Cheung Kong Infrastructure Holdings Limited

(Incorporated in Bermuda with limited liability)

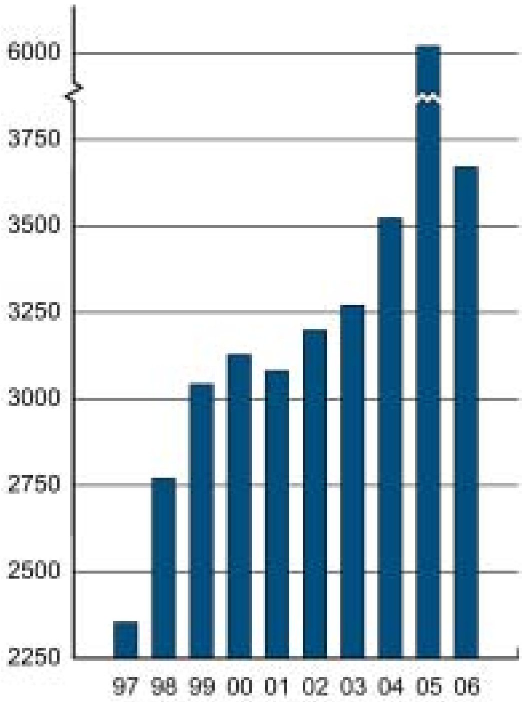
(Stock Code: 1038)

THE CHAIRMAN'S LETTER FOR 2006

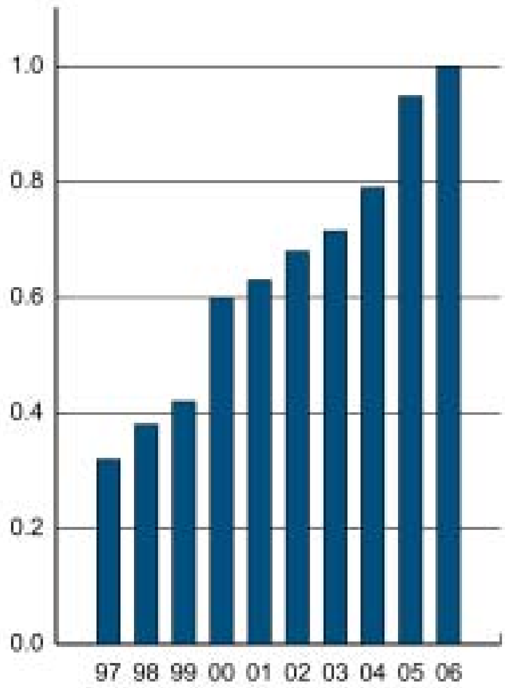
Powering Into Our Second Decade

2006 marked the beginning of the second decade of Cheung Kong Infrastructure Holdings Limited ("CKI" or the "Group") as a listed company. In general terms, our businesses in the key markets of Hong Kong, Mainland China, Australia and the United Kingdom have all performed well during the year. We have laid very solid foundations and have ample resources to fund future expansion.

In 2006, profit after tax attributable to shareholders was HK$3,670 million, while earnings per share were HK$1.63. This would have been the best performance since inception, if not for the results of 2005 which benefited from a one-off gain of HK$3.7 billion from the divestment of part of our Australian electricity businesses to Spark Infrastructure Group ("Spark Infrastructure") in December 2005. Even though CKI's Australian asset base has been reduced as a result of the divestment, our overall profit generation capacity has not diminished, as evidenced by the higher than 2004 profit performance in 2006.



Profit Attributable to Shareholders (HK$ million)



Dividends Per Share (HK$)

The Board of Directors of CKI (the "Board") has recommended a final dividend of HK$0.75 per share. Together with the interim dividend of HK$0.25 per share, this will bring the total dividend for the year to HK$1.00 per share, a 5.5 per cent. increase over last year. This is consistent with CKI's stable dividend growth trend since listing. The proposed dividend will be paid on 15th May, 2007 following approval at the Annual General Meeting, to shareholders whose names appear on the Register of Members of the Company on 10th May, 2007.

