Cheung Kong Infrastructure Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1038)

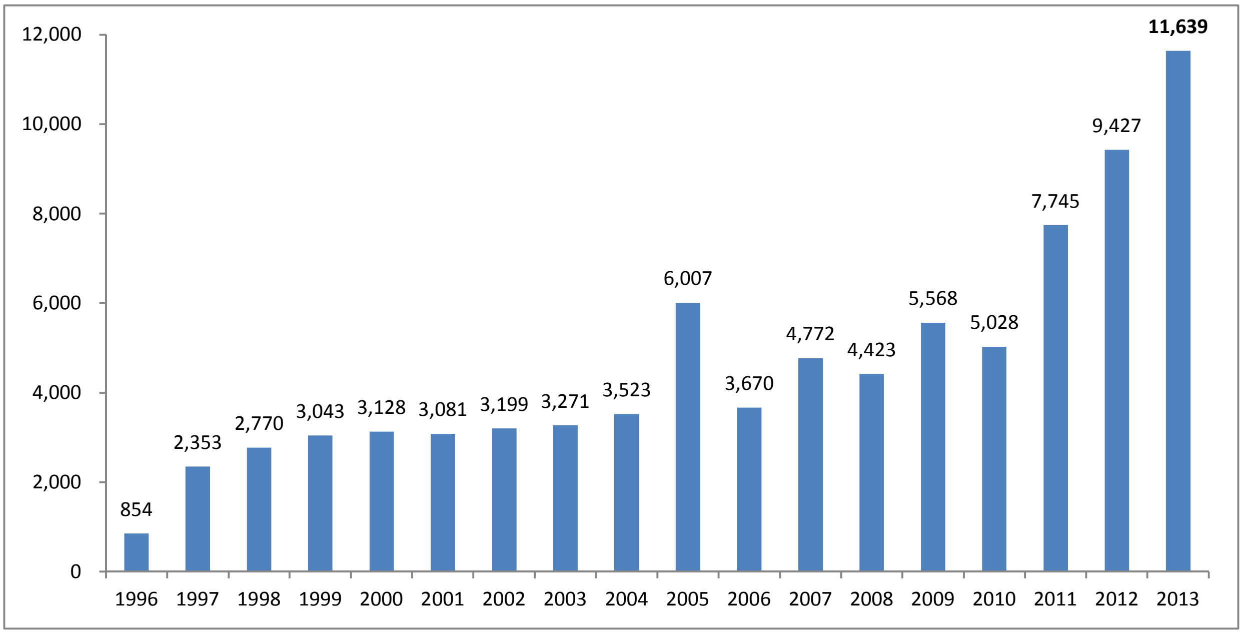
THE CHAIRMAN'S LETTER FOR 2013

2013 MARKS ANOTHER RECORD YEAR

	Year ended 31st December, 2013 HK$ million	Year ended 31st December, 2012 HK$ million	Variance
Profit attributable to shareholders	**11,639**	9,427	+23%
Dividends per share	**HK$1.86**	HK$1.66	+12%

I am pleased to announce that for the year ended 31st December, 2013, Cheung Kong Infrastructure Holdings Limited ("CKI" or the "Group") achieved record profit of HK$11,639 million, a 23% increase over 2012.

