CK 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 2021

RECORD HIGH FUNDS FROM OPERATIONS

The year 2021 continued to be marked with challenges, resulting from the widespread effects of COVID-19, as well as geopolitical, trade, logistics and liquidity pressures. CK Infrastructure Holdings Limited ("CKI", the "Company" or the "Group") displayed great resilience and achieved a solid operational performance overall in spite of the volatility and disruptions.

The Group recorded a record high[1] in funds from operations, amounting to HK$8.4 billion, an increase of 8% year-on-year for the year ended 31st December, 2021. This is testament to CKI's strong recurring cashflow.

For the year under review, the Group recorded profit attributable to shareholders of HK$7,515 million, a 3% increase over the previous year. Excluding the non-cash deferred tax related charges for the United Kingdom operations in 2020 and 2021 as well as the disposal gain from the sale of Portugal Renewable Energy in 2020, the adjusted profit attributable to shareholders would have increased by 22%.

25 YEARS OF CONTINUED DIVIDEND GROWTH

The Board of Directors of CKI (the "Board) has recommended a final dividend of HK$1.81 per share. Together with the interim dividend of HK$0.69 per share, the total dividend for the year will amount to HK$2.50 per share (2020: HK$2.47 per share). This represents 25 consecutive years of dividend growth since listing. The proposed dividend will be paid on Wednesday, 8th June, 2022, subject to approval at the 2022 Annual General Meeting to those shareholders whose names appear on the Register of Members of the Company at the close of business on Monday, 23rd May, 2022.

[1] When comparing historic funds from operations, the special dividend payouts from Power Assets in 2017 and 2018 which arose due to the IPO of HK Electric were excluded.

BUSINESS REVIEW

In 2021, CKI achieved good operational performance across its global portfolio of infrastructure businesses. The regulated businesses of CKI are protected by their respective regulatory regimes, providing predictable and secure returns to the Group. The unregulated businesses are also largely insulated from market pressures by their inherent business models with their revenues protected by long-term contracts. Against the COVID-19 landscape, CKI's global businesses have adopted stringent measures to ensure the health and safety of both colleagues and customers, as well as providing essential services in a reliable manner.

Power Assets

Profit contribution from Power Assets was HK$2,208 million, approximately the same as last year. Excluding the non-cash deferred tax related charges for the United Kingdom operations in 2020 and 2021 as well as the disposal gain from the sale of Portugal Renewable Energy in 2020, the adjusted profit contribution from Power Assets would have increased by 10%.

Net profit from HK Electric remained stable under the provisions of the Scheme of Control. At an operational level, both the Hong Kong and overseas businesses performed well.

United Kingdom Infrastructure Portfolio

Profit contribution from the United Kingdom portfolio was HK$2,371 million, a decline of 9% as compared to the same period last year. This drop is mainly attributed to the higher non-cash deferred tax charges booked in 2021 compared to 2020 following the enactment of the increase in UK corporate tax rate from 19% to 25%, as well as tax credit in respect of deferred tax liabilities on intangible assets. Excluding such non-cash deferred tax items in both 2020 and 2021, profit contribution from the United Kingdom portfolio increased by 7%.

The United Kingdom was one of the markets most severely impacted by COVID-19 in 2021 and the operating environment posed challenges. Nonetheless, CKI's businesses have shown great resilience and all operations have maintained high levels of service to customers.

UK Power Networks has submitted its draft business plan for years 2023-28 to the Office of Gas and Electricity Markets in preparation for the next reset which will commence in April 2023. Extensive stakeholder engagement has been undertaken during the process. The plan focuses on strategies which should result in UK Power Networks continuing to be one of the best performing network companies in the United Kingdom.

In 2021, profit contribution from Northumbrian Water, Northern Gas Networks and Wales & West Gas Networks were affected by their regulatory resets. During the year, appeals were made to the Competition and Markets Authority ("CMA") in respect of the regulatory resets by Northern Gas Networks and Wales & West Gas Networks. Upon completion of the appeal processes, improvements were achieved in a number of areas. This will benefit the revenue and asset bases of these businesses in the remaining years of the current regulatory periods.