The Year in Review

Hongkong Electric

Hongkong Electric Holdings Limited ("Hongkong Electric") continues to be an important profit contributor to CKI, generating HK$2,632 million in 2006. During the year under review, Hongkong Electric reported net profit after tax of HK$6,842 million. Hongkong Electric has maintained its supply reliability at 99.999 per cent., a distinction that is virtually unrivalled in the world. The overseas businesses of Hongkong Electric have also performed very well and continued to contribute to the growth of the business.

International Infrastructure Investments

Our businesses in Mainland China delivered commendable performance in 2006, as the nation's GNP continues to grow. The profit contribution from CKI's China portfolio increased to HK$869 million. Powering our strong performance was yet another record year for the Zhuhai Power Plant. The profit contribution from Units 1 and 2 of the Zhuhai Power Plant reached a new high, surpassing even last year's exceptional results. The Siping Cogen Power Plants in Jilin also continued to perform well. During the year, the divestment of the Qinyang Power Plants in Henan, Mainland China was completed, generating a one-off gain. As regards CKI's toll road portfolio in Mainland China, steady returns were delivered in general, and performances were in line with forecasts.

In CKI's newest market, the United Kingdom, the performance of our two investments has been pleasing and a profit contribution of HK$316 million was recorded. 2006 represented the first full year of profit contribution from Northern Gas Networks Limited ("Northern Gas Networks"), with double-digit cash yields recorded. As regards Cambridge Water PLC ("Cambridge Water"), healthy returns were generated, exceeding our original budget.

The results from our Australian portfolio were adversely affected by the performance of the Cross City Tunnel and the divestment of our interest in the electricity distribution businesses, with profit contribution reducing to HK$64 million.

- Traffic levels for the Cross City Tunnel project, in which CKI has a 50 per cent. stake, were significantly lower than expected, leading to an operating loss of HK$262 million being recorded by the Group. The project company has been unable to generate sufficient revenue to service its non-recourse project debt, resulting in a receiver being appointed for the project just prior to the year end. CKI has accordingly made a further asset impairment of HK$279 million in 2006. The entire book value of the investment has now been fully written down.

- As for the electricity businesses, our stake was reduced following the divestment of part of our shareholdings in ETSA Utilities, CitiPower I Pty Ltd. and Powercor Australia Limited in 2005. The fundamentals of these power distribution businesses continue to be solid and they have outperformed operating targets for the year.

Commencing 2006, the Group has also received income and management fees from Spark Infrastructure by virtue of our 9.9 per cent. stake and our interest in the management contract. Envestra Limited, one of Australia's largest listed natural gas distribution companies in which CKI has a 16.4 per cent. stake, continued to generate double-digit cash yields during the year.

Materials Business

Following a number of challenging years in the materials industry, our infrastructure materials division recorded an encouraging profit of HK$110 million in 2006. Market analysts indicate that construction activity in Hong Kong has reached its bottom, and as a result, better prospects for our materials business are anticipated.

A New Decade of Opportunity

Over the last ten years, CKI has grown significantly and recorded a number of major corporate milestones. Beginning as a Hong Kong and Mainland China-focused company, we have now evolved into a global infrastructure player with diverse investments in several industries across China, Australia and the United Kingdom. On the whole, our investments have exceeded expectations, enabling us to deliver continued profit and dividend growth to our shareholders. We have developed an impressive reputation in the infrastructure sector and have ample resources to fund new investments in the future.

Sustained Organic Growth

CKI expects to achieve organic growth and deliver solid returns on our existing investments as we continue on our roadmap of business expansion.

In Mainland China, commercial operations of the Group's new power project, Units 3 and 4 of the Zhuhai Power Plant, commenced in February 2007. This is a RMB6 billion joint venture project in which CKI has a 45 per cent. stake and Guangdong Yudean Group Co. Ltd. and The Electric Development (Group) Company of Zhuhai Special Economic Zone collectively hold the other 55 per cent. stake. The commissioning will provide immediate profit contribution and boost the Group's portfolio in Mainland China. The addition of Units 3 and 4 greatly enhance the capacity of the Zhuhai Power Plant, increasing total installed capacity from 1,400 MW to 2,600 MW. As the demand for power in the Guangdong region continues to grow, we expect the Zhuhai Power Plant to remain one of the star performers in our Mainland portfolio for years to come.

