that all Directors (including Independent Non-executive Directors) can note and comment, as appropriate, the matters before approval is granted.</li> <li>• Director must declare his/her interest in the matters to be passed in the resolution, if applicable.</li> <li>• If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent Board committee will be set up to deal with the matter.</li> </ul>
A.1.8	Arrange appropriate insurance cover in respect of legal action against the directors	C	<ul style="list-style-type: none"> <li>• The Company has arranged appropriate Directors and Officers liability insurance coverage for its Directors and officers since 1996 including the year 2014/2015.</li> </ul>
<b>A.2</b>	<p><b>CHAIRMAN AND CHIEF EXECUTIVE</b></p> <p><i>Corporate Governance Principle</i> There should be a clear division of responsibilities between the Chairman and the Group Managing Director of the Company to ensure a balance of power and authority.</p>		

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices																												
A.2.1	<ul style="list-style-type: none"> <li>- Separate roles of chairman and chief executive not to be performed by the same individual</li> <li>- Division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.</li> </ul>	C  C	<ul style="list-style-type: none"> <li>• The positions of the Chairman of the Board and the Group Managing Director are currently held by separate individuals.</li> <li>• The Chairman of the Board determines the broad strategic direction of the Group in consultation with the Board and is responsible for the high-level oversight of management.</li> <li>• The Group Managing Director, with the support of the Executive Directors, is responsible for strategic planning of different business functions and day-to-day management and operation of the Group.</li> </ul>																												
A.2.2	The chairman should ensure that all directors are properly briefed on issues arising at board meetings.	C	<ul style="list-style-type: none"> <li>• With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information on a timely basis.</li> <li>• In addition to regular Board meetings, the Chairman of the Board met with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of the Executive Directors in May and November of 2014. Attendance records of the meetings are as follows: <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: right;"><b>Attendance</b></th> </tr> </thead> <tbody> <tr> <td colspan="2"><b>Chairman</b></td> </tr> <tr> <td>LI Tzar Kuoi, Victor</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td colspan="2"><b>Independent Non-executive Directors</b></td> </tr> <tr> <td>CHEONG Ying Chew, Henry</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>KWOK Eva Lee</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>SNG Sow-mei alias POON Sow Mei</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>Colin Stevens RUSSEL</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>LAN Hong Tsung, David</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>Barrie COOK</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td colspan="2"><b>Non-executive Directors</b></td> </tr> <tr> <td>LEE Pui Ling, Angelina</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>George Colin MAGNUS</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>TSO Kai Sum</td> <td style="text-align: right;">1/2</td> </tr> </tbody> </table> </li> </ul>	<b>Attendance</b>		<b>Chairman</b>		LI Tzar Kuoi, Victor	2/2	<b>Independent Non-executive Directors</b>		CHEONG Ying Chew, Henry	2/2	KWOK Eva Lee	2/2	SNG Sow-mei alias POON Sow Mei	2/2	Colin Stevens RUSSEL	2/2	LAN Hong Tsung, David	2/2	Barrie COOK	2/2	<b>Non-executive Directors</b>		LEE Pui Ling, Angelina	2/2	George Colin MAGNUS	2/2	TSO Kai Sum	1/2
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A.2.3	The chairman should be responsible for ensuring that directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable.	C	<ul style="list-style-type: none"> <li>• The Board papers including supporting analysis and related background information are normally sent to the Directors at least three days before Board meetings.</li> <li>• Communications between Non-executive Directors (including Independent Non-executive Directors) on the one hand, and the Company Secretary as co-ordinator for the other business units of the Group on the other, is a dynamic and interactive process to ensure that queries raised and clarification sought by the Directors are dealt with and further supporting information and/or documentation is provided as appropriate.</li> </ul>																												
A.2.4	<ul style="list-style-type: none"> <li>- The chairman to provide leadership for the board.</li> <li>- The chairman should ensure that the board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner.</li> <li>- The chairman should be primarily responsible for drawing up and approving the agenda for each board meeting. He should take into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda. The chairman may delegate this responsibility to a designated director or the company secretary.</li> </ul>	C  C  C	<ul style="list-style-type: none"> <li>• The Chairman of the Board is an Executive Director who is responsible for the leadership and effective running of the Board.</li> <li>• The Chairman of the Board determines the broad strategic direction of the Group in consultation with the Board and is responsible for the high-level oversight of management.</li> <li>• The Board meets regularly and held meetings in February, May, July and November of 2014.</li> <li>• With the support of the Executive Directors and the Company Secretary, the Chairman ensures that all Directors are properly briefed on all key and appropriate issues in a timely manner.</li> <li>• The Company Secretary assists the Chairman in preparing the agenda for each Board meeting and ensures that, where applicable, matters proposed by other Directors are included in the agenda; and that all applicable rules and regulations are followed.</li> </ul>																												
A.2.5	The chairman should take primary responsibility for ensuring that good corporate governance practices and procedures are established.	C	<ul style="list-style-type: none"> <li>• The Board as a whole and the management of the Company are committed to the maintenance of good corporate governance practices and procedures.</li> </ul>																												

## CORPORATE GOVERNANCE REPORT

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A.2.6	<ul style="list-style-type: none"> <li>– The chairman should encourage all directors to make a full and active contribution to the board's affairs and take the lead to ensure that it acts in the best interests of the company.</li> <li>– The chairman should encourage directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that board decisions fairly reflect board consensus.</li> </ul>	C	<ul style="list-style-type: none"> <li>• Please refer to A.2.3 and A.2.4 above for the details.</li> </ul>
A.2.7	The chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present.	C	<ul style="list-style-type: none"> <li>• In addition to regular Board meetings, the Chairman of the Board met with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of the Executive Directors in May and November of 2014. Please refer to A.2.2 above for the attendance records.</li> </ul>
A.2.8	The chairman should ensure that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the board as a whole.	C	<ul style="list-style-type: none"> <li>• The Company establishes different communication channels with shareholders and investors, including (i) printed copies of corporate communications (including but not limited to annual reports, interim reports, notices of meetings, circulars and proxy forms) required under the Listing Rules, and shareholders can choose to receive such documents using electronic means through the Company's website; (ii) the annual general meeting provides a forum for shareholders to raise comments and exchange views with the Board; (iii) updated and key information on the Group is available on the website of the Company; (iv) the Company's website offers a communication channel between the Company and its shareholders and stakeholders; (v) press conferences and briefing meetings with analysts are arranged from time to time to update on the performance of the Group; (vi) the Company's Branch Share Registrar deals with shareholders for share registration and related matters; and (vii) the Corporate Affairs Department of the Company handles enquiries from shareholders and investors generally.</li> <li>• In March 2012, the Board has established a shareholders communication policy and has made it available on the Company's website. The policy is subject to review on a regular basis to ensure its effectiveness.</li> </ul>
A.2.9	The chairman should promote a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors.	C	<ul style="list-style-type: none"> <li>• The Chairman promotes a culture of openness and actively encourages Directors with different views to voice their opinion and be fully engaged in the Board's affairs so as to contribute to the Board's functions.</li> </ul>
<b>A.3</b>	<b>BOARD COMPOSITION</b>		
	<p><i>Corporate Governance Principle</i>  <i>The Board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and should include a balanced composition of Executive and Non-executive Directors so that independent judgement can effectively be exercised.</i></p>		
A.3.1	Independent non-executive directors should be identified in all corporate communications that disclose the names of directors.	C	<ul style="list-style-type: none"> <li>• The composition of the Board, by category and position of Directors including the names of the Chairman, the Executive Directors, the Non-executive Directors and the Independent Non-executive Directors, is disclosed in all corporate communications.</li> <li>• The Board consists of a total of seventeen Directors, comprising eight Executive Directors, three Non-executive Directors and six Independent Non-executive Directors. One of the Executive Directors also acts as Alternate Director to two Executive Directors and two Alternate Directors were appointed. More than one Independent Non-executive Directors have appropriate professional qualifications, or accounting or related financial management expertise.</li> <li>• Details of the composition of the Board are set out on page 190.</li> <li>• The Directors' biographical information and the relationships among the Directors are set out on pages 50 to 57.</li> <li>• Review of the Board composition is made regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.</li> </ul>

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.3.2	The company should maintain on its website and on HKEx's website an updated list of its directors identifying their role and function and whether they are independent non-executive directors.	C	<ul style="list-style-type: none"> <li>The Company maintains on its website an updated list of its Directors identifying their respective roles and functions together with their biographical information, and whether they are independent non-executive directors. Since March 2012, the updated list of Directors has been posted on the website of HKEx which has been revised from time to time. The Company has also posted on its website and the website of HKEx the Terms of Reference of its Board Committees to enable the shareholders to understand the roles played by those Independent Non-executive Directors who serve on the relevant Board Committees.</li> </ul>
<b>A.4</b>	<b>APPOINTMENTS, RE-ELECTION AND REMOVAL</b>		
	<p><i>Corporate Governance Principle</i></p> <p><i>There should be a formal, considered and transparent procedure for the appointment of new Directors and plans in place for orderly succession for appointments. All Directors should be subject to re-election at regular intervals.</i></p>		
A.4.1	Non-executive directors should be appointed for a specific term, subject to re-election.	C	<ul style="list-style-type: none"> <li>All Directors (including Non-executive Directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company's Bye-laws and the CG Code.</li> </ul>
A.4.2	<ul style="list-style-type: none"> <li>All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment.</li> <li>Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.</li> </ul>	C  C	<ul style="list-style-type: none"> <li>In accordance with the Company's Bye-laws, newly appointed Directors are required to offer themselves for re-election at the next following general meeting (in the case of filling a casual vacancy) or at the next following annual general meeting (in the case of an addition to the existing Board) following their appointment.</li> <li>The Board as a whole is responsible for the appointment of new Directors and Directors' nomination for re-election by shareholders at the general meeting of the Company. Under the Company's Bye-laws, the Board may from time to time appoint a Director either to fill a casual vacancy or as an addition to the existing Board. Any such new Director shall hold office until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the existing Board) and shall then be eligible for re-election at the same general meeting.</li> <li>All Directors (including Non-executive Directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company's Bye-laws and the CG Code.</li> <li>The structure, size and composition of the Board are reviewed from time to time to ensure the Board has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company. The independence of the Independent Non-executive Directors is assessed according to the relevant rules and requirements under the Listing Rules.</li> <li>Each of the Independent Non-executive Directors makes an annual confirmation of independence pursuant to the requirements of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in the relevant requirements of the Listing Rules and are independent in accordance with the terms of the guidelines.</li> <li>The Company has published the procedures for shareholders to propose a person for election as a Director on its website.</li> </ul>
A.4.3	<ul style="list-style-type: none"> <li>If an independent non-executive director serves more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders.</li> <li>The papers to shareholders accompanying that resolution should include the reasons why the board believes he is still independent and should be re-elected.</li> </ul>	C  C	<ul style="list-style-type: none"> <li>Each Independent Non-executive Director who was subject to retirement by rotation was appointed by a separate resolution in the Company's annual general meeting. Each Independent Non-executive Director who was eligible for re-election at the annual general meeting had made a confirmation of independence pursuant to Rule 3.13 of the Listing Rules.</li> <li>The Company had expressed the view in its circular that each Independent Non-executive Director who was eligible for re-election had met the independence guidelines set out in Rule 3.13 of the Listing Rules and was independent in accordance with the terms of the guidelines. In respect of an Independent Non-executive Director who has served more than nine years, the Company had expressed its view in the circular for the 2015 Annual General Meeting as regards such Director's independence. In accordance with the CG Code, the Company has to include its own recommendation in the circular to explain why a particular candidate should be re-elected. As their relevant credentials have been included in the circular for the shareholders' information, the Company opines that it is more important for the shareholders themselves to make their own independent decision on whether to approve a particular re-election or not.</li> </ul>

## CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
<b>A.5</b>	<b>NOMINATION COMMITTEE</b> <i>Corporate Governance Principle</i> <i>In carrying out its responsibilities, the nomination committee should give adequate consideration to the principles under Sections A.3 and A.4 in the CG Code.</i>		
A.5.1 – A.5.4	<ul style="list-style-type: none"> <li>– The company should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.</li> <li>– The nomination committee should be established with specific written terms of reference which deal clearly with its authority and duties.</li> <li>– It should perform the following duties:– <ul style="list-style-type: none"> <li>(a) review the structure, size and composition (including the skills, knowledge and experience) of the board at least annually and make recommendations on any proposed changes to the board to complement the company's corporate strategy;</li> <li>(b) identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of individuals nominated for directorships;</li> <li>(c) assess the independence of independent non-executive directors; and</li> <li>(d) make recommendations to the board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive.</li> </ul> </li> <li>– The nomination committee should make available its terms of reference explaining its role and the authority delegated to it by the board by including them on HKEx's website and the company's website.</li> <li>– The company should provide the nomination committee sufficient resources to perform its duties. Where necessary, the nomination committee should seek independent professional advice, at the company's expense, to perform its responsibilities.</li> </ul>	E	<ul style="list-style-type: none"> <li>• The Company does not have a nomination committee. The Board as a whole is responsible for the appointment of new Directors and the nomination of Directors for re-election by shareholders at the general meeting of the Company. Under the Company's Bye-laws, the Board may from time to time appoint a Director either to fill a casual vacancy or as an addition to the existing Board. Any such new Director shall hold office until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the existing Board) and shall then be eligible for re-election at the same general meeting.</li> <li>• 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 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 and the Group Managing Director.</li> <li>• The Company adopts a formal, considered and transparent procedure for the appointment of new Directors. Before a prospective Director's name is formally proposed, the opinions of the existing Directors (including the Independent Non-executive Directors) are sought. After considering the proposal for the appointment of a new Director, the Board as a whole will make the final decision.</li> <li>• The Board as a whole is responsible for assessing the independence of the Independent Non-executive Directors according to the relevant rules and requirements under the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in the relevant requirements of the Listing Rules and are independent in accordance with the terms of the guidelines.</li> </ul>
A.5.5	<ul style="list-style-type: none"> <li>– Where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why they believe he should be elected and the reasons why they consider him to be independent.</li> </ul>	C	<ul style="list-style-type: none"> <li>• Please refer to A.4.3 above for the details.</li> </ul>