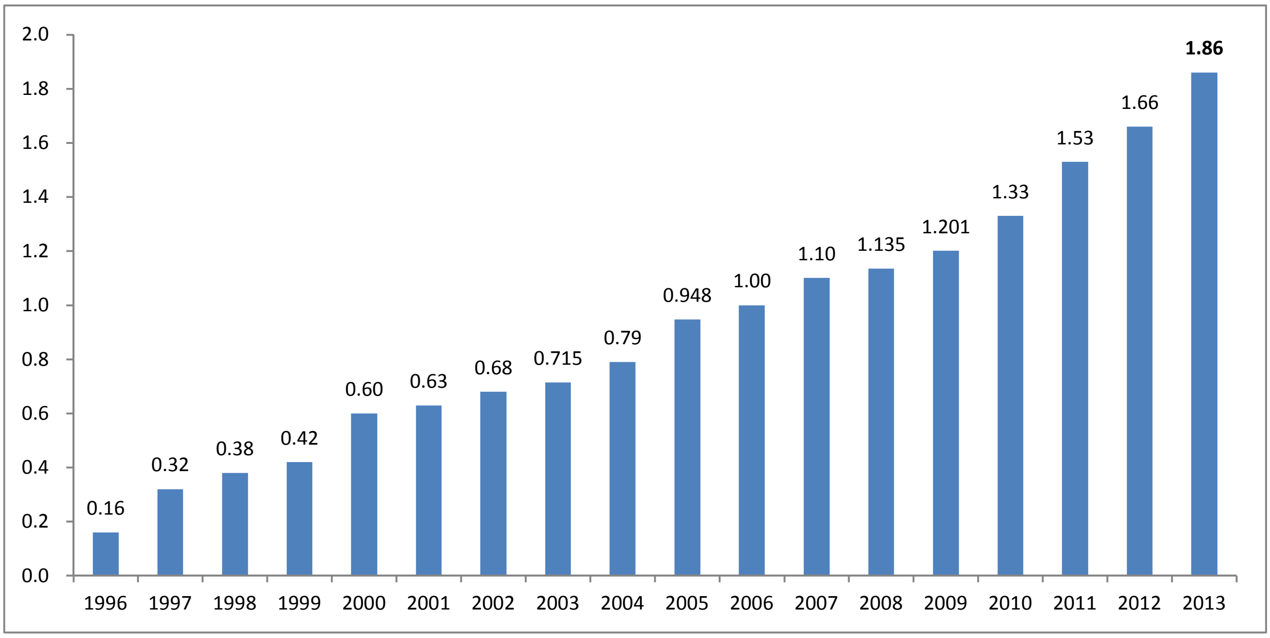
Profit Attributable to Shareholders since Listing
(HK$ million)



The Board of Directors of CKI (the "Board") has recommended a final dividend of HK$1.36 per share. Together with the interim dividend of HK$0.50 per share, this will bring the total dividend for the year to HK$1.86 per share, amounting to a 12% increase over the previous year. This represents the 17th consecutive year of dividend growth since CKI's listing in 1996. The proposed dividend will be paid on 3rd June, 2014 following approval at the 2014 Annual General Meeting to those shareholders whose names appear on the Register of Members of the Company at close of business on 21st May, 2014.

17 Years of Continuous Dividend Growth since Listing

(HK$)



ACQUISITIONS FUEL GROWTH OF GLOBAL PORTFOLIO

2013 was a milestone year for CKI in terms of business development. Two acquisitions were concluded, extending the Group's business scope into waste management. These two assets enriched the Group's portfolio in New Zealand, and expanded the Group's footprint into continental Europe.

The 100% acquisition of EnviroWaste was completed in April 2013 for a consideration of approximately HK$3.2 billion (approximately NZ$490 million). EnviroWaste is one of the leading waste management businesses in New Zealand and the operator of Hampton Downs, the largest landfill in the country. It has provided immediate and steady returns to CKI since acquisition.

In August 2013, the Group led a consortium comprising Cheung Kong (Holdings) Limited, Power Assets and Li Ka Shing Foundation Limited to complete the acquisition of AVR in the Netherlands. CKI holds a 35% shareholding in this business, which was acquired for a total enterprise value of approximately HK$9.7 billion (approximately EUR940 million). AVR is the largest energy-from-waste player in the Netherlands. This acquisition extends the Group's reach to continental Europe for the first time.

These two waste management businesses, together with the sludge treatment facilities of the Group's Northumbrian Water in the United Kingdom, have resulted in CKI becoming a significant player in the waste management industry.

2013 also saw the expansion of CKI's wholly-owned Yunfu cement facilities in Guangdong. With an investment of HK$1.2 billion, the project was completed in December. The new facilities have added 1.5 million tonnes per annum of production capacity to the Group's materials business.

DIVERSE INFRASTRUCTURE PORTFOLIO UNDERPINS GROWTH MOMENTUM

CKI's portfolio of infrastructure businesses – which spans across Hong Kong, Mainland China, the United Kingdom, Australia, New Zealand, Canada and the Netherlands – has generated good results in 2013.

Power Assets Maintained Overseas Growth Momentum

In 2013, the profit contribution from CKI's 38.87% stake in the Hong Kong-listed Power Assets was HK$4,315 million, an increase of 15% over the previous year.