We expect to see continued organic growth in our energy portfolio in Australia as we expand our regulated asset base. Growing demand in Australia's urban areas and rising returns on an increasing asset base will ensure that these regulated businesses generate strong returns for the Group. In addition, we will initiate new strategies to enhance the scope and returns of the non-regulated revenue of these businesses.

In the United Kingdom, CKI is also committed to organic growth. Northern Gas Networks continues to expand and upgrade its gas distribution network to cater for rising demand and new customer connections. Cambridge Water is also seeing encouraging potential from the growth in its water servicing area.

Acquisitions to Expand Portfolio

CKI will continue to pursue acquisition opportunities around the globe to further enhance our portfolio of infrastructure investments. We are currently studying and participating in the bidding process for a number of projects in existing markets, as well as looking for opportunities in new ones. Not only will we pursue investments in industries we are already familiar with, such as power and toll roads, but we will also investigate new possibilities, ranging from other regulated businesses to greenfield projects. CKI has very sound financials, with cash on hand of more than HK$7.7 billion and a net debt to equity ratio of 4 per cent. We are very well placed to acquire new projects, further enriching our portfolio.

Divestments to Maximise Shareholder Value

As part of our strategy to achieve the best returns for shareholders, we will review our asset portfolio from time to time and prudently consider divesting certain assets when the timing and price is right. On this point, CKI is in the process of divesting 21 per cent. of the Lane Cove Tunnel in Australia, with the aim of maximising shareholder value through the generation of cash and a premium, as well as the retention of a share in the future upside through a defined mechanism for revenue sharing. Following the divestment exercise, the Group's shareholding will be reduced from 40 per cent. to 19 per cent. The Lane Cove Tunnel is scheduled to open to traffic this year.

Mr. Eric Kwan will be retiring as Deputy Managing Director and Executive Director of CKI. He was one of the founding members of the Group who witnessed its listing and growth, through a strategy of globalisation and diversification, over the past decade. I would like to extend my thanks and appreciation for his contribution to CKI over the years.

I would also like to take this opportunity to thank the Board, management and staff for their commitment and hard work, as well as our shareholders for their continued support and confidence in the Group.

Li Tzar Kuoi, Victor
Chairman

Hong Kong, 15th March, 2007

FINANCIAL REVIEW

Financial Resources, Treasury Activities and Gearing Ratio

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

As at 31st December, 2006, total borrowings of the Group amounted to HK$9,327 million, which included Hong Kong dollar syndicated loan of HK$3.8 billion and foreign currency borrowings of HK$5,527 million. Of the total borrowings, 41 per cent. were repayable in 2007, 38 per cent. were repayable between 2008 and 2011 and 21 per cent. repayable beyond 2011. 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 or Australian dollars. The Group's liquidity and financing requirements are reviewed regularly. The Group will consider new financing while maintaining an appropriate level of gearing in anticipation of new investments or maturity of bank loans.

As at 31st December, 2006, the Group maintained a gearing ratio of 4 per cent. which was based on its net debt of HK$1,607 million and shareholders' equity of HK$35,824 million. This ratio was slightly higher than the gearing ratio of 3 per cent. at the year end of 2005, mainly due to the capital contribution to Lane Cove Tunnel being funded from cash on hand in March 2006.

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, 2006, the contractual notional amounts of these derivative instruments amounted to HK$8,270 million.

Charge on Group Assets

As at 31st December, 2006, the Group's interests in an affiliated company with carrying value of HK$1,773 million were pledged as part of the security to secure bank borrowings totalling HK$2,740 million granted to the affiliated company. Moreover, the Group's obligations under finance leases totalling HK$27 million were secured by charge over the leased assets with carrying value of HK$225 million.