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A.5.6	<ul style="list-style-type: none"> <li>- The nomination committee (or the board) should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the Corporate Governance Report.</li> </ul>	C	<ul style="list-style-type: none"> <li>• In August 2013, the Company has established a policy concerning diversity of Board members ("Board Diversity Policy") and has made it available on the Company's website.</li> <li>• In the Board Diversity Policy:- <ol style="list-style-type: none"> <li>1. The Company recognises the benefits of having a Board that has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's businesses.</li> <li>2. The Company maintains that appointments to the Board should be based on merit that complements and expands the skills and experience of the Board as a whole, and after due regard to factors which include but not limited to gender, age, cultural and educational background, and/or professional experience, and any other factors that the Board may consider relevant and applicable from time to time towards achieving a diverse Board.</li> <li>3. The full Board of the Company is responsible for reviewing the structure, size and composition of the Board and the appointment of new directors of the Company from time to time to ensure that it has a balanced composition of skills and experience appropriate to the requirements of the Company's businesses, with due regard to the benefits of diversity on the Board. The Board as a whole is also responsible for reviewing the succession plan for the directors of the Company, in particular, for the Chairman of the Board and the Group Managing Director.</li> </ol> </li> <li>• Selection of Board members is based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and other factors that the Board may consider relevant and applicable from time to time. The ultimate decision is based on merit and contribution that the selected Board members could bring to the Board.</li> <li>• The Board has, from time to time, reviewed and monitored the implementation of the policy to ensure its effectiveness. It will at appropriate time set measurable objectives for achieving diversity on the Board.</li> </ul>
<b>A.6</b>	<b>RESPONSIBILITIES OF DIRECTORS</b>		
	<p><i>Corporate Governance Principle</i>  <i>Every Director must always know his responsibilities as a Director of the Company and its conduct, business activities and development.</i></p>		
A.6.1	<p>Every newly appointed director of the company should receive a comprehensive, formal and tailored induction on appointment. Subsequently he should receive any briefing and professional development necessary to ensure that he has a proper understanding of the company's operations and business and is fully aware of his responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the company's business and governance policies.</p>	C	<ul style="list-style-type: none"> <li>• The Company Secretary and key officers of the Company Secretarial Department liaise closely with newly appointed Directors both immediately before and after his/her appointment to acquaint them with the duties and responsibilities as a Director of the Company and the business operation of the Company.</li> <li>• A package, which has been compiled and reviewed by the Company's legal advisers, setting out the duties and responsibilities of directors under the Listing Rules and relevant regulatory requirements is provided to each newly appointed Director. Further information package comprising the latest developments in laws, rules and regulations relating to the duties and responsibilities of directors will be forwarded to each Director from time to time for his/her information and ready reference. Guidelines for directors have also been forwarded to each Director for his/her information and ready reference.</li> <li>• During the year, the Company had arranged at the cost of the Company Directors seminar sessions conducted by qualified professionals experienced on topics relating to the roles, functions and duties of the Directors. Certificates were issued to Directors who had attended the seminar sessions.</li> <li>• In addition, the Company has from time to time provided information and briefings to Directors on the latest developments in the laws, rules and regulations relating to Directors' duties and responsibilities. The Company had also, on an individual basis, advised Directors on queries raised or issues which arise in the performance of their duties as directors.</li> </ul>
A.6.2	<p>The functions of non-executive directors include:</p> <ul style="list-style-type: none"> <li>- bring independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct at board meetings</li> </ul>	C	<ul style="list-style-type: none"> <li>• The Non-executive Directors exercise their independent judgement and advise on the future business direction and strategic plans of the Company.</li> <li>• The Non-executive Directors review the financial information and operational performance of the Company on a regular basis.</li> <li>• The Independent Non-executive Directors are invited to serve on the Audit Committee and Remuneration Committee of the Company.</li> </ul>

## CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.6.2 (Cont'd)	<ul style="list-style-type: none"> <li>– take the lead on potential conflicts of interests</li> <li>– serve on the audit, remuneration, nomination and other governance committees, if invited</li> <li>– scrutinise the company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting</li> </ul>	C	
A.6.3	Every director should ensure that he can give sufficient time and attention to the company's affairs and should not accept the appointment if he cannot do so.	C	<ul style="list-style-type: none"> <li>• There is satisfactory attendance at Board meetings during the year. Please refer to A.1.1 above for the attendance records.</li> <li>• Every Executive Director has hands-on knowledge and expertise in the areas and operation in which he/she is charged with. Appropriate attention to the affairs of the Company is measured in terms of time as well as the quality of such attention and the ability of the Directors to contribute with reference to his/her area of knowledge and expertise, and his/her global perspective.</li> </ul>
A.6.4	Board should establish written guidelines no less exacting than the Model Code for relevant employees.	C	<ul style="list-style-type: none"> <li>• The Company had adopted the model code for securities transactions by directors of listed issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions effective from 31st March, 2004. The Model Code has been revised and adopted by the Company from time to time to comply with the new requirements set out in Appendix 10 to the Listing Rules.</li> <li>• Confirmation has been received from all Directors that they have complied with the required standards set out in the Model Code for the year ended 31st December, 2014.</li> <li>• Written guidelines on no less exacting terms than the Model Code relating to securities transactions for employees are set out in the Employee Handbook of the Company.</li> <li>• Since December 2011, the Company has established a policy on handling of confidential and price-sensitive information, and securities dealing for all employees of the Group to comply with when they are in possession of confidential or unpublished price-sensitive information in relation to the Group. Such policy has since been revised to comply with the new requirements set out in Part XIVA of the Securities and Futures Ordinance that came into effect on 1st January, 2013. Such revised policy has been posted on the Company's intranet and disseminated to all employees of the Company in December 2012.</li> </ul>
A.6.5	All directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. The company should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director.	C	<ul style="list-style-type: none"> <li>• A package, which has been compiled and reviewed by the Company's legal advisers, setting out the duties and responsibilities of directors under the Listing Rules and relevant regulatory requirements is provided to each newly appointed Director. Further information package comprising the latest developments in laws, rules and regulations relating to the duties and responsibilities of directors will be forwarded to each Director from time to time for his/her information and ready reference. Guidelines for directors have also been forwarded to each Director for his/her information and ready reference.</li> <li>• In addition, the Company has from time to time provided information and briefings to Directors on the latest developments in the laws, rules and regulations relating to Directors' duties and responsibilities. The Company had also, on an individual basis, advised Directors on queries raised or issues which arise in the performance of their duties as directors.</li> <li>• The Directors have provided to the Company their records of continuous professional development during the year 2014.</li> <li>• During the year, the Company had arranged at the cost of the Company Directors seminar sessions conducted by qualified professionals experienced on topics relating to the roles, functions and duties of the Directors. Certificates were issued to Directors who had attended the seminar sessions. Directors have also participated in continuous professional training organised by professional bodies and/or government authorities.</li> </ul>

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A.6.5 (Cont'd)			<ul style="list-style-type: none"> <li>The Directors' knowledge and skills are continuously developed and refreshed by, inter alia, the following means:               <ol style="list-style-type: none"> <li>Reading memoranda issued or materials provided (for example, in-house directors' seminar) from time to time by the Company to Directors, and as applicable, briefings and reports by the Company Secretary, as regards legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties with the latest developments in public consultations, laws, rules and regulations relating to the duties and responsibilities of directors and corporate governance;</li> <li>Participation in continuous professional training seminars/conferences/courses/workshops on subjects relating to directors' duties and corporate governance, etc. organised by the Company and/or professional bodies and/or government authorities; and</li> <li>Reading news/journal/magazine/other reading materials as regards legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties.</li> </ol> </li> <li>Records of the Directors' training during 2014 are as follows:               <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Members of the Board</th> <th style="text-align: left;">Training received</th> </tr> </thead> <tbody> <tr> <td colspan="2"><b>Executive Directors</b></td> </tr> <tr> <td>LI Tzar Kuoi, Victor (<i>Chairman</i>)</td> <td>(1) &amp; (3)</td> </tr> <tr> <td>KAM Hing Lam (<i>Group Managing Director</i>)</td> <td>(1), (2) &amp; (3)</td> </tr> <tr> <td>IP Tak Chuen, Edmond (<i>Deputy Chairman</i>)</td> <td>(1) &amp; (3)</td> </tr> <tr> <td>FOK Kin Ning, Canning (<i>Deputy Chairman</i>)</td> <td>(1) &amp; (3)</td> </tr> <tr> <td>Andrew John HUNTER (<i>Deputy Managing Director</i>)</td> <td>(1) &amp; (3)</td> </tr> <tr> <td>CHAN Loi Shun (<i>Chief Financial Officer</i>)</td> <td>(1), (2) &amp; (3)</td> </tr> <tr> <td>CHOW WOO Mo Fong, Susan</td> <td>(1), (2) &amp; (3)</td> </tr> <tr> <td>Frank John SIXT</td> <td>(1) &amp; (3)</td> </tr> <tr> <td colspan="2"><b>Independent Non-executive Directors</b></td> </tr> <tr> <td>CHEONG Ying Chew, Henry</td> <td>(1), (2) &amp; (3)</td> </tr> <tr> <td>KWOK Eva Lee</td> <td>(1) &amp; (2)</td> </tr> <tr> <td>SNG Sow-mei alias POON Sow Mei</td> <td>(1), (2) &amp; (3)</td> </tr> <tr> <td>Colin Stevens RUSSEL</td> <td>(1) &amp; (2)</td> </tr> <tr> <td>LAN Hong Tsung, David</td> <td>(1), (2) &amp; (3)</td> </tr> <tr> <td>Barrie COOK</td> <td>(1) &amp; (2)</td> </tr> <tr> <td colspan="2"><b>Non-executive Directors</b></td> </tr> <tr> <td>LEE Pui Ling, Angelina</td> <td>(1), (2) &amp; (3)</td> </tr> <tr> <td>George Colin MAGNUS</td> <td>(1) &amp; (3)</td> </tr> <tr> <td>TSO Kai Sum</td> <td>(1) &amp; (3)</td> </tr> </tbody> </table> </li> </ul>	Members of the Board	Training received	<b>Executive Directors</b>		LI Tzar Kuoi, Victor ( <i>Chairman</i> )	(1) & (3)	KAM Hing Lam ( <i>Group Managing Director</i> )	(1), (2) & (3)	IP Tak Chuen, Edmond ( <i>Deputy Chairman</i> )	(1) & (3)	FOK Kin Ning, Canning ( <i>Deputy Chairman</i> )	(1) & (3)	Andrew John HUNTER ( <i>Deputy Managing Director</i> )	(1) & (3)	CHAN Loi Shun ( <i>Chief Financial Officer</i> )	(1), (2) & (3)	CHOW WOO Mo Fong, Susan	(1), (2) & (3)	Frank John SIXT	(1) & (3)	<b>Independent Non-executive Directors</b>		CHEONG Ying Chew, Henry	(1), (2) & (3)	KWOK Eva Lee	(1) & (2)	SNG Sow-mei alias POON Sow Mei	(1), (2) & (3)	Colin Stevens RUSSEL	(1) & (2)	LAN Hong Tsung, David	(1), (2) & (3)	Barrie COOK	(1) & (2)	<b>Non-executive Directors</b>		LEE Pui Ling, Angelina	(1), (2) & (3)	George Colin MAGNUS	(1) & (3)	TSO Kai Sum	(1) & (3)
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A.6.6	Each director should disclose to the company at the time of his appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments. The identity of the public companies or organisations and an indication of the time involved should also be disclosed. The board should determine for itself how frequently this disclosure should be made.	C	<ul style="list-style-type: none"> <li>The Directors have disclosed to the Company at the time of their appointment and from time to time thereafter the number and nature of offices held in public companies or organisations and other significant commitments, identifying the public companies or organisations involved.</li> </ul>																																										
A.6.7	Independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.	E	<ul style="list-style-type: none"> <li>There is satisfactory attendance at Board meetings, Board Committee meetings, the meetings between the Chairman and the Non-executive Directors (including the Independent Non-executive Directors) and the general meeting during the year except that a Non-executive Director did not attend the annual general meeting of the Company held on 15th May, 2014 due to a sudden indisposition. Please refer to A.1.1, A.2.2, B.1.2, C.3.1 and E.1.2 for the attendance records.</li> <li>Extent of participation and contribution should be viewed both quantitatively and qualitatively.</li> </ul>																																										