UK Rails showed strong resilience in its performance. A new six-year lease for several fleets was secured with South Eastern.

Northern Gas Networks, Wales & West Gas Networks and UK Rails are all pioneers in developing hydrogen as a green energy source. During the year, CKI also made an investment in a hydrogen fund – HYCAP – to participate further in the green hydrogen industry.

UK Power Networks and Northumbrian Water have also made good progress in the reduction of carbon emissions. Innovative technologies including flexible grids, electric vehicle charging points, and smart meters have been launched. With the United Kingdom's target to achieve net zero carbon emissions by 2050, it is expected that higher investment in energy networks will be strongly incentivized in the coming years. The Group's regulated businesses will work actively towards encouraging such initiatives.

Australian Infrastructure Portfolio

In Australia, profit contribution was HK$1,903 million, a 2% increase over last year. While performance from Australian Gas Infrastructure Group and EDL was strong, lower contributions were recorded from the electricity distribution networks as a result of the recent regulatory resets.

The year under review represented the first full year performance for SA Power Networks after its regulatory reset. Though allowed returns were lower than that of the previous regulatory period, stable and predictable returns have been secured until 2025, the end of the current regulatory period.

Final determinations were received during the year for Victoria Power Networks, United Energy and the South Australian assets of Australian Gas Infrastructure Group. Allowed returns were lowered due to the current low interest environment.

EDL, a leader in supplying remote energy and clean energy solutions, launched a number of hybrid renewable energy projects for mine operations and for the Northern Territory government in Australia. In addition, EDL expanded its portfolio in the United States with the Republic Landfill Renewable Natural Gas project.

Infrastructure Portfolio in Continental Europe

In Continental Europe, profit contribution was HK$694 million, 55% lower than the previous year. Excluding the gain on disposal of Portugal Renewable Energy recorded in 2020 and the impact of this divestment, recurring profit from the European operations grew by 9% on the back of solid performances from ista and Dutch Enviro Energy.

During the year, acquisition activities have been carried out by the Group through our businesses in Europe. ista completed bolt-on acquisitions, further expanding its market penetration in Germany and France. In addition, Dutch Enviro Energy was successfully named preferential bidder for AEB, a waste-to-energy business in the Netherlands; the enterprise value of this transaction is approximately HK$4 billion.

Canadian Infrastructure Portfolio

In Canada, profit contribution increased by a significant 77% to HK$475 million. The growth was mainly bolstered by Canadian Power, with strong power market prices during the year. Performance from Reliance Home Comfort and Canadian Midstream were also good. Park'N Fly reported a lesser loss as the business slowly recovered.

Reliance Home Comfort completed two acquisitions during the year, adding about 25,000 new rental assets primarily in Ontario, further strengthening its market position in the region. Canadian Power also completed the acquisition of two wind farms in the Okanagan region of British Columbia.

New Zealand Portfolio

The New Zealand portfolio achieved profit contribution of HK$170 million, an increase of 25% over last year. This can be attributed to a strong contribution from EnviroNZ, with a number of new service contracts commencing operations.

Wellington Electricity continued to perform well. During the year, Wellington Electricity completed the three-year Earthquake Readiness Programme as well as a large-scale cable upgrade project near the CBD.

Hong Kong and Mainland China Business

Profit contribution from the Group's Hong Kong and Mainland China portfolio grew 9% to HK$316 million due to the good performance of the infrastructure materials manufacturing business.

SOLID FINANCIAL FOUNDATION

As at 31st December, 2021, CKI has cash on hand of HK$8.1 billion and a net debt to net total capital ratio of 14.7%. This strong financial platform underpins the Group's ability to be flexible and agile when facing adverse market developments as well as to embrace new growth and expansion opportunities as they arise.

Standard & Poor's has reaffirmed the Group's credit rating of "A/Stable" during the year.

In March 2021, CKI redeemed the US$1.2 billion 5.875% perpetual capital securities. Subsequently, in June and July 2021, the Group issued US$300 million 4.2% perpetual capital securities and US$300 million 4.0% perpetual securities respectively. These refinancing exercises have led to savings in interest, further strengthening CKI's solid financials.