Contingent Liabilities

As at 31st December, 2006, the Group was subject to the following contingent liabilities:

HK$ million	
Guarantee in respect of a bank loan drawn by an affiliated company	586
Performance bonds	141
Total	727

Employees

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 1,053 employees. Employees' cost (excluding directors' emoluments) amounted to HK$255 million. The Group ensures that the pay levels of its employees are competitive and that its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

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

Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Code on Corporate Governance Practices

The Company is committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality board, sound internal control, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices ("Code on CG Practices") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31st December, 2006.

Audit Committee

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

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

The Group's annual results for the year ended 31st December, 2006 have been reviewed by the Audit Committee.

Annual General Meeting

The 2007 Annual General Meeting of the shareholders of the Company will be held at the Ballroom, 1st Floor, Harbour Plaza Hong Kong, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Thursday, 10th May, 2007 at 2:45 p.m. and the Notice of Annual General Meeting will be published and despatched to the shareholders in the manner as required by the Listing Rules in due course.

Closure of Register of Members

The Register of Members of the Company will be closed from Thursday, 3rd May, 2007 to Thursday, 10th May, 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's Branch Share Registrars, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 2nd May, 2007.

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

AUDITED CONSOLIDATED INCOME STATEMENT

for the year ended 31st December

HK$ million	Notes	**2006**	2005
Group turnover	2	**1,822**	2,247
Share of turnover of jointly controlled entities	2	**2,977**	2,503
		4,799	4,750
Group turnover		**1,822**	2,247
Other income	3	**756**	592
Operating costs	4	**(1,587)**	(1,729)
Finance costs		**(523)**	(732)
Gain on disposals of associates	5	**-**	3,763
Impairment losses	6	**(279)**	(1,727)
Share of results of associates		**2,751**	3,183
Share of results of jointly controlled entities		**737**	311
Profit before taxation		**3,677**	5,908
Taxation	7	**(4)**	(67)
Profit for the year	8	**3,673**	5,841
Attributable to:			
Shareholders of the Company		**3,670**	6,007
Minority interests		**3**	(166)
		3,673	5,841
Earnings per share	9	**HK$1.63**	HK$2.66
Dividends			
Interim dividend paid		**564**	541
Proposed final dividend		**1,690**	1,596
		2,254	2,137
Dividends per share			
Interim		**HK$0.25**	HK$0.24
Proposed final		**HK$0.75**	HK$0.708
		HK$1.00	HK$0.948

CONSOLIDATED BALANCE SHEET

as at 31st December

HK$ million	Notes	**2006**	2005
Property, plant and equipment		**991**	919
Investment properties		**130**	59
Leasehold land		**301**	326
Interests in associates		**29,382**	26,911
Interests in jointly controlled entities		**4,238**	4,337
Interests in infrastructure project investments		**490**	579
Investments in securities		**3,064**	2,092
Derivative financial instruments		**38**	447
Goodwill		**205**	175
Other non-current assets		**13**	9
Total non-current assets		**38,852**	35,854
Inventories		**99**	105
Interests in infrastructure project investments		**127**	86
Derivative financial instruments		**369**	12
Debtors and prepayments	10	**455**	388
Bank balances and deposits		**7,720**	8,110
Total current assets		**8,770**	8,701
Bank and other loans		**3,813**	11
Derivative financial instruments		**485**	-
Creditors and accruals	11	**1,245**	1,105
Taxation		**105**	105
Total current liabilities		**5,648**	1,221
Net current assets		**3,122**	7,480
Total assets less current liabilities		**41,974**	43,334
Bank and other loans		**5,514**	9,045
Derivative financial instruments		**179**	370
Deferred tax liabilities		**401**	362
Other non-current liabilities		**15**	21
Total non-current liabilities		**6,109**	9,798
Net assets		**35,865**	33,536
Representing:			
Share capital		**2,254**	2,254
Reserves		**33,570**	31,244
Equity attributable to shareholders of the Company		**35,824**	33,498
Minority interests		**41**	38
Total equity		**35,865**	33,536

NOTES TO THE FINANCIAL STATEMENTS

1. CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new 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, 2006. Except for the changes in accounting policies and presentation as set out below, the adoption of those new HKFRSs has no material impact on the Group's results and financial position for the current or prior years.

a) Employee Retirement Benefits

In the current year, the Group has adopted Amendment to HKAS 19 "Actuarial Gains and Losses, Group Plans and Disclosures", which provides an option to recognise actuarial gains and losses of defined benefit retirement plans in full in the period in which they occur, outside profit or loss, in equity. The Group has elected to take the option to recognise all actuarial gains and losses of its defined benefit retirement plans in equity.