## CORPORATE GOVERNANCE REPORT

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A.6.8	Independent non-executive directors and other non-executive directors should make a positive contribution to the development of the company's strategy and policies through independent, constructive and informed comments.	C	<ul style="list-style-type: none"> <li>Please refer to A.6.7 above.</li> </ul>
<b>A.7</b>	<b>SUPPLY OF AND ACCESS TO INFORMATION</b>		
	<i>Corporate Governance Principle</i> Directors should be provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and perform their duties and responsibilities.		
A.7.1	<ul style="list-style-type: none"> <li>Send agenda and full board papers to all directors at least 3 days before regular board or board committee meetings</li> <li>As far as practicable for other board or board committee meetings</li> </ul>	C  C	<ul style="list-style-type: none"> <li>Board/Board Committee papers are circulated not less than three days before the regular Board/Board Committee meetings to enable the Directors/Board Committee members to make informed decisions on matters to be raised at the Board/Board Committee meetings.</li> </ul>
A.7.2	<ul style="list-style-type: none"> <li>Management has an obligation to supply the board and its committees with adequate and reliable information in a timely manner to enable it to make informed decisions.</li> <li>The board and individual directors should have separate and independent access to the company's senior management for making further enquiries where necessary.</li> </ul>	C  C	<ul style="list-style-type: none"> <li>The Company Secretary and the Chief Financial Officer attend all regular Board meetings to advise on corporate governance, statutory compliance, and accounting and financial matters, as appropriate.</li> <li>Communications between Directors on the one hand, and the Company Secretary, who acts as co-ordinator for the other business units of the Group on the other, is a dynamic and interactive process to ensure that queries raised and clarification sought by the Directors are dealt with and that further supporting information is provided as appropriate.</li> </ul>
A.7.3	<ul style="list-style-type: none"> <li>All directors are entitled to have access to board papers and related materials.</li> <li>Queries raised by directors should receive a prompt and full response, if possible.</li> </ul>	C  C	<ul style="list-style-type: none"> <li>Please see A.7.1 and A.7.2 above.</li> </ul>
<b>B.</b>	<b>REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION</b>		
<b>B.1</b>	<b>THE LEVEL AND MAKE-UP OF REMUNERATION AND DISCLOSURE</b>		
	<i>Corporate Governance Principle</i> The Company should disclose its Director's remuneration policy and other remuneration related matters. The procedure for setting policy on Executive Directors' remuneration and all Directors' remuneration packages should be formal and transparent.		
B.1.1	The remuneration committee should consult the chairman and/or chief executive about their remuneration proposals for other executive directors and should have access to independent professional advice if necessary.	C	<ul style="list-style-type: none"> <li>The Remuneration Committee has consulted the Chairman and/or the Group Managing Director about proposals relating to the remuneration packages and other human resources issues of the Directors and senior management, including, without limitation, succession plan and key personnel movements as well as policies for recruiting and retaining qualified personnel.</li> <li>The emoluments of Directors have been determined with reference to the skills, knowledge, involvement in the Company's affairs and the performance of each Director, and to the profitability of the Company and prevailing market conditions during the year.</li> <li>To enable them to better advise on the Group's future remuneration policy and related strategies, the Remuneration Committee has been advised of the Group's existing remuneration policy and succession plan, including the corporate philosophy in formulating employees' remuneration packages, and market trends and related information.</li> <li>The Remuneration Committee is satisfied that there is in place a clear system for determining remuneration, which is reasonable and has been followed consistently in its application.</li> </ul>

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices								
B.1.2	<p>The remuneration committee's terms of reference should include:</p> <ul style="list-style-type: none"> <li>– recommend to the board on the company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy</li> <li>– review and approve the management's remuneration proposals with reference to the board's corporate goals and objectives;</li> <li>– either to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management; or to make recommendations to the board on the remuneration packages of individual executive directors and senior management</li> <li>– recommend to the board on the remuneration of non-executive directors</li> <li>– consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group</li> <li>– review and approve compensation payable on loss or termination of office or appointment</li> <li>– review and approve compensation arrangements relating to dismissal or removal of directors for misconduct</li> <li>– ensure that no director or any of his associates is involved in deciding his own remuneration</li> </ul>	C	<ul style="list-style-type: none"> <li>• The Company established its Remuneration Committee ("Remuneration Committee") on 1st January, 2005. A majority of the members are Independent Non-executive Directors.</li> <li>• 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.</li> <li>• The terms of reference of the Remuneration Committee (both English and Chinese versions) follow closely the requirements of the CG Code. The same as modified from time to time and adopted by the Board, are posted on the websites of the Company and HKEx.</li> <li>• The Remuneration Committee, with delegated responsibility, determines the remuneration packages of individual Executive Directors and senior management, and reviews the remuneration of Non-executive Directors.</li> <li>• Since the publication of the annual report 2013 in April 2014, meetings of the Remuneration Committee were held in November 2014 and January 2015. Attendance records of the members of the Remuneration Committee are as follows: <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Members of the Remuneration Committee</th> <th style="text-align: right;">Attendance</th> </tr> </thead> <tbody> <tr> <td>CHEONG Ying Chew, Henry <i>(Chairman of the Remuneration Committee)</i></td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>LI Tzar Kuoi, Victor</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>Colin Stevens RUSSEL</td> <td style="text-align: right;">2/2</td> </tr> </tbody> </table> </li> <li>• The following is a summary of the work of the Remuneration Committee during the said meetings: <ol style="list-style-type: none"> <li>1. Review the remuneration policy for 2014/2015;</li> <li>2. Recommend to the Board the Company's policy and structure for the remuneration of Directors and the management;</li> <li>3. Review the remuneration packages of Executive Directors and the management with reference to the established system of the Company for determining the remuneration review;</li> <li>4. Review and approve the remuneration of Non-executive Directors; and</li> <li>5. Review the annual bonus policy.</li> </ol> </li> <li>• No Director or any of his/her associates is involved in deciding his/her own remuneration at the meetings of the Remuneration Committee held in November 2014 and January 2015.</li> </ul>	Members of the Remuneration Committee	Attendance	CHEONG Ying Chew, Henry <i>(Chairman of the Remuneration Committee)</i>	2/2	LI Tzar Kuoi, Victor	2/2	Colin Stevens RUSSEL	2/2
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B.1.3	<p>The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on HKEX's website and the company's website.</p>	C	<ul style="list-style-type: none"> <li>• The terms of reference of the Remuneration Committee are posted on the websites of the Company and HKEx.</li> <li>• The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of Directors and the management, and reviewing the remuneration packages of all Executive Directors and the management with reference to the corporate goals and objectives of the Board resolved from time to time.</li> </ul>								
B.1.4	<p>The remuneration committee should be provided with sufficient resources to perform its duties.</p>	C	<ul style="list-style-type: none"> <li>• The Human Resources Department provides administrative support and implements the approved remuneration packages and other human resources related decisions approved by the Remuneration Committee.</li> </ul>								
B.1.5	<p>The company should disclose details of any remuneration payable to members of senior management by band in the annual reports.</p>	C	<ul style="list-style-type: none"> <li>• The Board has resolved that the senior management of the Company comprises only the Executive Directors of the Company. Please refer to note 34 in the Notes to the Consolidated Financial Statements for details of the remuneration payable to the Directors.</li> </ul>								
<b>C. ACCOUNTABILITY AND AUDIT</b>											
<b>C.1 FINANCIAL REPORTING</b>											
<p><i>Corporate Governance Principle</i>  <i>The Board should present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects.</i></p>											

## CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.1.1	Management should provide sufficient explanation and information to the board to enable it to make an informed assessment of financial and other information put before it for approval.	C	<ul style="list-style-type: none"> <li>Directors are provided with a review of the Group's major business activities and key financial information on a quarterly basis.</li> </ul>
C.1.2	Management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the company's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties.	C	<ul style="list-style-type: none"> <li>Monthly updates had been provided to all members of the Board since April 2012, the effective date of code provision C.1.2, for the purpose of providing a balance and understandable assessment of the Company's performance, position and prospects in sufficient detail and to enable the Board as a whole and each Director to discharge their duties.</li> </ul>
C.1.3	<ul style="list-style-type: none"> <li>The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts.</li> <li>There should be a statement by the auditors about their reporting responsibilities in the auditor's report on the financial statements.</li> <li>Unless it is inappropriate to assume that the company will continue in business, the directors should prepare the accounts on a going concern basis, with supporting assumptions or qualifications as necessary.</li> <li>Where the directors are aware of material uncertainties relating to events or conditions that may cast significant doubt on the company's ability to continue as a going concern, they should be clearly and prominently disclosed and discussed at length in the Corporate Governance Report.</li> </ul>	<p>C</p> <p>C</p> <p>C</p> <p>N/A</p>	<ul style="list-style-type: none"> <li>The Directors acknowledged in writing on an annual basis their responsibility for preparing the financial statements of the Group.</li> <li>Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern as referred to in C.1.3 of the CG Code.</li> <li>With the assistance of the Company's Finance and Accounting Department which is under the supervision of the Chief Financial Officer who is a professional accountant, the Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards.</li> <li>The Directors also ensure the publication of the financial statements of the Group is in a timely manner.</li> <li>The statement by the auditor of the Company regarding its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 79.</li> </ul>
C.1.4	The directors should include in the separate statement containing a discussion and analysis of the group's performance in the annual report, an explanation of the basis on which the company generates or preserves value over the longer term (the business model) and the strategy for delivering the company's objectives.	C	<ul style="list-style-type: none"> <li>The Board has included the separate statement containing a discussion and analysis of the Group's Long Term Development Strategy in the Annual Report 2014.</li> </ul>
C.1.5	The board should present a balanced, clear and understandable assessment in annual and interim reports and other financial disclosures required by the Listing Rules. It should also do so for reports to regulators and information disclosed under statutory requirements.	C	<ul style="list-style-type: none"> <li>The Board aims to present a clear, balanced and understandable assessment of the Group's performance and position in all shareholder communications.</li> <li>The Board is aware of and updated with the requirements under the applicable rules and regulations about timely disclosure of inside information or matters regarding the Company and will authorise the publication of such announcements as and when the occasion arises. The Company Secretary and key officers of the Company Secretarial Department work closely and in consultation with legal advisers to review the materiality and sensitivity of transactions and proposed transactions and advise the Board accordingly.</li> </ul>
<b>C.2</b>	<b>INTERNAL CONTROLS</b>		
	<p><i>Corporate Governance Principle</i>  <i>The Board should ensure that the Company maintains sound and effective internal controls to safeguard shareholders' investment and the Company's assets.</i></p>		



## CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices												
C.2.1 (Cont'd)			<p><i>Effectiveness of Internal Control System</i></p> <ul style="list-style-type: none"> <li>The Board, through the Audit Committee of the Company, has conducted an annual review of the effectiveness of the internal control system operating in the Group and considers it is adequate and effective. The review covers all material controls, including financial, operational and compliance controls, and risk management functions. The Board is not aware of any significant areas of concern which may affect the shareholders. The Board is satisfied that the Group has fully complied with the code provisions on internal controls as set forth in the CG Code.</li> </ul>												
C.2.2	The board's annual review should, in particular, consider the adequacy of resources, staff qualifications and experience, training programmes and budget of the company's accounting and financial reporting function.	C	<ul style="list-style-type: none"> <li>The Board, through the Audit Committee and with the appraisal performed by the Internal Audit Department, reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function at the Board meeting held in February 2015 and noted that the Company has been in compliance with the Code Provision for the year 2014. Please also refer to C.3.3 below.</li> </ul>												
<b>C.3</b>	<b>AUDIT COMMITTEE</b>														
	<p><i>Corporate Governance Principle</i> The Board should establish formal and transparent arrangements to consider how it will apply financial reporting and internal control principles and maintain an appropriate relationship with the Company's auditors.</p>														
C.3.1	<ul style="list-style-type: none"> <li>Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting.</li> <li>Draft and final versions of minutes should be sent to all committee members for their comment and records within a reasonable time after the meeting.</li> </ul>	<p>C</p> <p>C</p>	<ul style="list-style-type: none"> <li>Minutes drafted by the Company Secretary are circulated to members of the Audit Committee within a reasonable time after each meeting.</li> <li>Audit Committee meetings were held in February and July of 2014. Attendance records of members of the Audit Committee are as follows: <table border="1"> <thead> <tr> <th>Members of the Audit Committee</th> <th>Attendance</th> </tr> </thead> <tbody> <tr> <td>Colin Stevens RUSSEL (<i>Chairman of the Audit Committee</i>)</td> <td>2/2</td> </tr> <tr> <td>CHEONG Ying Chew, Henry</td> <td>2/2</td> </tr> <tr> <td>KWOK Eva Lee</td> <td>2/2</td> </tr> <tr> <td>SNG Sow-mei alias POON Sow Mei</td> <td>2/2</td> </tr> <tr> <td>LAN Hong Tsung, David</td> <td>2/2</td> </tr> </tbody> </table> </li> <li>The following is a summary of the work of the Audit Committee during 2014: <ol style="list-style-type: none"> <li>Review the financial reports for 2013 annual results and 2014 interim results;</li> <li>Review the findings and recommendations of the Group Internal Audit on the work of various divisions/departments and related companies;</li> <li>Review the effectiveness of the internal control system;</li> <li>Review the external auditor's audit findings;</li> <li>Review the auditor's remuneration;</li> <li>Review the risks of different business units and analysis thereof provided by the relevant business units;</li> <li>Review the control mechanisms for such risks advising on action plans for improvement of the situations;</li> <li>Review the arrangements employees can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters; and</li> <li>Perform the corporate governance functions and review the corporate governance policies and practices.</li> </ol> </li> <li>After due and careful consideration of reports from management and the internal and external auditors, the Audit Committee noted that no suspected fraud or irregularities, significant internal control deficiencies, or suspected infringement of laws, rules, or regulations had been found, and concluded at the meeting held on 25th February, 2015 that the internal control system was adequate and effective.</li> <li>On 25th February, 2015, the Audit Committee met to review the Group's 2014 consolidated financial statements, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditor. After review and discussions with the management, internal auditor and external auditor, the Audit Committee endorsed the accounting treatment adopted by the Company, and the Audit Committee had to the best of its ability assured itself that the disclosure of the financial information in the Annual Report 2014 complied with the applicable accounting standards and Appendix 16 to the Listing Rules. The Audit Committee therefore resolved to recommend for the Board's approval the consolidated financial statements for the year ended 31st December, 2014.</li> </ul>	Members of the Audit Committee	Attendance	Colin Stevens RUSSEL ( <i>Chairman of the Audit Committee</i> )	2/2	CHEONG Ying Chew, Henry	2/2	KWOK Eva Lee	2/2	SNG Sow-mei alias POON Sow Mei	2/2	LAN Hong Tsung, David	2/2
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C.3.1 (Cont'd)			<ul style="list-style-type: none"> <li>The Audit Committee also recommended to the Board the re-appointment of Deloitte as the Company's external auditor for 2015 and that the related resolution shall be put forth for shareholders' consideration and approval at the 2015 annual general meeting.</li> <li>The Group's Annual Report for the year ended 31st December, 2014 has been reviewed by the Audit Committee.</li> </ul>
C.3.2	A former partner of existing auditing firm shall not act as a member of the committee for 1 year from the date of his ceasing to be a partner of or to have any financial interest in, the firm, whichever is later.	C	<ul style="list-style-type: none"> <li>No member of the Audit Committee is a former partner of the existing auditing firm of the Company during the one year after he/she ceases to be a partner of the auditing firm.</li> </ul>
C.3.3	<p>The audit committee's terms of reference should include:</p> <ul style="list-style-type: none"> <li>– recommendations to the board on the appointment, reappointment and removal of external auditor and approval of their terms of engagement</li> <li>– review and monitor external auditor's independence and objectivity and effectiveness of audit process</li> <li>– review of the company's financial information</li> <li>– oversight of the company's financial reporting system and internal control procedures, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the company's accounting and financial reporting function</li> </ul>	C	<ul style="list-style-type: none"> <li>The terms of reference of the Audit Committee (both English and Chinese versions), which follow closely the requirements of the CG Code and are modified from time to time and adopted by the Board, are posted on the websites of the Company and HKEx.</li> </ul>
C.3.4	The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on HKEx's and the company's website.	C	<ul style="list-style-type: none"> <li>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 the Audit Committee in December 1998 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants.</li> <li>In accordance with the requirements of the CG Code, the terms of reference of the Audit Committee were revised from time to time in terms substantially the same as the provisions set out in the CG Code. The latest version of the terms of reference of the Audit Committee is available on the websites of the Company and HKEx.</li> <li>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. Regular meetings have been held by the Audit Committee since its establishment.</li> <li>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 Audit Committee held two meetings in 2014.</li> </ul>
C.3.5	Where the board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the company should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the board has taken a different view.	N/A	<ul style="list-style-type: none"> <li>The Audit Committee recommended to the Board that, subject to shareholders' approval at the forthcoming annual general meeting, Deloitte be re-appointed as the Company's external auditor for 2015.</li> <li>For the year ended 31st December, 2014, the external auditor of the Company received approximately HK\$6.4 million for annual audit services and approximately HK\$2.0 million for tax and other services.</li> </ul>

## CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.3.6	The audit committee should be provided with sufficient resources to perform its duties.	C	<ul style="list-style-type: none"> <li>The Audit Committee has been advised that the Company Secretary can arrange independent professional advice at the expense of the Company should the seeking of such advice be considered necessary by the Audit Committee.</li> </ul>
C.3.7	<p>The terms of reference of the audit committee should also require it:</p> <ul style="list-style-type: none"> <li>to review arrangements employees of the company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and</li> <li>to act as the key representative body for overseeing the company's relations with the external auditor.</li> </ul>	C	<ul style="list-style-type: none"> <li>The terms of reference of the Audit Committee were revised with effect from 1st January, 2012 to include the requirement to review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.</li> <li>The Company has established the Procedures for Reporting Possible Improprieties in Matters of Financial Reporting, Internal Control or Other Matters for employees and those who deal with the Group to raise concerns, in confidence, with the Audit Committee about possible improprieties in matters of financial reporting, internal control or other matters relating to the Group. Such procedures were included into the Company's employees handbook and posted on the Company's website.</li> <li>The Company has issued an employee's handbook to its staff, which contains the mechanism for employees to raise any issues they may have to their department heads and to the human resources department for necessary action (whether these relate to their career development or any other grievances and complaints they may have).</li> </ul>
<b>D. DELEGATION BY THE BOARD</b>			
<b>D.1 MANAGEMENT FUNCTIONS</b>			
<p><i>Corporate Governance Principle</i> The Company should have a formal schedule of matters specifically reserved for Board approval and those delegated to management.</p>			
D.1.1	When the board delegates aspects of its management and administration functions to management, it must at the same time give clear directions as to the management's power, in particular, where management should report back and obtain prior board approval before making decisions or entering into any commitments on the company's behalf.	C	<ul style="list-style-type: none"> <li>Executive Directors are in charge of different businesses and functional divisions in accordance with their respective areas of expertise.</li> <li>Please refer to the Management Structure Chart set out on page 175.</li> <li>For matters or transactions of a material nature, the same will be referred to the Board for approval.</li> <li>For matters or transactions of a magnitude requiring disclosure under the Listing Rules or other applicable rules or regulations, appropriate disclosure will be made and where necessary, circular will be prepared and shareholders' approval will be obtained in accordance with the requirements of the applicable rules and regulations.</li> <li>Specifically, the Board has had in place Guidelines for Treasury Investments stating the authority limits of treasury investments under different scenarios beyond which Board approval will be required.</li> </ul>
D.1.2	Formalise functions reserved to the board and those delegated to management and to review those arrangements periodically to ensure that they remain appropriate to the company's needs.	C	<ul style="list-style-type: none"> <li>The Board, led by the Chairman, is responsible for the Group's future development directions; overall strategies and policies; evaluation of the performance of the Group and the management; and approval of matters that are of a material or substantial nature.</li> <li>Under the leadership of the Group Managing Director, management is responsible for the day-to-day operations of the Group.</li> </ul>
D.1.3	The company should disclose the respective responsibilities, accountabilities and contributions of the board and management.	C	<ul style="list-style-type: none"> <li>Please refer to the Management Structure Chart set out on page 175.</li> </ul>
D.1.4	Directors should clearly understand delegation arrangements in place. The company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.	C	<ul style="list-style-type: none"> <li>In February 2012, formal letters of appointment have been issued to all Directors setting out the key terms and conditions of their respective appointment. Each newly appointed Director will also be issued with a letter of appointment.</li> </ul>

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
<b>D.2</b>	<b>BOARD COMMITTEES</b>  <i>Corporate Governance Principle</i> <i>Board Committees should be formed with specific written terms of reference which deal clearly with their authority and duties.</i>		
D.2.1	Where board committees are established to deal with matters, the board should give them sufficiently clear terms of reference to enable them to perform their functions properly.	C	<ul style="list-style-type: none"> <li>Three Board Committees, namely, Audit Committee, Remuneration Committee and Executive Committee, have been established with specific terms of reference.</li> </ul>
D.2.2	The terms of reference of board committees should require them to report back to the board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).	C	<ul style="list-style-type: none"> <li>Board Committees report to the Board of their decisions and recommendations at the Board meetings.</li> </ul>
<b>D.3</b>	<b>CORPORATE GOVERNANCE FUNCTIONS</b>		
D.3.1	<p>The terms of reference of the board (or a committee or committees performing this function) should include:-</p> <ul style="list-style-type: none"> <li>develop and review the company's policies and practices on corporate governance and make recommendations to the board;</li> <li>review and monitor the training and continuous professional development of directors and senior management;</li> <li>review and monitor the company's policies and practices on compliance with legal and regulatory requirements;</li> <li>develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and</li> <li>review the company's compliance with the CG Code and disclosure in the Corporate Governance Report.</li> </ul>	C	<ul style="list-style-type: none"> <li>The terms of reference of the Audit Committee were revised with effect from 1st January, 2012 to include the following corporate governance functions delegated by the Board: <ol style="list-style-type: none"> <li>Develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;</li> <li>Review and monitor the training and continuous professional development of Directors and senior management;</li> <li>Review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;</li> <li>Develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and</li> <li>Review the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.</li> </ol> </li> <li>At the Audit Committee's meeting held in February, 2015, members of the Audit Committee had performed the above-mentioned corporate governance functions by reviewing the Company's policies and practices on corporate governance and compliance with legal and regulatory requirements.</li> </ul>
D.3.2	The board should be responsible for performing the corporate governance duties set out in the terms of reference in D.3.1 or it may delegate the responsibility to a committee or committees.	C	<ul style="list-style-type: none"> <li>The Board has delegated the responsibility of performing the corporate governance duties to the Audit Committee. To that effect, the terms of reference of the Audit Committee as set out in D.3.1 above were revised with effect from 1st January, 2012 to include the corporate governance functions delegated by the Board.</li> </ul>
<b>E.</b>	<b>COMMUNICATION WITH SHAREHOLDERS</b>		
<b>E.1</b>	<b>EFFECTIVE COMMUNICATION</b>  <i>Corporate Governance Principle</i> <i>The Board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with them and encourage their participation.</i>		

## CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices																																										
E.1.1	For each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting. The company should avoid "bundling" resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are "bundled", the company should explain the reasons and material implications in the notice of meeting.	C	<ul style="list-style-type: none"> <li>Separate resolutions are proposed at the general meetings of the Company on each substantially separate issue, including the election of individual directors.</li> </ul>																																										
E.1.2	<ul style="list-style-type: none"> <li>The chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee to be available to answer questions at the annual general meeting.</li> <li>The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval.</li> <li>The company's management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.</li> </ul>	<p>C</p> <p>C</p> <p>C</p>	<ul style="list-style-type: none"> <li>In 2014, the Chairman of the Board, Chairman of the Audit Committee and Chairman of the Remuneration Committee attended the 2014 annual general meeting and were available to answer questions.</li> <li>Directors' attendance records of the 2014 annual general meeting are as follows: <table border="1"> <thead> <tr> <th>Members of the Board</th> <th>Attendance</th> </tr> </thead> <tbody> <tr> <td colspan="2"><b>Executive Directors</b></td> </tr> <tr> <td>LI Tzar Kuoi, Victor (<i>Chairman of the Board</i>)</td> <td>1/1</td> </tr> <tr> <td>KAM Hing Lam</td> <td>1/1</td> </tr> <tr> <td>IP Tak Chuen, Edmond</td> <td>1/1</td> </tr> <tr> <td>FOK Kin Ning, Canning</td> <td>1/1</td> </tr> <tr> <td>Andrew John HUNTER</td> <td>1/1</td> </tr> <tr> <td>CHAN Loi Shun</td> <td>1/1</td> </tr> <tr> <td>CHOW WOO Mo Fong, Susan</td> <td>1/1</td> </tr> <tr> <td>Frank John SIXT</td> <td>1/1</td> </tr> <tr> <td colspan="2"><b>Independent Non-executive Directors</b></td> </tr> <tr> <td>CHEONG Ying Chew, Henry (<i>Chairman of the Remuneration Committee</i>)</td> <td>1/1</td> </tr> <tr> <td>KWOK Eva Lee</td> <td>1/1</td> </tr> <tr> <td>SNG Sow-mei alias POON Sow Mei</td> <td>1/1</td> </tr> <tr> <td>Colin Stevens RUSSEL (<i>Chairman of the Audit Committee</i>)</td> <td>1/1</td> </tr> <tr> <td>LAN Hong Tsung, David</td> <td>1/1</td> </tr> <tr> <td>Barrie COOK</td> <td>1/1</td> </tr> <tr> <td colspan="2"><b>Non-executive Directors</b></td> </tr> <tr> <td>LEE Pui Ling, Angelina</td> <td>1/1</td> </tr> <tr> <td>George Colin MAGNUS</td> <td>1/1</td> </tr> <tr> <td>TSO Kai Sum</td> <td>0/1</td> </tr> </tbody> </table> </li> <li>In 2014, the Company's external auditor attended the annual general meeting and was available to answer questions.</li> </ul>	Members of the Board	Attendance	<b>Executive Directors</b>		LI Tzar Kuoi, Victor ( <i>Chairman of the Board</i> )	1/1	KAM Hing Lam	1/1	IP Tak Chuen, Edmond	1/1	FOK Kin Ning, Canning	1/1	Andrew John HUNTER	1/1	CHAN Loi Shun	1/1	CHOW WOO Mo Fong, Susan	1/1	Frank John SIXT	1/1	<b>Independent Non-executive Directors</b>		CHEONG Ying Chew, Henry ( <i>Chairman of the Remuneration Committee</i> )	1/1	KWOK Eva Lee	1/1	SNG Sow-mei alias POON Sow Mei	1/1	Colin Stevens RUSSEL ( <i>Chairman of the Audit Committee</i> )	1/1	LAN Hong Tsung, David	1/1	Barrie COOK	1/1	<b>Non-executive Directors</b>		LEE Pui Ling, Angelina	1/1	George Colin MAGNUS	1/1	TSO Kai Sum	0/1
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E.1.3	The company should arrange for the notice to shareholders to be sent for annual general meeting at least 20 clear business days before the meeting and to be sent at least 10 clear business days for all other general meetings.	C	<ul style="list-style-type: none"> <li>The Company's notice to shareholders for the 2014 annual general meeting of the Company was sent at least 20 clear business days before the meeting.</li> </ul>																																										
E.1.4	The board should establish a shareholders' communication policy and review it on a regular basis to ensure its effectiveness.	C	<ul style="list-style-type: none"> <li>In March 2012, the Board has established a shareholders communication policy and made it available on the Company's website. The policy is subject to review on a regular basis to ensure its effectiveness.</li> <li>The particulars of shareholders' rights relating to, inter alia, convening of special general meetings and making enquiries to the Company are as follows: <ol style="list-style-type: none"> <li>The Company has only one class of shares. All shares have the same voting rights and are entitled to the dividends declared. The Company's Bye-laws set out the rights of shareholders.</li> <li>Shareholder(s) holding not less than one-tenth of the paid-up capital of the Company may, in accordance with the requirements and procedures set out in the Companies Act of Bermuda, request the Board to convene a special general meeting pursuant to Bye-law 58 of the Company's Bye-laws. The objects of the meeting must be stated in the related requisition which must be signed by the requisitioner(s) and deposited at the registered office of the Company.</li> </ol> </li> </ul>																																										