Power Assets reported a full year profit of HK$11,165 million in 2013, an increase of 15% over last year. The performance was boosted by the continued growth of Power Assets' businesses outside of Hong Kong. Profit from the overseas portfolio grew by 25% to HK$6,386 million, accounting for 57% of the total. This growth was mostly attributed to the strong performance of its businesses in the United Kingdom.

The Hong Kong operations of Power Assets remained stable, continuing to provide steady cashflow. Profit was HK$4,779 million, an increase of HK$158 million over 2012.

Power Assets unlocked the value of its Hong Kong business by listing its Hong Kong electricity operations on the Main Board of The Stock Exchange of Hong Kong Limited in January 2014. Following the spin-off, Power Assets maintains a 49.9% stake in the Hong Kong electricity business. Power Assets is set to continue to pursue investment opportunities in energy-related projects around the world based on its strong financial position.

Continued Growth from UK Portfolio

The profit contribution from the Group's businesses in the United Kingdom amounted to HK$7,508 million, representing a 37% increase over the same period last year. All of the Group's businesses in this market have achieved sound operating performances. Results were also enhanced by a reduction in corporate tax rate in the United Kingdom, giving rise to favourable deferred tax adjustments.

The Group's largest overseas business, UK Power Networks, continued to perform well. During the year, the business invested about GBP650 million to enhance its regulated networks.

Northumbrian Water delivered strong organic growth. It was named the much coveted "Utility of the Year" at the Utility Week Achievement Awards 2013.

In 2013, Northern Gas Networks achieved good results. The year under review also marked the first full year of profit contribution from Wales & West Utilities. Both these assets completed their regulatory resets in 2013; these provide frameworks for predictability of returns through to 2021.

Seabank Power, which owns an electricity generation plant near Bristol, also reported satisfactory results.

Stable Performance from Australian Investments

The Australian portfolio's earnings in Australian dollars were comparable to that of 2012. However, due to the impact of exchange rates, the profit contribution, when translated to Hong Kong dollars, marked a 2% decline over last year to HK$1,126 million.

During the year, the operational performances of SA Power Networks and Victoria Power Networks were satisfactory.

Steady Returns Generated from Other Businesses

Steady returns were generated by the Group's other businesses, including those in Mainland China, Canada, New Zealand, and the Netherlands; as well as its materials business.

Profit contribution from the Mainland China portfolio was HK$395 million, similar to that of last year. The operation of the Group's toll road investments remained stable and delivered good cash returns to CKI.

Contribution from Canada was HK$88 million, a 22% decline over 2012. This was mainly due to the planned outage of a major power plant and a softening in market prices.

Profit contribution from New Zealand increased 161% to HK$154 million. The results benefited from the contribution generated from the newly acquired waste management business, EnviroWaste.

Following its acquisition in the second half of 2013, AVR, the energy-from-waste company in the Netherlands, made an immediate contribution of HK$28 million for the period after completion.

The Group's materials business remained relatively stable, with profit contribution increasing 6%. The Yunfu cement facilities in Guangdong commenced operations at the end of 2013.

OUTLOOK

CKI continues to adhere to a simple and effective set of strategies for growth:

(1) Growing existing businesses organically;
(2) Acquiring new businesses with good and stable returns; and
(3) Maintaining a strong balance sheet.

In 2013, CKI has achieved another record performance. This was bolstered by strong organic growth from our existing businesses as well as contributions from recent acquisitions, namely Wales & West Utilities, EnviroWaste and AVR. This provides the basis for future growth.

The Group has a strong financial platform that will enable us to seek continued expansion opportunities. As at 31st December, 2013, CKI had cash on hand of HK$5,958 million, while gearing remained low with a net debt to net total capital ratio of 8%. We have earned our reputation as one of the leading global infrastructure players and are privy to many of the major acquisition opportunities around the world. CKI will continue to study and pursue attractive projects that will enhance shareholder value, while as always, we will not approach these new investment opportunities with a must-win mentality but will remain steadfast in adhering to our prudent investment criteria.