Prior to 1st January, 2006, actuarial gains and losses which exceeded 10 per cent. of the greater of the present value of the Group's pension obligations and the fair value of plan assets were recognised in the income statement over the expected average remaining working lives of the employees participating in the plans.

The change in accounting policy has been applied prospectively. The main reason for not applying Amendment to HKAS 19 retrospectively is that the management considered the impact is immaterial and is not practical to do so. Cumulative effects from the change on the Group's balances at 1st January, 2006 include decreases in interests in associates, other non-current assets and retained profits by HK$138 million, HK$3 million and HK$141 million, respectively.

1. CHANGES IN ACCOUNTING POLICIES (Cont'd)

b) Financial Instruments – investment in securities

On 1st January, 2005, the Group adopted HKAS 39 "Financial Instruments: Recognition and Measurement" and re-designated certain non-trading securities as "financial assets at fair value through profit or loss" under the relevant transitional provisions. Changes in fair values of these investments in 2005 were recognised in the income statement.

Under the amended transitional provisions included in Amendment to HKAS 39 "The Fair Value Option", which is effective from 1st January, 2006, the Group has re-designated the above "financial assets at fair value through profit or loss" as "available-for-sale financial assets" since 1st January, 2006. Changes in fair values of these investments are now dealt with as movements in investment revaluation reserve.

As the management considered the impact from the change is immaterial, except for the above reclassification, no other adjustments have been recognised.

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

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

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

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

HK$ million	**2006**	2005
Sales of infrastructure materials	**1,015**	992
Income from the supply of water	**250**	237
Return from infrastructure project investments	**99**	138
Interest income from loans granted to associates	**392**	856
Distribution from investments in listed securities	**66**	24
Group turnover	**1,822**	2,247
Share of turnover of jointly controlled entities	**2,977**	2,503
	4,799	4,750

3. OTHER INCOME

Other income includes the following:

HK$ million	**2006**	2005
Interest income from banks	**384**	259
Finance lease income	**1**	2
Gain on disposals of infrastructure project investment	**115**	14
Change in fair values of investment properties	**3**	3
Change in fair values of investments in securities	**(24)**	16
Change in fair values of derivative financial instruments	**(49)**	26
Gain on disposals of listed securities	**-**	1

4. OPERATING COSTS

Operating costs include the following:

HK$ million	**2006**	2005
Depreciation of property, plant and equipment	**52**	134
Amortisation of prepayment for leasehold land	**10**	11
Cost of inventories sold	**948**	928

5. GAIN ON DISPOSALS OF ASSOCIATES

HK$ million	**2006**	2005
Disposal of 49% interests in ETSA Utilities, Powercor and CitiPower	**-**	3,699
Disposal of 9.9% interest in Northern Gas Networks Holdings Limited	**-**	64
Total	**-**	3,763

Prior to December 2005, the Group and Hongkong Electric Holdings Limited (an associate of the Group) held 100 per cent. interests, on a 50/50 basis, in 3 associate groups of companies, ETSA Utilities, Powercor and CitiPower, which operate and manage various electricity distribution businesses in Australia. In December 2005, the Group sold its 49 per cent. interests in these associate groups to Spark Infrastructure Group, a stapled group listed in the Australian Stock Exchange Limited, at a consideration of approximately A$2.2 billion.

6. IMPAIRMENT LOSSES

During the current year, the Group recognised impairment losses of the following assets:

HK$ million	**2006**	2005
Property, plant and equipment	**-**	769
Leasehold land	**-**	21
Interests in associates	**279**	578
Interests in jointly controlled entities	**-**	214
Interests in infrastructure project investments	**-**	95
Goodwill	**-**	50
Total	**279**	1,727

7. TAXATION

Hong Kong Profits Tax is provided for at the rate of 17.5 per cent. (2005: 17.5 per cent.) on the estimated assessable profits less available tax losses. Overseas tax is provided for at the applicable tax rate on the estimated assessable profits less available tax losses.