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
E.1.4 (Cont'd)			<ol style="list-style-type: none"> <li>3. (a) Shareholder(s) holding not less than one-twentieth of the total voting rights or (b) not less than 100 shareholders, may at their expense, unless the Company otherwise resolves, propose any resolution at any general meeting under the Companies Act of Bermuda. A written notice to that effect signed by the requisitionists together with a sum reasonably sufficient to meet the expenses in giving effect thereto must be deposited at the registered office of the Company at Clarendon House, Church Street, Hamilton HM11, Bermuda (addressed to the Company Secretary) not less than six weeks before the meeting. The notice shall contain, inter alia, a description of the proposed resolution desired to be put forward at the meeting, the reasons for such proposal and any material interest of the proposing shareholder in such proposal.</li> <li>4. Pursuant to Bye-law 88 of the Company's Bye-laws, if a shareholder wishes to propose a person other than a retiring Director for election as a Director at any general meeting (including annual general meeting), the shareholder should lodge a written notice at the registered office or the head office of the Company provided that the minimum length of the period, during which such written notice may be given, shall be at least seven days that the period for lodgment of such written notice shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting. Such written notice must be accompanied by a notice signed by the person to be proposed of his/her willingness to be elected as a Director.</li> <li>5. In conducting a poll, subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Company's Bye-laws, every shareholder present in person or by proxy or, in the case of a shareholder being a corporation, by its duly authorised representative, shall have one vote for every fully paid share of which he/she/it is the holder. A person entitled to more than one vote on a poll need not use all his/her votes or cast all the votes he/she uses in the same way.</li> <li>6. Shareholders have the right to receive corporate communications issued by the Company in hard copies or through electronic means in accordance with the manner as specified in Bye-law 160 of the Company's Bye-laws.</li> <li>7. Shareholders whose shares are held in the Central Clearing and Settlement System (CCASS) may notify the Company from time to time through Hong Kong Securities Clearing Company Limited if they wish to receive the Company's corporate communications.</li> <li>8. Shareholders and other stakeholders may send their enquiries and concerns, in written form, to the Board by addressing them to the Company Secretary at 12th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.</li> </ol>
<p><b>E.2 VOTING BY POLL</b></p> <p><i>Corporate Governance Principle</i>  <i>The Company should ensure that shareholders are familiar with the detailed procedures for conducting a poll.</i></p>			
E.2.1	The chairman of a meeting should ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll.	C	<ul style="list-style-type: none"> <li>• At the 2014 annual general meeting, the Chairman of the meeting explained (through the Company Secretary) the detailed procedures for conducting a poll, and answered questions from shareholders.</li> <li>• At the 2014 annual general meeting, the Chairman of the meeting exercised his power under the Company's Bye-laws to put each resolution set out in the notice to be voted by way of a poll.</li> <li>• Representatives of the Branch Share Registrar of the Company were appointed as scrutineers to monitor and count the poll votes cast at the 2014 annual general meeting.</li> <li>• Since the Company's 2003 annual general meeting, all the resolutions (other than procedural or administrative resolutions) put to vote at the Company's general meetings were taken by poll.</li> <li>• Poll results were posted on the websites of the Company and HKEx.</li> </ul>

## CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
<b>F.</b>	<b>COMPANY SECRETARY</b>		
	<p><i>Corporate Governance Principle</i>  <i>The Company Secretary plays an important role in supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. The Company Secretary is responsible for advising the Board through the Chairman and/or the Group Managing Director on governance matters and should also facilitate induction and professional development of Directors.</i></p>		
F.1.1	The company secretary should be an employee of the company and have day-to-day knowledge of the company's affairs.	C	<ul style="list-style-type: none"> <li>The Company Secretary of the Company has been appointed from 1996 to 2008 and re-appointed in 2008 and has day-to-day knowledge of the Group's affairs.</li> <li>The Company Secretary ensures the effective conduct of board meetings and that Board procedures are duly followed.</li> <li>The Company Secretary prepares written resolutions or minutes and keeps records of substantive matters discussed and decisions resolved at all Board and Board Committee meetings.</li> <li>The Company Secretary also advises on compliance with all applicable laws, rules and regulations in relation to the investments of the Group and keeps the Board fully abreast of all legislative, regulatory and corporate governance developments.</li> </ul>
F.1.2	The board should approve the selection, appointment or dismissal of the company secretary.	C	<ul style="list-style-type: none"> <li>The appointment and removal of the Company Secretary is subject to Board approval in accordance with the Company's Bye-laws.</li> </ul>
F.1.3	The company secretary should report to the board chairman and/or the chief executive.	C	<ul style="list-style-type: none"> <li>The Company Secretary reports to the Board through the Chairman whilst all members of the Board have access to the advice of the Company Secretary.</li> </ul>
F.1.4	All directors should have access to the advice and services of the company secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed.	C	<ul style="list-style-type: none"> <li>Directors have access to the Company Secretary and key officers of the Company Secretarial Department who are responsible to the Board for ensuring that Board procedures, and all applicable rules and regulations, are followed.</li> <li>Memoranda are issued to Directors from time to time to update them with legal and regulatory changes and matters of relevance to Directors in the discharge of their duties.</li> </ul>

## II. RECOMMENDED BEST PRACTICES

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
<b>A.</b>	<b>DIRECTORS</b>		
<b>A.1</b>	<b>THE BOARD</b> <i>Corporate Governance Principle</i> The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.  The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether he is spending sufficient time performing them.		
	There is no recommended best practice under Section A.1 in the CG Code.		
<b>A.2</b>	<b>CHAIRMAN AND CHIEF EXECUTIVE</b> <i>Corporate Governance Principle</i> There should be a clear division of responsibilities between the Chairman and the Group Managing Director of the Company to ensure a balance of power and authority.		
	There is no recommended best practice under Section A.2 in the CG Code.		
<b>A.3</b>	<b>BOARD COMPOSITION</b> <i>Corporate Governance Principle</i> The Board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and should include a balanced composition of Executive and Non-executive Directors so that independent judgement can effectively be exercised.		
	There is no recommended best practice under Section A.3 in the CG Code.		
<b>A.4</b>	<b>APPOINTMENTS, RE-ELECTION AND REMOVAL</b> <i>Corporate Governance Principle</i> There should be a formal, considered and transparent procedure for the appointment of new Directors and plans in place for orderly succession for appointments. All Directors should be subject to re-election at regular intervals.		
	There is no recommended best practice under Section A.4 in the CG Code.		
<b>A.5</b>	<b>NOMINATION COMMITTEE</b> <i>Corporate Governance Principle</i> In carrying out its responsibilities, the nomination committee should give adequate consideration to the principles under Sections A.3 and A.4 in the CG Code.		
	There is no recommended best practice under Section A.5 in the CG Code.		
<b>A.6</b>	<b>RESPONSIBILITIES OF DIRECTORS</b> <i>Corporate Governance Principle</i> Every Director must always know his responsibilities as a Director of the Company and its conduct, business activities and development.		
	There is no recommended best practice under Section A.6 in the CG Code.		
<b>A.7</b>	<b>SUPPLY OF AND ACCESS TO INFORMATION</b> <i>Corporate Governance Principle</i> Directors should be provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and perform their duties and responsibilities.		
	There is no recommended best practice under Section A.7 in the CG Code.		
<b>B.</b>	<b>REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION</b>		
<b>B.1</b>	<b>THE LEVEL AND MAKE-UP OF REMUNERATION AND DISCLOSURE</b> <i>Corporate Governance Principle</i> The Company should disclose its Director's remuneration policy and other remuneration related matters. The procedure for setting policy on Executive Directors' remuneration and all Directors' remuneration packages should be formal and transparent.		