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

Li Tzar Kuoi, Victor
Chairman

Hong Kong, 25th February, 2014

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, 2013, cash and bank deposits on hand amounted to HK$5,958 million and the total borrowings of the Group amounted to HK$13,029 million, which included Hong Kong dollar notes of HK$260 million and foreign currency borrowings of HK$12,769 million. Of the total borrowings, 87 per cent were repayable between 2015 and 2018 and 13 per cent were repayable beyond 2018. 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 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, 2013, the Group maintained a net debt position with a net debt to net total capital ratio of 8 per cent, which was based on its net debt of HK$7,071 million and net total capital, which represents the total borrowings plus total equity net of cash and bank deposits, of HK$87,669 million. This ratio was higher than the net debt to net total capital ratio of 5 per cent at the year end of 2012. This change was mainly due to the funds utilised for investments in the waste management projects in New Zealand and the Netherlands during 2013.

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, 2013, the notional amounts of these derivative instruments amounted to HK$45,031 million.

Charge on Group Assets

As at 31st December, 2013:

- the Group's obligations under finance leases totalling HK$97 million were secured by charges over the leased assets with carrying value of HK$105 million;
- certain plant and machinery of the Group with carrying value of HK$84 million were pledged to secure bank borrowings totalling HK$26 million granted to the Group; and
- the shares of a subsidiary with net asset value of HK$1,302 million were pledged to secure bank borrowings totalling HK$983 million granted to the Group.

Contingent Liabilities

As at 31st December, 2013, the Group was subject to the following contingent liabilities:

HK$ million	
Other guarantee given in respect of an affiliated company	909
Performance bond indemnities	94
Sub-contractor warranties	9
Total	1,012

Employees

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 1,943 employees. Employees' cost (excluding directors' emoluments) amounted to HK$531 million. The Group ensures that the pay levels of its employees are competitive and that its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

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

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

During the year ended 31st December, 2013, 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, 2013. 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 20th May, 2013 due to an overseas commitment.

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, 2013 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.

Proposed Amendments To Bye-Laws

For administrative efficiency and housekeeping purposes, the Board has proposed to make certain amendments to the Company's Bye-laws (1) to require all Directors (except those absent from the place in which the head office is for the time being situated or temporarily unable to act through ill-health or disability) to sign on Directors' written resolutions or signify their agreement to them; and (2) to permit electronic signatures on Directors' written resolutions and electronic delivery of Board papers or other corporate communication to Directors. Further, to align with market practice, the Board proposes to amend the Bye-law on rotation of Directors to require not less than one-third of Directors to retire at each annual general meeting of the Company (the "Proposed Amendments").

The Proposed Amendments are subject to the approval of the shareholders of the Company by way of special resolution at the 2014 Annual General Meeting. A circular containing, among other things, the Notice of Annual General Meeting which contains the full text of the Proposed Amendments will be despatched to the shareholders as soon as practicable.

Annual General Meeting

The 2014 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, 15th May, 2014 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, 12th May, 2014 to Thursday, 15th May, 2014, 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 2014 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, 9th May, 2014.

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, 21st May, 2014, 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, 21st May, 2014.

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; 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	2013	Restated 2012
Group turnover	2	**5,018**	4,105
Share of turnover of joint ventures	2	**19,413**	17,527
		24,431	21,632
Group turnover	2	**5,018**	4,105
Other income	3	**544**	439
Operating costs	4	**(4,538)**	(3,082)
Finance costs		**(765)**	(732)
Exchange gain		**571**	289
Share of results of associates		**4,741**	4,290
Share of results of joint ventures		**6,683**	4,747
Profit before taxation		**12,254**	10,056
Taxation	5(a)	**58**	19
Profit for the year	6	**12,312**	10,075
Attributable to:			
Shareholders of the Company		**11,639**	9,427
Owners of perpetual capital securities		**681**	655
Non-controlling interests		**(8)**	(7)
		12,312	10,075
Earnings per share	7	**HK$4.77**	HK$3.93

