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

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1038)**

### **THE CHAIRMAN'S LETTER FOR 2014**

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%.

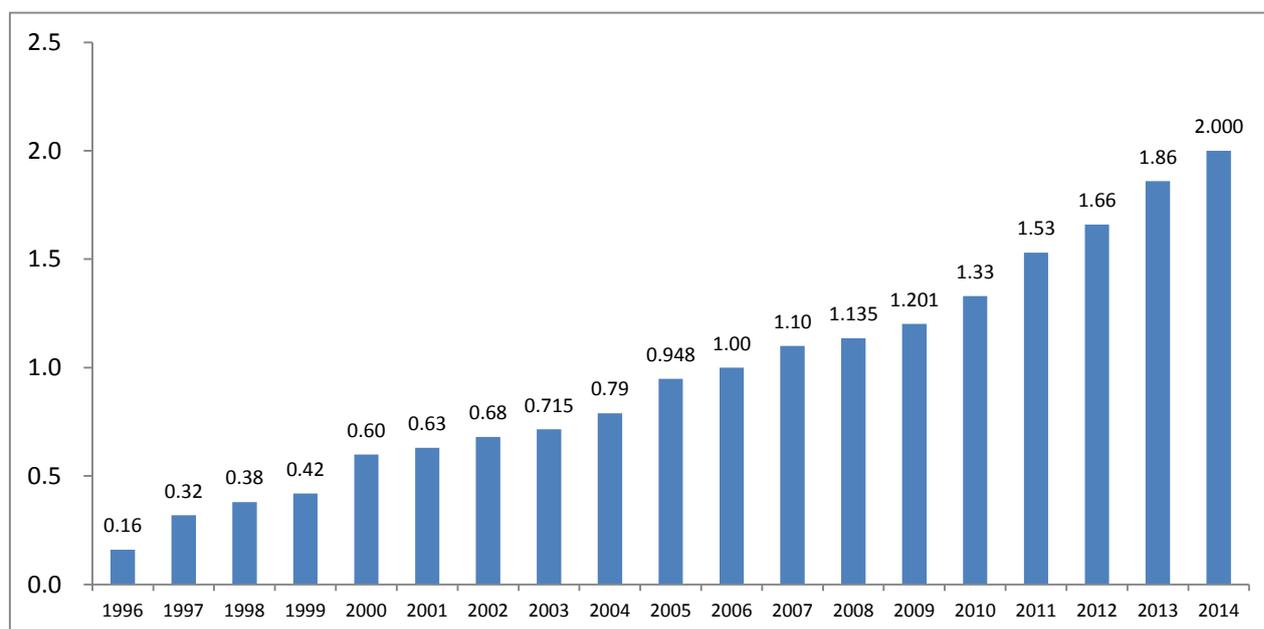
The Board of Directors of CKI (the “Board”) has recommended a final dividend of HK\$1.475 per share. Together with the interim dividend of HK\$0.525 per share, this will bring the total dividend for the year to HK\$2.000, representing an increase of 7.5% over the previous year.

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\$)



## 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 (“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.

### **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.

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

## **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.

## **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.

## **Corporate Governance Code**

The Board of Directors ("Board") and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders.

Save as disclosed below, the Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31st December, 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.

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

## **Audit Committee**

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

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

The Group’s annual results for the year ended 31st December, 2014 have been reviewed by the Audit Committee and audited by the independent auditor of the Company, Deloitte Touche Tohmatsu.

## **Remuneration Committee**

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

## **Annual General Meeting**

The 2015 Annual General Meeting of the shareholders of the Company will be held at the Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Thursday, 14th May, 2015 at 2:45 p.m. and the Notice of Annual General Meeting will be published and despatched to the shareholders in the manner as required by the Listing Rules in due course.

## Closure of Register of Members

The Register of Members of the Company will be closed from Monday, 11th May, 2015 to Thursday, 14th May, 2015, both days inclusive, during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the 2015 Annual General Meeting, all share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 8th May, 2015.

The final dividend is payable to shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 20th May, 2015, being the record date for determination of entitlement to the final dividend. In order to qualify for the proposed final dividend, all share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 20th May, 2015.

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

## CONSOLIDATED INCOME STATEMENT

for the year ended 31st December

HK\$ million	Notes	2014	2013
Group turnover	2	6,100	5,018
Share of turnover of joint ventures	2	22,226	19,413
		<b>28,326</b>	24,431
<b>Group turnover</b>	2	<b>6,100</b>	5,018
Other income	3	318	544
Operating costs	4	(4,395)	(4,538)
Finance costs		(906)	(765)
Exchange gain		207	571
Gain on disposal of a subsidiary	11	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>		<b>32,346</b>	12,254
Taxation	5(a)	(26)	58
<b>Profit for the year</b>	6	<b>32,320</b>	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)
		<b>32,320</b>	12,312
<b>Earnings per share</b>	7	<b>HK\$13.03</b>	HK\$4.77

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31st December

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted a number of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants that are effective to the Group for accounting periods beginning on or after 1st January, 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.

### 2. 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>	<b>5,018</b>
<b>Share of turnover of joint ventures</b>	<b>22,226</b>	<b>19,413</b>
	<b>28,326</b>	<b>24,431</b>

### 3. 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

### 4. OPERATING COSTS

Operating costs include the following:

HK\$ million	2014	2013
Depreciation of property, plant and equipment	232	152
Amortisation of intangible assets	30	17
Cost of inventories sold	3,023	2,431

### 5. TAXATION

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

HK\$ million	2014	2013
Current taxation – Hong Kong	3	-
Current taxation – outside Hong Kong	44	3
Deferred taxation	(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.

## 6. PROFIT FOR THE YEAR AND SEGMENT INFORMATION

for the year ended 31st December

HK\$ million	Investment in Power Assets*		Infrastructure Investments										Infrastructure related business		Unallocated items		Consolidated			
			United Kingdom		Australia		Mainland China		New Zealand		Canada and Netherlands		Sub-total		2014	2013	2014	2013	2014	2013
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
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

\* 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 The Stock Exchange of Hong Kong Limited. The share of the results of Power Assets during the year ended 31st December, 2014 included the share of gain on disposal from spin-off and separate listing of the Hong Kong electricity business which is operated by The Hongkong Electric Company, Limited amounting to approximately HK\$19 billion.

## 6. PROFIT FOR THE YEAR AND SEGMENT INFORMATION (Cont'd)

Segment profit attributable to shareholders of the Company represents the profit earned by each segment after the profit attributable to owners of perpetual capital securities and non-controlling interests without allocation of gains or losses from treasury activities, corporate overheads and other expenses of the Group's head office.

## 7. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of the Company of HK\$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 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.

## 8. 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>	<b>4,538</b>

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.

(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.

## 9. DEBTORS AND PREPAYMENTS

Included in debtors and prepayments are trade debtors of HK\$438 million (2013: HK\$413 million) and their aging analysis 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>

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

## 10. CREDITORS AND ACCRUALS

Included in creditors and accruals are trade creditors of HK\$282 million (2013: HK\$333 million) and their aging analysis 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>	<b>333</b>

## 11. 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)
	<b>2,688</b>
Release of exchange translation reserve	(122)
Release of investment revaluation reserve	(1,807)
	<b>759</b>
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

## 12. 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.

## **12. EVENT AFTER THE REPORTING PERIOD (Cont'd)**

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.

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

The annual results have been reviewed by the Audit Committee.

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

The figures in respect of the Group’s consolidated statement of financial position as at 31st December, 2014, consolidated income statement and the related notes thereto for the year then ended 31st December, 2014 as set out in the preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.