## CORPORATE GOVERNANCE REPORT

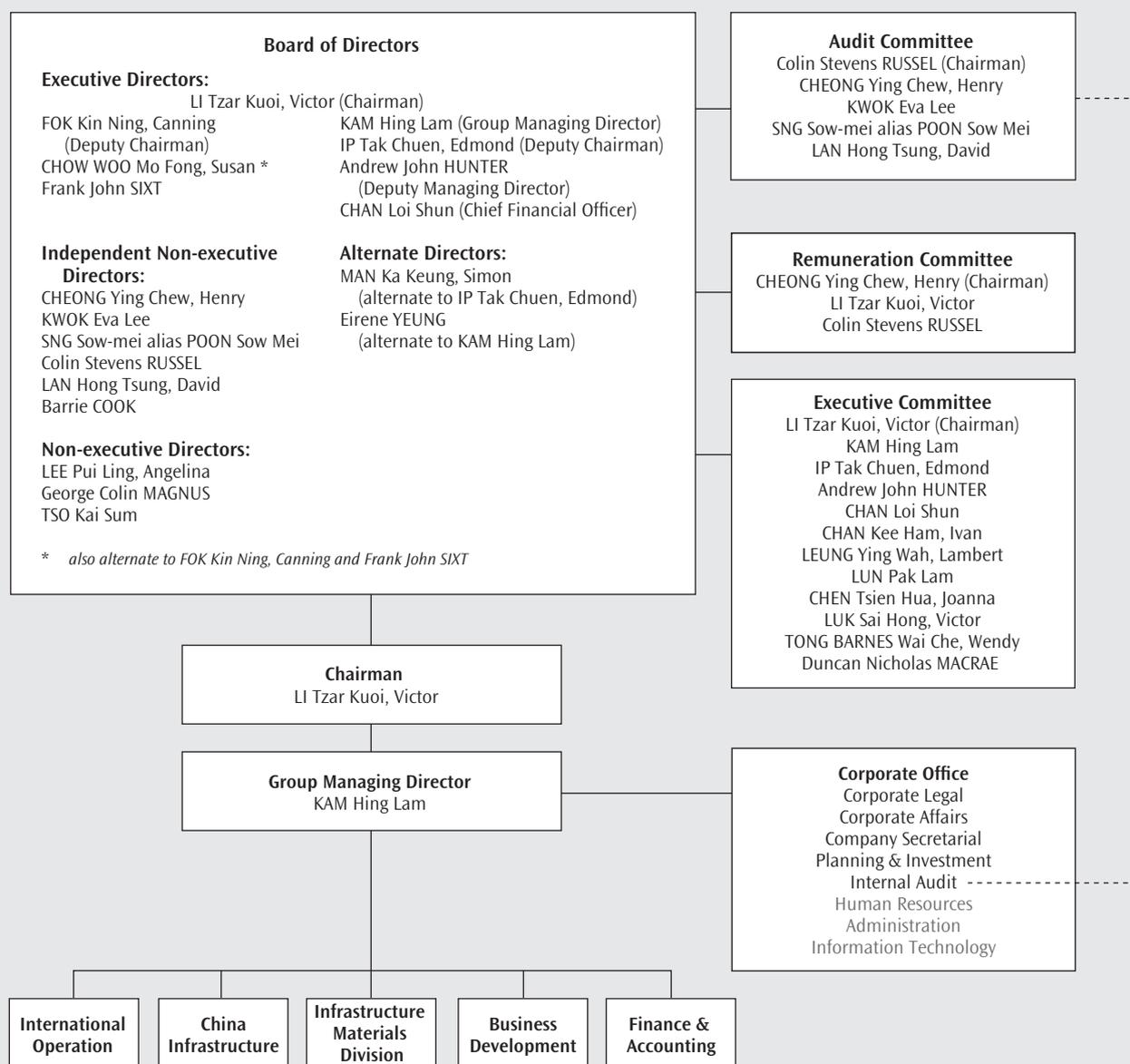
Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
B.1.6	Where the board resolves to approve any remuneration or compensation arrangements with which the remuneration committee disagrees, the board should disclose the reasons for its resolution in its next Corporate Governance Report.	N/A	<ul style="list-style-type: none"> <li>The Board has never approved any remuneration or compensation arrangements which have previously been rejected by the Remuneration Committee.</li> </ul>
B.1.7	A significant proportion of executive directors' remuneration should link rewards to corporate and individual performance.	C	<ul style="list-style-type: none"> <li>In 2014, a significant proportion of Executive Directors' remuneration has been structured to link rewards to corporate and individual performance. Please refer to note 34 in the Notes to the Consolidated Financial Statements for details of discretionary bonus.</li> </ul>
B.1.8	The company should disclose details of any remuneration payable to members of senior management, on an individual and named basis, in the annual reports.	C	<ul style="list-style-type: none"> <li>The Board has resolved that the senior management of the Company comprises only the Executive Directors of the Company. Please refer to note 34 in the Notes to the Consolidated Financial Statements for details of the remuneration payable to the Directors.</li> </ul>
B.1.9	The board should conduct a regular evaluation of its performance.	E	<ul style="list-style-type: none"> <li>The performance of the Board is best reflected by the Company's results and stock price performance during the year.</li> </ul>
<b>C. ACCOUNTABILITY AND AUDIT</b>			
<b>C.1 FINANCIAL REPORTING</b>			
<p><i>Corporate Governance Principle</i> The Board should present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects.</p>			
C.1.6 – C.1.7	<ul style="list-style-type: none"> <li>The company should announce and publish quarterly financial results within 45 days after the end of the relevant quarter. These should disclose sufficient information to enable shareholders to assess the company's performance, financial position and prospects. The company's quarterly financial results should be prepared using the accounting policies of its half-year and annual accounts.</li> <li>Once the company announces quarterly financial results, it should continue to do so for each of the first 3 and 9 months periods of subsequent financial years. Where it decides not to continuously announce and publish its financial results for a particular quarter, it should announce the reason(s) for this decision.</li> </ul>	E	<ul style="list-style-type: none"> <li>The Company issued half-yearly financial results within 2 months after the end of the relevant period, and annual financial results within 3 months after the end of the relevant year. In addition, all significant transactions and inside information have been announced and disclosed in accordance with the Listing Rules during the year. The shareholders of the Company are therefore able to assess the performance, financial position and prospects of the Company. The Company does not consider it necessary, nor is it in the interests of the Company and its shareholders, to issue quarterly financial results. This would result in incurring costs disproportionate to any additional benefits to the shareholders.</li> <li>Please refer to C.1.6 above for details.</li> </ul>
<b>C.2 INTERNAL CONTROLS</b>			
<p><i>Corporate Governance Principle</i> The Board should ensure that the Company maintains sound and effective internal controls to safeguard shareholders' investment and the Company's assets.</p>			
C.2.3	<p>The board's annual review should, in particular, consider:</p> <ul style="list-style-type: none"> <li>the changes, since the last annual review, in the nature and extent of significant risks, and the company's ability to respond to changes in its business and the external environment;</li> <li>the scope and quality of management's ongoing monitoring of risks and of the internal control system, and where applicable, the work of its internal audit function and other assurance providers;</li> </ul>	<p>C</p> <p>C</p>	<ul style="list-style-type: none"> <li>The Board, through the Audit Committee, reviews annually the effectiveness of internal control system of the Company and its subsidiaries, such review considers: <ul style="list-style-type: none"> <li>the changes in the significant risks since the last review, and the Company's ability to respond to changes in its business and the external environment;</li> <li>the management's ongoing monitoring of risks and the internal control system, and the work of the internal audit function;</li> <li>the communication of the monitoring results to the Board that enables it to assess control of the Company and the effectiveness of the risk management;</li> <li>any significant control failings or weaknesses identified and the extent to which they have caused unforeseeable outcomes or contingencies that had or might have material impact on the Company's financial performance or condition; and</li> <li>the effectiveness of the Company's processes for financial reporting and Listing Rules compliance.</li> </ul> </li> </ul>

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.2.3 (Cont'd)	<ul style="list-style-type: none"> <li>- the extent and frequency of communication of monitoring results to the board (or board committee(s)) which enables it to assess control of the company and the effectiveness of risk management;</li> <li>- significant control failings or weaknesses that have been identified during the period. Also, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the company's financial performance or conditions; and</li> <li>- the effectiveness of the company's processes for financial reporting and Listing Rule compliance.</li> </ul>	<p style="text-align: center;">C</p> <p style="text-align: center;">C</p> <p style="text-align: center;">C</p>	
C.2.4	<p>The company should disclose, in the Corporate Governance Report, a narrative statement on how they have complied with internal control code provisions during the reporting period. The disclosures should also include:</p> <ul style="list-style-type: none"> <li>- the process used to identify, evaluate and manage significant risks;</li> <li>- additional information to explain its risk management processes and internal control system;</li> <li>- an acknowledgement by the board that it is responsible for the internal control system and reviewing its effectiveness;</li> <li>- the process used to review the effectiveness of the internal control system; and</li> <li>- the process used to resolve material internal control defects for any significant problems disclosed in its annual reports and accounts.</li> </ul>	<p style="text-align: center;">C</p>	<ul style="list-style-type: none"> <li>• In the Corporate Governance Report, the Company, in particular item C.2.1 above, discloses: <ul style="list-style-type: none"> <li>• the process used to identify, evaluate and manage the significant risks;</li> <li>• any additional information to explain its risk management processes and internal control system;</li> <li>• an acknowledgement by the Board that it is responsible for the internal control system and for reviewing its effectiveness;</li> <li>• the process used to review the effectiveness of internal control system; and</li> <li>• the process used to resolve material internal control defects for significant problems disclosed in its Annual Reports and Financial Statements.</li> </ul> </li> </ul>
C.2.5	<p>The company should ensure that their disclosures provide meaningful information and do not give a misleading impression.</p>	<p style="text-align: center;">C</p>	<ul style="list-style-type: none"> <li>• The Company aims to ensure disclosures provide meaningful information and do not give a misleading impression.</li> </ul>
C.2.6	<p>The company without an internal audit function should review the need for one on an annual basis and should disclose the outcome of this review in the Corporate Governance Report.</p>	<p style="text-align: center;">N/A</p>	<ul style="list-style-type: none"> <li>• Please refer to C.2 above for the details.</li> </ul>

## CORPORATE GOVERNANCE REPORT

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
<b>C.3</b>	<b>AUDIT COMMITTEE</b> <i>Corporate Governance Principle</i> The Board should establish formal and transparent arrangements to consider how it will apply financial reporting and internal control principles and maintain an appropriate relationship with the Company's auditors.		
C.3.8	The audit committee should establish a whistleblowing policy and system for employees and those who deal with the company (e.g. customers and suppliers) to raise concerns, in confidence, with the audit committee about possible improprieties in any matter related to the company.	C	<ul style="list-style-type: none"> <li>Please refer to C.3.7 above for the details.</li> </ul>
<b>D.</b>	<b>DELEGATION BY THE BOARD</b>		
<b>D.1</b>	<b>MANAGEMENT FUNCTIONS</b> <i>Corporate Governance Principle</i> The Company should have a formal schedule of matters specifically reserved for Board approval and those delegated to management.		
There is no recommended best practice under Section D.1 in the CG Code.			
<b>D.2</b>	<b>BOARD COMMITTEES</b> <i>Corporate Governance Principle</i> Board Committees should be formed with specific written terms of reference which deal clearly with their authority and duties.		
There is no recommended best practice under Section D.2 in the CG Code.			
<b>D.3</b>	<b>CORPORATE GOVERNANCE FUNCTIONS</b>		
There is no recommended best practice under Section D.3 in the CG Code.			
<b>E.</b>	<b>COMMUNICATION WITH SHAREHOLDERS</b>		
<b>E.1</b>	<b>EFFECTIVE COMMUNICATION</b> <i>Corporate Governance Principle</i> The Board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with them and encourage their participation.		
There is no recommended best practice under Section E.1 in the CG Code.			
<b>E.2</b>	<b>VOTING BY POLL</b> <i>Corporate Governance Principle</i> The Company should ensure that shareholders are familiar with the detailed procedures for conducting a poll.		
There is no recommended best practice under Section E.2 in the CG Code.			
<b>F.</b>	<b>COMPANY SECRETARY</b> <i>Corporate Governance Principle</i> The Company Secretary plays an important role in supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. The Company Secretary is responsible for advising the Board through the Chairman and/or the Group Managing Director on governance matters and should also facilitate induction and professional development of Directors.		
There is no recommended best practice under Section F in the CG Code.			

## MANAGEMENT STRUCTURE CHART



# RISK FACTORS

The Group's businesses, financial conditions, results of operations or growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Group's businesses. The risk factors set out below are those that could result in the Group's businesses, financial conditions, results of operations or growth prospects differing materially from expected or historical results. Such factors are by no means exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future. In addition, this Annual Report does not constitute a recommendation or advice to invest in the shares of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the shares of the Company.

## ECONOMIC ENVIRONMENT AND CONDITIONS

The global economy remains uncertain since the global financial crisis in 2008. The European sovereign debt crisis that followed, the slowdown of the Mainland China economy, volatility in commodity prices and the timing of the U.S. monetary normalisation continue to pose risks to the global recovery. The slowdown in world economic growth could lead to economic contractions in certain markets, commercial and consumer delinquencies, weakened consumer confidence and increased market volatility. The Group is a diversified infrastructure investment company with businesses in Hong Kong, Mainland China, the United Kingdom, the Netherlands, Australia, New Zealand and Canada. Any adverse economic conditions in those countries and places in which the Group operates may potentially impact on the Group's financial position or potential income, asset value and liabilities.

## ECONOMIC CONDITIONS AND INTEREST RATES

The industries in which the Group operates are affected by the economic conditions of the various places where the Group's investments or operations are located, the population growth of these places, mark to market value of securities investments, the currency environment and interest rates cycles. There can be no assurance that the combination of the above factors the Group experiences in the future will not adversely affect its financial conditions or results of operations.

In particular, income from finance and treasury operations is dependent upon the capital market, interest rate and currency environment, and the worldwide economic and market conditions, and therefore there can be no assurance that changes in these conditions will not adversely affect the Group's financial conditions or results of operations. The volatility in the financial markets may also adversely affect the income to be derived by the Group from its finance and treasury activities.

## HIGHLY COMPETITIVE MARKETS

The Group's waste management and off-airport car park businesses face significant competition across the markets in which they operate. New market entrants and intensified price competition among existing market players could adversely affect the Group's financial conditions or results of operations. Competition risks faced by the Group include (a) possible restrictions on the access by the shuttle buses operated by the Group's off-airport car park businesses as imposed by the airport authorities who operates the on-airport car park businesses; (b) the availability of rail link services from city centre to airport which may reduce the usage of the off-airport car park; and (c) significant competition and pricing pressure from other competitors attempting to capture a higher level of market share. Such risks may adversely affect the financial performance of the Group's operation.

## **INFRASTRUCTURE MARKET**

Some of the investments owned by the Group (for example, water, gas and electricity) are subject to regulatory pricing and strict adherence must be made to the licence requirements, codes and guidelines established by the relevant regulatory authorities from time to time. Failure to comply with these licence requirements, codes or guidelines may lead to penalties, or, in extreme circumstances, amendment, suspension or cancellation of the relevant licences by the authorities. Infrastructure projects are capital intensive, and with only a few major players in the market, there is no assurance of ready buyers on disposal.

The distribution and transmission networks of the Group's utilities investments are also exposed to supply interruptions. If a severe earthquake, storm, flood, fire, sabotage, terrorist attack or other unplanned event interrupts service, the loss of cash flow resulting from the interruption and the cost of recovery from network damage could be considerable and potentially cause poor customer perception and may also lead to claims and litigations. Moreover, some losses from events such as terrorist attacks may not be recoverable. Increases in the number or duration of supply interruptions could result in material increases in the costs associated with the operation of the distribution and transmission networks, which could have a material adverse effect on the businesses, financial conditions and results of operations of the Group.

## **CAPITAL EXPENDITURE**

A significant amount of capital expenditure is required for the Group to acquire new investments and to maintain the assets of its existing businesses. While the relevant asset companies have their own asset management plans, there is a risk that due to unforeseen events, capital expenditure required for the replacement of assets could exceed budgeted amounts and hence affect the businesses, financial conditions and results of operations of the Group.