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31st December

HK$ million	Notes	2013	Restated 2012	Restated 2011
Property, plant and equipment		**2,408**	1,477	845
Investment properties		**268**	238	206
Interests in associates		**34,583**	32,737	30,220
Interests in joint ventures		**46,244**	39,678	33,226
Investments in securities		**4,599**	6,199	5,197
Derivative financial instruments		**42**	-	158
Goodwill and intangible assets		**2,966**	-	-
Deferred tax assets		**20**	22	15
Total non-current assets		**91,130**	80,351	69,867
Inventories		**215**	150	223
Investments in securities		**1,341**	-	-
Derivative financial instruments		**80**	47	262
Debtors and prepayments	9	**1,162**	1,014	524
Bank balances and deposits		**5,958**	6,980	5,947
		8,756	8,191	6,956
Assets classified as held for sale		**22**	-	-
Total current assets		**8,778**	8,191	6,956
Bank and other loans		**44**	24	11,342
Derivative financial instruments		**491**	198	12
Creditors and accruals	10	**4,413**	2,972	2,086
Taxation		**92**	97	87
Total current liabilities		**5,040**	3,291	13,527
Net current assets/(liabilities)		**3,738**	4,900	(6,571)
Total assets less current liabilities		**94,868**	85,251	63,296
Bank and other loans		**12,985**	11,089	3,126
Derivative financial instruments		**416**	486	201
Deferred tax liabilities		**838**	282	187
Other non-current liabilities		**31**	13	10
Total non-current liabilities		**14,270**	11,870	3,524
Net assets		**80,598**	73,381	59,772
Representing:				
Share capital		**2,496**	2,496	2,339
Reserves		**67,689**	60,467	49,405
Equity attributable to shareholders of the Company		**70,185**	62,963	51,744
Perpetual capital securities		**10,329**	10,329	7,933
Non-controlling interests		**84**	89	95
Total equity		**80,598**	73,381	59,772

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, 2013. Except for the changes in accounting policies and presentation as set out below, the adoption of those HKFRSs has no material impact on the Group's results and financial position for the current or prior years.

(a) Presentation of Items of Other Comprehensive Income

Additional presentation for items of other comprehensive income is introduced in HKAS 1 (Amendments) "Presentation of Items of Other Comprehensive Income" without any impact on the Group's results and financial position.

(b) Employee Benefits

Revised HKAS 19 "Employee Benefits" introduces a number of amendments to the accounting for defined benefit plans and eliminates the "corridor method". All actuarial gains and losses are required to be recognised immediately in other comprehensive income. Revised HKAS 19 also changed the basis for determining income from plan assets.

In the current year, the Group has adopted revised HKAS 19 and the related consequential amendments and change in the accounting for actuarial gains and losses does not have material impact on the financial statements of the Group.

Prior to 1st January, 2013, the Group determined interest income on plan assets based on their long-term rate of expected return and recognised all actuarial gains and losses through other comprehensive income.

From 1st January, 2013 onwards, the interest cost and expected return on plan assets used in previous version of HKAS 19 are replaced with a "net-interest" amount which is calculated by applying the discount rate to the net defined benefit liability or asset.

The change in accounting policy has been applied prospectively. The main reason for not applying revised HKAS 19 retrospectively is that the management considered the impact on the Group's results and financial position is insignificant and is not practical to do so. There was no impact on the overall equity of the Group.

1. CHANGES IN ACCOUNTING POLICIES (Cont'd)

(c) Disclosure – Offsetting Financial Assets and Financial Liabilities

New disclosures in respect of offsetting financial assets and financial liabilities are introduced in HKFRS 7 (Amendments) "Disclosure – Offsetting Financial Assets and Financial Liabilities" without any impact on the Group's results and financial position.

(d) Consolidated Financial Statements

HKFRS 10 "Consolidated Financial Statements" replaces parts of HKAS 27 "Consolidated and Separate Financial Statements" relating to the preparation of consolidated financial statements and HK-SIC 12 "Consolidation – Special Purpose Entities". A new definition of control is introduced without any impact on the Group's results and financial position.

(e) Joint Arrangements

In the current year, the Group has adopted HKFRS 11 "Joint Arrangements" which divides joint arrangements into joint operations and joint ventures and has resulted in a change in accounting policy for the classification of interests in joint arrangements. Pursuant to the new definition of joint arrangements, the Group re-evaluated its involvement in its joint arrangements and considered investments previously classified as interests in jointly controlled entities and certain investments previously classified as interests in associates are required to be classified as interests in joint ventures. The interests in joint ventures continue to be accounted for using the equity method, and therefore the adoption of HKFRS 11 does not have material impact on the Group's results and total equity at the beginning of the preceding period. This change in accounting policy has been applied retrospectively with consequential adjustments to comparatives for the year ended 31st December, 2012 as follows:

Effect of adoption of HKFRS 11:

Consolidated Income Statement
for the year ended 31st December

HK$ million	**2013**	2012
Decrease in share of results of associates	**(6,349)**	(4,336)
Increase in share of results of joint ventures	**6,349**	4,336