HK$ million	**2006**	2005
Current taxation		
- Hong Kong Profits Tax	**6**	5
- Overseas tax	**9**	15
Deferred taxation	**(11)**	47
Total	**4**	67

8. SEGMENT INFORMATION

By business segment

for the year ended 31st December

HK$ million	Investment in Hongkong Electric* 2006	Investment in Hongkong Electric* 2005	Infrastructure investments 2006	Infrastructure investments 2005	Infrastructure related business 2006	Infrastructure related business 2005	Unallocated items 2006	Unallocated items 2005	Consolidated 2006	Consolidated 2005
Group turnover	**-**	-	**807**	1,255	**1,015**	992	**-**	-	**1,822**	2,247
Share of turnover of jointly controlled entities	**-**	-	**2,371**	1,996	**606**	507	**-**	-	**2,977**	2,503
	-	-	**3,178**	3,251	**1,621**	1,499	**-**	-	**4,799**	4,750
Segment revenue										
Group turnover	**-**	-	**807**	1,255	**1,015**	992	**-**	-	**1,822**	2,247
Others	**-**	-	**55**	33	**75**	70	**-**	-	**130**	103
	-	-	**862**	1,288	**1,090**	1,062	**-**	-	**1,952**	2,350
Segment result	**-**	-	**633**	1,037	**(28)**	(253)	**-**	-	**605**	784
Net gain on disposals of infrastructure project investment and listed securities	**-**	-	**115**	14	**-**	1	**-**	-	**115**	15
Change in fair values of investments in securities and derivative financial instruments	**-**	-	**-**	75	**(26)**	(23)	**(47)**	(10)	**(73)**	42
Interest and finance lease income	**-**	-	**2**	1	**126**	102	**257**	158	**385**	261
Exchange gain	**-**	-	**-**	-	**-**	-	**171**	168	**171**	168
Corporate overheads and others	**-**	-	**-**	-	**-**	-	**(212)**	(160)	**(212)**	(160)
Finance costs	**-**	-	**(20)**	(21)	**-**	-	**(503)**	(711)	**(523)**	(732)
Gain on disposals of associates	**-**	-	**-**	3,763	**-**	-	**-**	-	**-**	3,763
Impairment losses	**-**	-	**(279)**	(937)	**-**	(790)	**-**	-	**(279)**	(1,727)
Share of results of associates and jointly controlled entities	**2,632**	2,492	**820**	1,046	**36**	(44)	**-**	-	**3,488**	3,494
Profit/(loss) before taxation	**2,632**	2,492	**1,271**	4,978	**108**	(1,007)	**(334)**	(555)	**3,677**	5,908
Taxation	**-**	-	**(3)**	(58)	**5**	(4)	**(6)**	(5)	**(4)**	(67)
Profit/(loss) for the year	**2,632**	2,492	**1,268**	4,920	**113**	(1,011)	**(340)**	(560)	**3,673**	5,841
Attributable to:										
Shareholders of the Company	**2,632**	2,492	**1,268**	4,920	**110**	(845)	**(340)**	(560)	**3,670**	6,007
Minority interests	**-**	-	**-**	-	**3**	(166)	**-**	-	**3**	(166)
	2,632	2,492	**1,268**	4,920	**113**	(1,011)	**(340)**	(560)	**3,673**	5,841