## **CURRENCY FLUCTUATIONS**

The results of the Group is recorded in Hong Kong dollars but its various subsidiaries, associates and joint ventures may receive revenue and incur expenses in other currencies. Any currency fluctuations on translation of the accounts of these subsidiaries, associates and joint ventures and also on the repatriation of earnings, equity investments and loans may therefore impact on the Group's performance. Although currency exposures have been managed by the Group, a depreciation or fluctuation of the currencies in which the Group conducts operations relative to the Hong Kong dollar could adversely affect the Group's financial conditions or results of operations.

## **STRATEGIC PARTNERS**

Some of the businesses of the Group are conducted through non wholly-owned subsidiaries, associates and joint ventures in which the Group shares control (in whole or in part) and strategic alliances had been formed by the Group with other strategic or business partners. There can be no assurance that any of these strategic or business partners will continue their relationships with the Group in the future or that the Group will be able to pursue its stated strategies with respect to its non wholly-owned subsidiaries, associates and joint ventures and the markets in which they operate. Furthermore, the joint venture partners may (a) have economic or business interests or goals that are inconsistent with those of the Group; (b) take actions contrary to the Group's policies or objectives; (c) undergo a change of control; (d) experience financial and other difficulties; or (e) be unable or unwilling to fulfill their obligations under the joint ventures, which may affect the Group's financial conditions or results of operations.

## **RISK FACTORS**

### **MERGERS AND ACQUISITIONS**

The Company has undertaken mergers and acquisitions activities in the past and may continue to do so if there are appropriate acquisition opportunities in the market. Although due diligence and detailed analysis are conducted before these activities are being undertaken, there can be no assurance that these can fully expose all hidden problems, potential liabilities and unresolved disputes that the target company may have. In addition, valuations and analyses on the target company conducted by the Company and by professionals alike are based on numerous assumptions, and there can be no assurance that those assumptions are correct or appropriate or that they will receive universal recognition. Relevant facts and circumstances used in the analyses could have changed over time, and new facts and circumstances may come to light as to render the previous assumptions and the valuations and analyses based thereon obsolete. Some of these mergers and acquisitions activities are subject to regulatory approvals in overseas countries and there can be no assurance that such approvals will be obtained, and even if granted, that there will be no burdensome conditions attached to such approvals. The Company may not necessarily be able to successfully integrate the target business into the Group and may not be able to derive any synergy from the acquisition, leading to increase in costs, time and resources. For merger and acquisitions activities undertaken overseas, the Company may also be exposed to different and changing political, social, legal and regulatory requirements at the local, national and international level. The Company may also need to face different cultural issues when dealing with local employees, customers, governmental authorities and pressure groups.

### **IMPACT OF LOCAL, NATIONAL AND INTERNATIONAL REGULATIONS**

The local business risks in different countries and cities in which the Group operates could have a material impact on the financial conditions, results of operations and growth prospects of the businesses in the relevant market. The Group has investments in different countries and cities around the world and the Group is, and may increasingly become, exposed to different and changing political, social, legal, tax, regulatory and environmental requirements at the local, national or international level. Also, new policies or measures by governments, whether fiscal, tax, regulatory, environmental or other competitive changes, may lead to an increase in additional or unplanned operating expenses and capital expenditures, increase in market capacity, reduction in government subsidies, pose a risk to the overall investment return of the Group's businesses and may delay or prevent the commercial operation of a business with resulting loss of revenue and profit.

### **IMPACT OF NEW ACCOUNTING STANDARDS**

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has from time to time issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS"). HKICPA may in the future issue new and revised standards and interpretations. In addition, interpretations on the application of the HKFRS will continue to develop. These factors may require the Group to adopt new accounting policies. The adoption of new accounting policies or new HKFRS might or could have a significant impact on the Group's financial position or results of operations.

### **OUTBREAK OF HIGHLY CONTAGIOUS DISEASE**

The outbreak of Severe Acute Respiratory Syndrome ("SARS") in 2003 had a significant adverse impact on the economies of the affected areas. The spread of Influenza and other communicable diseases from time to time have also affected many areas of the world. The latest outbreak of the Ebola virus disease also poses a significant threat to global industries. Additional outbreaks of other epidemic diseases could negatively affect the operations, results of operation and financial performance of the Group.

## CONNECTED TRANSACTIONS

Hutchison Whampoa Limited (“Hutchison”) is also listed on The Stock Exchange of Hong Kong Limited. Although the Group believes that its relationship with Hutchison provides it with significant business advantages, the relationship results in various connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and accordingly any transactions entered into between the Group and Hutchison, its subsidiaries or associates are connected transactions, which, unless one of the exemptions is available, will be subject to compliance with the applicable requirements of the Listing Rules, including the issuance of announcements, the obtaining of independent shareholders’ approval at general meetings and disclosure in annual reports and accounts. Independent shareholders’ approval requirements may also lead to unpredictable outcomes causing disruptions to as well as increase the risks of the Group’s business activities. Independent shareholders may also take actions that are in conflict with the interests of the Group.

## THE GROUP’S FINANCIAL CONDITIONS OR RESULTS OF OPERATIONS ARE AFFECTED BY THOSE OF THE POWER ASSETS GROUP

Following the spin-off by Power Assets Group of its Hong Kong electricity business in January 2014, the Group owns approximately 38.87 per cent of Power Assets Holdings Limited (“Power Assets”) which has investments in different countries and places and holds 49.9 per cent of HK Electric Investments, a fixed single investment trust, which in turn holds 100 per cent of The Hongkong Electric Company, Limited (“HEC”) whose operations comprise the generation, transmission, distribution and supply of electricity to Hong Kong Island and Lamma Island. Hence the financial conditions and results of operations of Power Assets may be affected by the local market conditions and the economy of Hong Kong as well as the places where its investments are located. The Group’s financial conditions and results of operations are materially affected by the financial conditions and results of operations of Power Assets.

Besides, the operations of HEC are subject to a scheme of control (“SCA”) agreed with the Hong Kong Government which provides for a permitted level of earnings based principally on a return on their capital investment in electricity generation, transmission and distribution assets. The scheme of control was renewed for a term of ten years commencing 1st January, 2009 with an option for the Government to extend the new SCA for a further term of five years. There can be no assurance that changes to or abolition of the scheme of control in the future will not adversely affect HEC’s and the Power Assets’ (and hence the Group’s) financial conditions and results of operations.

## NATURAL DISASTERS

Some of the Group’s assets and projects, and many of the Group’s customers and suppliers are located in areas at risk of damage from earthquakes, floods, fire, frost and similar events and the occurrence of any of these events could disrupt the Group’s business and materially and adversely affect the Group’s financial conditions and results of operations.

Although the Group has not experienced any major structural damage to infrastructure projects or assets from earthquakes to date, there can be no assurance that future earthquakes or other natural disasters will not occur and result in major damage to the Group’s infrastructure projects or assets, which could adversely affect the Group’s financial conditions and results of operations.

## **RISK FACTORS**

### **PAST PERFORMANCE AND FORWARD LOOKING STATEMENTS**

The performance and the results of operations of the Group during the past years as contained in this Annual Report are historical in nature and past performance can be no guarantee of future results of the Group. This Annual Report may contain forward-looking statements and opinions that involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. Neither the Group nor the Directors, employees or agents of the Group assume (a) any obligation to correct or update the forward-looking statements or opinions contained in this Annual Report; and (b) any liability in the event that any of the forward-looking statements or opinions does not materialise or turns out to be incorrect.

# PROJECT PROFILES

## Investment in **POWER ASSETS**



### **POWER ASSETS HOLDINGS LIMITED** **HONG KONG**

Power Assets Holdings Limited is a global investor in power and utility-related businesses with investments in electricity generation, transmission and distribution, renewable energy, gas distribution and energy-from-waste

#### **HK OPERATIONS**

##### **Business**

Owens 49.9% HKEI which supplies electricity to Hong Kong Island and Lamma Island

##### **Installed capacity**

3,737 MW

##### **Consumer coverage**

More than 569,000 customers

#### **OPERATIONS OUTSIDE HK**

##### **Business**

Power Assets has also established a strong global presence with investments in the United Kingdom, Australia, New Zealand, the Netherlands, Mainland China, Canada and Thailand, bringing sustainable energy and lighting up the lives of millions around the world

##### **CKI's shareholding**

38.87%

## Infrastructure Investment in **UNITED KINGDOM**



### **UK POWER NETWORKS HOLDINGS LIMITED** **THE UNITED KINGDOM**

#### **Business**

One of UK's largest power distributors comprises three regional networks with a distribution area that covers London, South East England and the East of England; and non-regulated business comprising commercial contracts to distribute electricity to a number of privately owned sites

#### **Network length**

Underground – 138,000 km

Overhead – 46,000 km

#### **Consumer coverage**

Approximately 8 million customers

#### **CKI's shareholding**

40% (another 40% held by Power Assets)



### **NORTHUMBRIAN WATER GROUP LIMITED** **THE UNITED KINGDOM**

#### **Business**

One of the ten regulated water and sewerage companies in England and Wales. It supplies water and sewerage services in the North East of England and supplies water services to the South East of England

#### **Network length**

Water mains – Approximately 26,000 km

Sewers – About 30,000 km

Water treatment works – 64

Sewage treatment works – 437

Water service reservoirs – 354

#### **Consumer coverage**

Serves a total population of 4.5 million

#### **CKI's shareholding**

40%

## PROJECT PROFILES

### Infrastructure Investment in **UNITED KINGDOM** (CONT'D)



#### **NORTHERN GAS NETWORKS LIMITED** *THE UNITED KINGDOM*

##### **Business**

One of the eight major gas distribution networks in Great Britain

##### **Natural gas distribution network**

37,000 km

##### **Consumer coverage**

Serves a total population of around 6.7 million

##### **CKI's shareholding**

47.1% (another 41.3% held by Power Assets)



#### **SEABANK POWER LIMITED** *BRISTOL, THE UNITED KINGDOM*

##### **Business**

Owns and operates Seabank Power Station near Bristol. The electricity is sold under a long-term contract to SSE Energy Supply Ltd.

##### **Consumer coverage**

Approximately 1,140 MW

##### **CKI's shareholding**

25% (another 25% held by Power Assets)



#### **WALES & WEST GAS NETWORKS (HOLDINGS) LIMITED** *THE UNITED KINGDOM*

##### **Business**

A gas distribution network that serves Wales and the South West of England

##### **Natural gas distribution network**

35,000 km

##### **Consumer coverage**

Serves a total population of 7.5 million

##### **CKI's shareholding**

30% (another 30% held by Power Assets)



#### **SOUTHERN WATER SERVICES LIMITED** *THE UNITED KINGDOM*

##### **Business**

Supplies water and waste water services to the South East of England

##### **Length of mains/sewers**

Water mains – 13,700 km

Length of sewers – 39,600 km

##### **Consumer coverage**

Water – Serves a population of 2.4 million

Recycles wastewater – Serves a population of 4.5 million

##### **CKI's shareholding**

4.75%

## Infrastructure Investment in **AUSTRALIA**



### **SA POWER NETWORKS** *SOUTH AUSTRALIA, AUSTRALIA*

#### **Business**

Primary electricity distribution business for the state of South Australia

#### **Electricity distribution network**

More than 88,000 km

#### **Consumer coverage**

Approximately 847,000 customers

#### **CKI's shareholding**

23.07% (another 27.93% held by Power Assets)



### **CITIPOWER I PTY LTD.** *VICTORIA, AUSTRALIA*

#### **Business**

Operates the electricity distribution network in the CBD and inner suburban areas of Melbourne, Victoria

#### **Electricity distribution network**

Approximately 7,400 km

#### **Consumer coverage**

Approximately 340,000 customers

#### **CKI's shareholding**

23.07% (another 27.93% held by Power Assets)



### **POWERCOR AUSTRALIA LIMITED** *VICTORIA, AUSTRALIA*

#### **Business**

Operates a major electricity distribution network, covering an area of 150,000 sq km in the state of Victoria

#### **Electricity distribution network**

Approximately 84,000 km

#### **Consumer coverage**

Approximately 760,000 customers

#### **CKI's shareholding**

23.07% (another 27.93% held by Power Assets)



### **AUSTRALIAN GAS NETWORKS LIMITED** *AUSTRALIA*

#### **Business**

One of Australia's largest distributors of natural gas

#### **Natural gas distribution network**

About 23,000 km

#### **Consumer coverage**

Approximately 1.2 million customers

#### **CKI's shareholding**

Approximately 45% (another 27.5% held by Power Assets)

## PROJECT PROFILES

### Infrastructure Investment in **AUSTRALIA** (CONT'D)



#### **TRANSMISSION OPERATIONS (AUSTRALIA) PTY LTD** *VICTORIA, AUSTRALIA*

##### **Business**

To operate a transmission link which transports renewable energy from the wind farm to Victoria's power grid

##### **Electricity transmission network**

21 km

##### **CKI's shareholding**

50% (another 50% held by Power Assets)

### Infrastructure Investment in **NEW ZEALAND**



#### **WELLINGTON ELECTRICITY LINES LIMITED** *WELLINGTON, NEW ZEALAND*

##### **Business**

Operates the electricity distribution network in New Zealand's capital city, Wellington, and the surrounding greater Wellington area

##### **Electricity distribution network**

Over 4,600 km

##### **Consumer coverage**

About 165,000 customers

##### **CKI's shareholding**

50% (another 50% held by Power Assets)