1. CHANGES IN ACCOUNTING POLICIES (Cont'd)

(e) Joint Arrangements (Cont'd)

Effect of adoption of HKFRS 11 (Cont'd):

Consolidated Statement of Comprehensive Income
for the year ended 31st December

HK$ million	**2013**	2012
Share of other comprehensive income of associates	**12**	182
Share of other comprehensive expense of joint ventures	**(12)**	(182)

Consolidated Statement of Financial Position

HK$ million	As previously stated	Effect of adopting HKFRS 11	As restated
As at 31st December, 2012			
Interests in associates	71,337	(38,600)	32,737
Interests in joint ventures	1,078	38,600	39,678
As at 31st December, 2011			
Interests in associates	62,504	(32,284)	30,220
Interests in joint ventures	942	32,284	33,226

(f) Disclosure of Interests in Other Entities

Extensive disclosures required in respect of subsidiaries, joint ventures, associates and unconsolidated structured entities are introduced in HKFRS 12 "Disclosure of Interests in Other Entities".

(g) Fair Value Measurement

HKFRS 13 "Fair Value Measurement" replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. Extensive disclosures are also required in respect of fair value measurements for both financial instruments and non-financial instruments with no material impact on the Group's results and financial position.

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	**2013**	2012
Sales of infrastructure materials	**2,192**	2,082
Interest income from loans granted to associates	**484**	522
Interest income from loans granted to joint ventures	**1,295**	1,282
Sales of waste management services	**819**	-
Distribution from investments in securities	**186**	183
Income from the supply of water	**42**	36
Group turnover	**5,018**	4,105
Share of turnover of joint ventures	**19,413**	17,527
	24,431	21,632

3. OTHER INCOME

Other income includes the following:

HK$ million	**2013**	2012
Bank and other interest income	**157**	237
Gain on disposal of a joint venture	**111**	2
Change in fair values of investment properties	**30**	32

4. OPERATING COSTS

Operating costs include the following:

HK$ million	**2013**	2012
Depreciation of property, plant and equipment	**152**	54
Amortisation of intangible assets	**17**	-
Cost of inventories sold	**2,431**	1,945

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	**2013**	2012
Current taxation – outside Hong Kong	**3**	12
Deferred taxation	**(61)**	(31)
Total	**(58)**	(19)

(b) A subsidiary of the Company paid AUD61 million (2012: AUD58 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

			Infrastructure Investments																	
	Investment in Power Assets*		United Kingdom		Australia		Mainland China		New Zealand		Canada and Netherlands		Sub-total		Infrastructure related business		Unallocated items		Consolidated	
HK$ million	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Group turnover	-	-	1,148	1,094	670	705	-	-	886	112	122	112	2,826	2,023	2,192	2,082	-	-	5,018	4,105
Share of turnover of joint ventures	-	-	16,426	14,928	2	-	661	662	588	512	740	443	18,417	16,545	996	982	-	-	19,413	17,527
	-	-	17,574	16,022	672	705	661	662	1,474	624	862	555	21,243	18,568	3,188	3,064	-	-	24,431	21,632
Group turnover	-	-	1,148	1,094	670	705	-	-	886	112	122	112	2,826	2,023	2,192	2,082	-	-	5,018	4,105
Bank and other interest income	-	-	-	-	-	-	3	-	-	-	-	-	3	-	61	82	93	155	157	237
Gain on disposal of a joint venture	-	-	-	-	-	-	111	-	-	-	-	-	111	-	-	2	-	-	111	2
Other income	-	-	-	-	-	-	91	139	1	-	-	-	92	139	180	56	4	5	276	200
Depreciation and amortisation	-	-	(5)	(5)	-	-	-	-	(97)	-	-	-	(102)	(5)	(67)	(49)	-	-	(169)	(54)
Other operating expenses	-	-	(42)	(39)	-	-	(13)	(2)	(588)	-	-	-	(643)	(41)	(2,130)	(2,070)	(1,596)	(917)	(4,369)	(3,028)
Finance costs	-	-	(2)	(2)	-	-	-	-	(55)	-	-	-	(57)	(2)	(3)	(3)	(705)	(727)	(765)	(732)
Exchange gain	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4	2	567	287	571	289
Share of results of associates and joint ventures	4,315	3,757	6,369	4,391	456	441	199	286	(8)	(53)	(6)	1	7,010	5,066	99	214	-	-	11,424	9,037
Profit / (Loss) before taxation	4,315	3,757	7,468	5,439	1,126	1,146	391	423	139	59	116	113	9,240	7,180	336	316	(1,637)	(1,197)	12,254	10,056
Taxation	-	-	40	46	-	-	4	(28)	15	-	-	-	59	18	(1)	1	-	-	58	19
Profit / (Loss) for the year	4,315	3,757	7,508	5,485	1,126	1,146	395	395	154	59	116	113	9,299	7,198	335	317	(1,637)	(1,197)	12,312	10,075
Attributable to:																				
Shareholders of the Company	4,315	3,757	7,508	5,485	1,126	1,146	395	395	154	59	116	113	9,299	7,198	343	324	(2,318)	(1,852)	11,639	9,427
Owners of perpetual capital securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	681	655	681	655
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(8)	(7)	-	-	(8)	(7)
	4,315	3,757	7,508	5,485	1,126	1,146	395	395	154	59	116	113	9,299	7,198	335	317	(1,637)	(1,197)	12,312	10,075