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

8. SEGMENT INFORMATION (Cont'd)

By geographic region

for the year ended 31st December

HK$ million	Hong Kong 2006	Hong Kong 2005	Mainland China 2006	Mainland China 2005	Australia 2006	Australia 2005	UK and Others 2006	UK and Others 2005	Unallocated items 2006	Unallocated items 2005	Consolidated 2006	Consolidated 2005
Group turnover	**728**	699	**279**	421	**458**	880	**357**	247	**-**	-	**1,822**	2,247
Share of turnover of jointly controlled entities	**475**	401	**2,502**	2,102	**-**	-	**-**	-	**-**	-	**2,977**	2,503
	1,203	1,100	**2,781**	2,523	**458**	880	**357**	247	**-**	-	**4,799**	4,750
Segment revenue												
Group turnover	**728**	699	**279**	421	**458**	880	**357**	247	**-**	-	**1,822**	2,247
Others	**46**	40	**50**	32	**-**	-	**34**	31	**-**	-	**130**	103
	774	739	**329**	453	**458**	880	**391**	278	**-**	-	**1,952**	2,350
Segment result	**(29)**	(133)	**87**	(24)	**465**	880	**82**	61	**-**	-	**605**	784
Net gain on disposals of infrastructure project investment and listed securities	**-**	-	**115**	14	**-**	-	**-**	1	**-**	-	**115**	15
Change in fair values of investments in securities and derivative financial instruments	**-**	-	**-**	-	**-**	75	**(26)**	(23)	**(47)**	(10)	**(73)**	42
Interest and finance lease income	**126**	102	**-**	-	**-**	-	**2**	1	**257**	158	**385**	261
Exchange gain	**-**	-	**-**	-	**-**	-	**-**	-	**171**	168	**171**	168
Corporate overheads and others	**-**	-	**-**	-	**-**	-	**-**	-	**(212)**	(160)	**(212)**	(160)
Finance costs	**-**	-	**-**	-	**-**	-	**(20)**	(21)	**(503)**	(711)	**(523)**	(732)
Gain on disposals of associates	**-**	-	**-**	-	**-**	3,699	**-**	64	**-**	-	**-**	3,763
Impairment losses	**-**	(308)	**-**	(774)	**(279)**	(578)	**-**	(67)	**-**	-	**(279)**	(1,727)
Share of results of associates and jointly controlled entities	**2,692**	2,549	**696**	272	**(122)**	685	**222**	(12)	**-**	-	**3,488**	3,494
Profit/(loss) before taxation	**2,789**	2,210	**898**	(512)	**64**	4,761	**260**	4	**(334)**	(555)	**3,677**	5,908
Taxation	**5**	(4)	**-**	-	**-**	(23)	**(3)**	(35)	**(6)**	(5)	**(4)**	(67)
Profit/(loss) for the year	**2,794**	2,206	**898**	(512)	**64**	4,738	**257**	(31)	**(340)**	(560)	**3,673**	5,841
Attributable to:												
Shareholders of the Company	**2,794**	2,206	**895**	(346)	**64**	4,738	**257**	(31)	**(340)**	(560)	**3,670**	6,007
Minority interests	**-**	-	**3**	(166)	**-**	-	**-**	-	**-**	-	**3**	(166)
	2,794	2,206	**898**	(512)	**64**	4,738	**257**	(31)	**(340)**	(560)	**3,673**	5,841

9. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of the Company of HK$3,670 million (2005: HK$6,007 million) and on 2,254,209,945 shares (2005: 2,254,209,945 shares) in issue during the year.

10. DEBTORS AND PREPAYMENTS

Included in debtors and prepayments are trade debtors of HK$240 million (2005: HK$217 million) and their aging analysis is as follows:

HK$ million	**2006**	2005
Current	**89**	85
1 month	**69**	60
2 to 3 months	**28**	24
Over 3 months	**176**	175
Gross total	**362**	344
Allowance	**(122)**	(127)
Total after allowance	**240**	217

Trade with customers for infrastructure materials is carried out largely on credit, except for new customers and customers with unsatisfactory payment records, where payment in advance is normally required. Trade with metered customers for water supply is carried out largely on credit and with unmetered customers largely by payments in advance. Invoices are normally payable 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.

11. CREDITORS AND ACCRUALS

Included in creditors and accruals are trade creditors of HK$150 million (2005: HK$149 million) and their aging analysis is as follows:

HK$ million	**2006**	2005
Current	**103**	83
1 month	**22**	31
2 to 3 months	**8**	15
Over 3 months	**17**	20
Total	**150**	149

12. REVIEW OF ANNUAL RESULTS

The annual results have been reviewed by the Audit Committee.

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31st December, 2006 as set out in the preliminary announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

Please also refer to the published version of this announcement in The Standard dated 16/3/2007.