#### **SPARK INFRASTRUCTURE GROUP** *AUSTRALIA*

##### **Business**

An infrastructure company listed in Australia with seed assets being a 49% stake in each of SA Power Networks, Powercor and CitiPower

##### **CKI's shareholding**

Approximately 7.7%



#### **ENVIRO WASTE SERVICES LIMITED** *NEW ZEALAND*

##### **Business**

A diversified, vertically integrated waste management business that has national coverage in New Zealand

##### **Facilities**

A network of collection facilities at 18 locations nationwide, 14 transfer stations, 3 landfills and a fleet of over 290 vehicles

##### **Consumer coverage**

More than 500,000 commercial and residential customers

##### **CKI's shareholding**

100%

## Infrastructure Investment in **NETHERLANDS**



### **DUTCH ENVIRO ENERGY HOLDINGS B.V.** **THE NETHERLANDS**

#### **Business**

Owns the largest energy-from-waste player in the Netherlands, AVR, which operates 5 waste treatment plants in Rozenburg and Duiven; as well as 4 transfer stations

#### **Capacity (plants)**

Energy from Waste – 1,700 kilo tonnes per year

Biomass Energy – 140 kilo tonnes per year

Liquid Waste – 270 kilo tonnes per year

Paper Residue Incineration – 160 kilo tonnes per year

#### **Capacity (transfer stations)**

1,000 kilo tonnes per year

#### **CKI's shareholding**

35% (another 20% held by Power Assets)

## Infrastructure Investment in **CANADA**



### **CANADIAN POWER HOLDINGS INC.** **CANADA**

#### **Business**

Owns 49.99% share of TransAlta Cogeneration, L.P. which operates five power plants in the provinces of Ontario and Alberta as well as 100% of the Meridian Cogeneration Plant in Saskatchewan

#### **Generation capacity**

Six power plants with total gross capacity of 1,362 MW

#### **CKI's shareholding**

50% (another 50% held by Power Assets)



### **PARK'N FLY** **CANADA**

#### **Business**

The largest off-airport car park provider in Canada and the only national operator. The company provides parking facilities in Toronto, Vancouver, Montreal, Edmonton and Ottawa

#### **CKI's shareholding**

50%

## PROJECT PROFILES

### Infrastructure Investment in MAINLAND CHINA



#### SHEN-SHAN HIGHWAY (EASTERN SECTION) GUANGDONG, CHINA

<b>Location</b> Lufeng/Shantou, Guangdong Province	<b>Joint venture expiry date</b> 2028
<b>Road type</b> Expressway	<b>Total project cost</b> HK\$2,619 million
<b>Length</b> 140 km	<b>CKI's investment</b> HK\$877 million
<b>No. of lanes</b> Dual two-lane	<b>CKI's interest in JV</b> 33.5%
<b>Joint venture contract date</b> 1993	



#### TANGSHAN TANGLE ROAD HEBEI, CHINA

<b>Location</b> Tangshan, Hebei Province	<b>Joint venture expiry date</b> 2019
<b>Road type</b> Class 2 highway	<b>Total project cost</b> HK\$187 million
<b>Length</b> 100 km	<b>CKI's investment</b> HK\$95 million
<b>No. of lanes</b> Dual one-lane	<b>CKI's interest in JV</b> 51%
<b>Joint venture contract date</b> 1997	



#### SHANTOU BAY BRIDGE GUANGDONG, CHINA

<b>Location</b> Shantou, Guangdong Province	<b>Joint venture expiry date</b> 2028
<b>Road type</b> Bridge	<b>Total project cost</b> HK\$665 million
<b>Length</b> 6 km	<b>CKI's investment</b> HK\$200 million
<b>No. of lanes</b> Dual three-lane	<b>CKI's interest in JV</b> 30%
<b>Joint venture contract date</b> 1993	



#### CHANGSHA WUJIALING AND WUYILU BRIDGES HUNAN, CHINA

<b>Location</b> Changsha, Hunan Province	<b>Joint venture expiry date</b> 2022
<b>Road type</b> Bridge	<b>Total project cost</b> HK\$465 million
<b>Length</b> 5 km	<b>CKI's investment</b> HK\$206 million
<b>No. of lanes</b> Dual two-lane	<b>CKI's interest in JV</b> 44.2%
<b>Joint venture contract date</b> 1997	



### JIANGMEN CHAOLIAN BRIDGE GUANGDONG, CHINA

<b>Location</b>	Jiangmen, Guangdong Province	<b>Joint venture expiry date</b>	2027
<b>Road type</b>	Bridge	<b>Total project cost</b>	HK\$130 million
<b>Length</b>	2 km	<b>CKI's investment</b>	HK\$65 million
<b>No. of lanes</b>	Dual two-lane	<b>CKI's interest in JV</b>	50%
<b>Joint venture contract date</b>	1997		



### PANYU BEIDOU BRIDGE GUANGDONG, CHINA

<b>Location</b>	Panyu, Guangdong Province	<b>Joint venture expiry date</b>	2024
<b>Road type</b>	Bridge	<b>Total project cost</b>	HK\$164 million
<b>Length</b>	3 km	<b>CKI's investment</b>	HK\$66 million
<b>No. of lanes</b>	Dual three-lane	<b>CKI's interest in JV</b>	40%
<b>Joint venture contract date</b>	1999		



### JIANGMEN JIANGSHA HIGHWAY GUANGDONG, CHINA

<b>Location</b>	Jiangmen, Guangdong Province	<b>Joint venture expiry date</b>	2026
<b>Road type</b>	Class 1 highway	<b>Total project cost</b>	HK\$207 million
<b>Length</b>	21 km	<b>CKI's investment</b>	HK\$103 million
<b>No. of lanes</b>	Dual two-lane	<b>CKI's interest in JV</b>	50%
<b>Joint venture contract date</b>	1996		

## PROJECT PROFILES

### Investment in **INFRASTRUCTURE RELATED BUSINESS**



#### **ALLIANCE CONSTRUCTION MATERIALS LIMITED** **HONG KONG**

##### **CONCRETE DIVISION**

###### **Business**

Hong Kong's largest concrete producer

###### **Total capacity**

4 million cubic meters per annum

###### **CKI's interest**

50%

##### **QUARRY DIVISION**

###### **Business**

2 quarries in Hong Kong and 1 quarry in China, with sole distribution rights for another quarry in China for sales into Hong Kong

###### **Total capacity (aggregates)**

6 million tonnes per annum

###### **CKI's interest**

50%



#### **ANDERSON ASPHALT LIMITED** **HONG KONG**

##### **Business**

Hong Kong's largest asphalt producer, pavement contractor and recycler

##### **Total capacity**

Asphalt – 1 million tonnes per annum

Recycling – 0.5 million tonnes per annum

##### **CKI's interest**

100%



#### **GREEN ISLAND CEMENT COMPANY, LIMITED** **HONG KONG**

##### **Business**

The only fully integrated cement producer in Hong Kong

##### **Total capacity**

Clinker – 1.5 million tonnes per annum

Cement grinding – 2.5 million tonnes per annum

##### **CKI's interest**

100%



#### **GREEN ISLAND CEMENT (YUNFU) COMPANY LIMITED** **GUANGDONG, CHINA**

##### **Location**

Yunfu, Guangdong Province

##### **Total capacity**

Clinker – 1.5 million tonnes per annum

Cement grinding – 1.3 million tonnes per annum

##### **Operational status**

Fully operational during the 4th quarter of 2013

##### **CKI's interest**

100%



**GUANGDONG GITIC GREEN ISLAND  
CEMENT CO. LTD.**  
*GUANGDONG, CHINA*

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**Location**

Yunfu, Guangdong Province

**Business**

Cement production

**Total capacity**

Clinker – 0.8 million tonnes per annum

Cement grinding – 1.5 million tonnes per annum

**CKI's interest**

67%



**SIQUIJOR LIMESTONE QUARRY**  
*PHILIPPINES*

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**Location**

Siquijor, Philippines

**Business**

Limestone quarry

**Total capacity**

2 million tonnes per annum

**CKI's interest**

40%

# CORPORATE INFORMATION AND KEY DATES

## BOARD OF DIRECTORS

### Executive Directors

LI Tzar Kuoi, Victor (Chairman)

FOK Kin Ning, Canning (Deputy Chairman)

CHOW WOO Mo Fong, Susan \*

Frank John SIXT

KAM Hing Lam (Group Managing Director)

IP Tak Chuen, Edmond (Deputy Chairman)

Andrew John HUNTER (Deputy Managing Director)

CHAN Loi Shun (Chief Financial Officer)

\* also alternate to FOK Kin Ning, Canning and Frank John SIXT

### Independent Non-executive Directors

CHEONG Ying Chew, Henry

KWOK Eva Lee

SNG Sow-mei alias POON Sow Mei

Colin Stevens RUSSEL

LAN Hong Tsung, David

Barrie COOK

### Alternate Directors

MAN Ka Keung, Simon

(alternate to IP Tak Chuen, Edmond)

Eirene YEUNG

(alternate to KAM Hing Lam)

### Non-executive Directors

LEE Pui Ling, Angelina

George Colin MAGNUS

TSO Kai Sum

## AUDIT COMMITTEE

Colin Stevens RUSSEL (Chairman)

CHEONG Ying Chew, Henry

KWOK Eva Lee

SNG Sow-mei alias POON Sow Mei

LAN Hong Tsung, David

## AUDITOR

Deloitte Touche Tohmatsu

## LEGAL ADVISERS

Woo, Kwan, Lee & Lo

## REGISTERED OFFICE

Clarendon House, Church Street,

Hamilton HM11, Bermuda

## PRINCIPAL PLACE OF BUSINESS

12th Floor, Cheung Kong Center,

2 Queen's Road Central, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited

The Belvedere Building,

69 Pitts Bay Road,

Pembroke HM08, Bermuda

## REMUNERATION COMMITTEE

CHEONG Ying Chew, Henry (Chairman)

LI Tzar Kuoi, Victor

Colin Stevens RUSSEL

## COMPANY SECRETARY

Eirene YEUNG

## AUTHORISED REPRESENTATIVES

IP Tak Chuen, Edmond

Eirene YEUNG

## PRINCIPAL BANKERS

Australia and New Zealand Banking Group Limited

Bank of China (Hong Kong) Limited

Barclays Bank PLC

Credit Agricole Corporate and Investment Bank

Mizuho Bank, Ltd.

The Hongkong and Shanghai Banking Corporation Limited

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Rooms 1712-1716, 17th Floor, Hopewell Centre,

183 Queen's Road East, Hong Kong

## STOCK CODES

Stock Exchange of Hong Kong: 1038

Bloomberg: 1038 HK

Reuters: 1038.HK

## WEBSITE

[www.cki.com.hk](http://www.cki.com.hk)

## INVESTOR RELATIONS

For further information about Cheung Kong Infrastructure Holdings Limited, please contact:

### Ivan CHAN

Cheung Kong Infrastructure Holdings Limited  
12th Floor, Cheung Kong Center,  
2 Queen's Road Central,  
Hong Kong  
Telephone: (852) 2122 3986  
Facsimile: (852) 2501 4550  
Email: [contact@cki.com.hk](mailto:contact@cki.com.hk)

## KEY DATES

Annual Results Announcement	25th February, 2015
Closure of Register of Members (for determination of shareholders who are entitled to attend and vote at Annual General Meeting)	11th May, 2015 to 14th May, 2015 (both days inclusive)
Annual General Meeting	14th May, 2015
Record Date (for determination of shareholders who qualify for the Final Dividend)	20th May, 2015
Payment of Final Dividend	2nd June, 2015

This annual report 2014 ("Annual Report") is available in both English and Chinese versions. Shareholders who have received either the English or the Chinese version of the Annual Report may request a copy in the other language by writing to the Company c/o the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong or by email to [cki.ecom@computershare.com.hk](mailto:cki.ecom@computershare.com.hk).

The Annual Report (both English and Chinese versions) has been posted on the Company's website at [www.cki.com.hk](http://www.cki.com.hk). Shareholders who have chosen (or are deemed to have consented) to read the Company's corporate communications (including but not limited to the Annual Report) published on the Company's website in place of receiving printed copies thereof may request the printed copy of the Annual Report in writing to the Company c/o the Company's Branch Share Registrar or by email to [cki.ecom@computershare.com.hk](mailto:cki.ecom@computershare.com.hk).

Shareholders who have chosen (or are deemed to have consented) to receive the corporate communications using electronic means through the Company's website and who for any reason have difficulty in receiving or gaining access to the Annual Report posted on the Company's website will upon request in writing to the Company c/o the Company's Branch Share Registrar or by email to [cki.ecom@computershare.com.hk](mailto:cki.ecom@computershare.com.hk) promptly be sent the Annual Report in printed form free of charge.

Shareholders may at any time choose to change their choice as to the means of receipt (i.e. in printed form or by electronic means through the Company's website) and/or the language of the Company's corporate communications by reasonable prior notice in writing to the Company c/o the Company's Branch Share Registrar or sending a notice to [cki.ecom@computershare.com.hk](mailto:cki.ecom@computershare.com.hk).



**CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED**

12th Floor, Cheung Kong Center,

2 Queen's Road Central, Hong Kong

Tel: (852) 2122 3133 Fax: (852) 2501 4550

[www.cki.com.hk](http://www.cki.com.hk)