* During the year, the Group has a 38.87 per cent (2012: 38.87 per cent) equity interest in Power Assets Holdings Limited ("Power Assets"), which is listed on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange").

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

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

7. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of the Company of HK$11,639 million (2012: HK$9,427 million) and on the weighted average of 2,439,610,945 shares (2012: 2,398,559,625 shares) in issue during the year.

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	**2013**	2012
Interim dividend paid of HK$0.50 per share (2012: HK$0.40 per share)	**1,220**	976
Proposed final dividend of HK$1.36 per share (2012: HK$1.26 per share)	**3,318**	3,074
Total	**4,538**	4,050

During the year, dividends of HK$4,538 million (2012: HK$4,050 million) are stated after elimination of HK$104 million (2012: HK$93 million) paid / proposed for the shares issued in connection with the issue of perpetual capital securities in February 2012.

(b)

HK$ million	**2013**	2012
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$1.26 per share (2012: HK$1.165 per share)	**3,074**	2,784

Final dividend in respect of the previous financial year, approved and paid during the year, is stated after elimination of HK$71 million (2012: HK$66 million) for the shares issued in connection with the issue of perpetual capital securities in February 2012.

9. DEBTORS AND PREPAYMENTS

Included in debtors and prepayments are trade debtors of HK$413 million (2012: HK$352 million) and their aging analysis is as follows:

HK$ million	**2013**	2012
Current	**269**	196
Less than 1 month past due	**120**	122
1 to 3 months past due	**37**	35
More than 3 months but less than 12 months past due	**6**	18
More than 12 months past due	**15**	16
Amount past due	**178**	191
Allowance for doubtful debts	**(34)**	(35)
Total after allowance	**413**	352

Trade with customers is carried out largely on credit, except for new customers 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$333 million (2012: HK$193 million) and their aging analysis is as follows:

HK$ million	**2013**	2012
Current	**254**	157
1 month	**38**	24
2 to 3 months	**6**	2
Over 3 months	**35**	10
Total	**333**	193

11. EVENT AFTER THE REPORTING PERIOD

On 27th September, 2013, the Group's associate, Power Assets, announced the proposed spin-off and separate listing of the Hong Kong electricity business (the "Spin-off") which is operated by The Hongkong Electric Company, Limited ("HK Electric"), by way of the listing the share stapled units to be jointly issued by HK Electric Investments and HK Electric Investments Limited (the "HKEI Group") on the Main Board of Hong Kong Stock Exchange. HK Electric is engaged in the generation, transmission, distribution and supply of electricity in Hong Kong and is regulated by a Scheme of Control entered into with The Government of HKSAR.

The Spin-off was approved by the shareholders of Power Assets at an extraordinary general meeting held on 6th January, 2014. The Spin-off was completed and the HKEI Group was listed on the Hong Kong Stock Exchange on 29th January, 2014. The Group estimated that a gain of approximately HK$19 billion would be shared as a result of the completion of the Spin-off.

12. REVIEW OF ANNUAL RESULTS

The annual results have been reviewed by the Audit Committee.

13. SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position as at 31st December, 2013, consolidated income statement and the related notes thereto for the year then ended 31st December, 2013 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.