GROWTH OPPORTUNITIES IN COMBATING CLIMATE CHANGE

In the area of environmental sustainability, we are forerunners in most markets and industries in which we operate.

The Group's electricity distribution networks work on cutting edge grid management, battery storage, solar energy grid export, and electric vehicle charging technologies. Many of CKI's businesses also have extensive experience in renewable energy and connections, including solar, wind, waste coal mine gas, biomethane as well as municipal waste and sludge. The gas distribution networks and UK Rails are pioneering hydrogen, while the carbon capture initiatives of Dutch Enviro Energy are progressing well. ista provides energy management services to help customers to be more energy efficient, and HK Electric took a major step forward in its transition from coal-to-gas generation with the synchronisation of a new gas fired unit.

Building on CKI's existing capability, technology know how, and experience in the sustainability field as well as our business acumen, foundations are well laid for the Group to continue its leadership role in this arena, not only in environmental protection but also in the pursuit of new business investment opportunities.

OUTLOOK

Uncertainty and volatility remain very much on the immediate horizon as the COVID-19 pandemic enters its third year. In the longer run, there is cautious optimism for gradual improvement of the current situation. Growth and expansion opportunities for CKI are rapidly emerging as the need for environmental initiatives become more imminent.

Given the Group's strong financial position, we are well placed to capitalise on any acquisition targets that fit our investment strategy and criteria. We will also continue to work closely with our strategic partners within the CK Group – including CK Asset and Power Assets – to secure new opportunities.

CKI has established a renowned reputation as a key global infrastructure player. We have a longstanding track record of efficiently delivering excellent service. As our portfolio continues to diversify into different industries and markets, the opportunities for creating synergies with existing businesses are ample. Many of our businesses are vital in helping to combat climate change and support decarbonisation. Our strategy is to capture the growth opportunities in energy transition and decarbonisation and operate our businesses in a way which contributes to a greener world.

Most of CKI's regulated businesses have recently completed regulatory resets and as such, secure and predictable revenue will be generated in the coming years. The current high inflation environment in the United Kingdom and Australia should translate into higher revenues and higher regulated asset bases for our regulated businesses. In particular, regulated asset bases are one of the key parameters when determining the future returns under the regulated regimes.

Our mantra has always been to maintain an optimal balance between stability and growth. The Group's track record of continuing earnings growth together with a comfortable gearing position is testament to that.

I would like to take this opportunity to thank our staff from all the different markets in which we operate who have ensured that essential services have been provided to our customers during this difficult period. I would also like to thank the Board for their continued guidance, our staff for their outstanding contribution and our stakeholders for their ongoing support in these turbulent times.

VICTOR T K LI
Chairman

16th March, 2022

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, loans, notes, bonds, share placement and other project loans.

As at 31st December, 2021, cash and bank deposits on hand amounted to HK$8,085 million and the total borrowings of the Group amounted to HK$29,847 million, which included Hong Kong dollar borrowings of HK$2,673 million and foreign currency borrowings of HK$27,174 million. Of the total borrowings, 35 per cent were repayable in 2022, 61 per cent were repayable between 2023 and 2026 and 4 per cent were repayable beyond 2026. To refinance certain borrowings repayable in 2022, the Group has obtained and is finalising loan facilities with certain banks. 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, British pound 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, 2021, the Group maintained a net debt position with a net debt to net total capital ratio of 14.7 per cent. This was based on HK$21,762 million of net debt and HK$147,609 million of net total capital, which represents the total borrowings plus total equity net of cash and bank deposits. This ratio was higher than the net debt to net total capital ratio of 13.1 per cent at the year end of 2020. This change was mainly due to the funds utilised for the redemption of US$1.2 billion perpetual capital securities issued in 2016, which were partially compensated by the funds raised in issues of US$0.6 billion perpetual capital securities during the year.

To minimise currency risk exposure in respect of its investments in other countries, the Group generally hedges those investments with (i) currency swaps and (ii) the appropriate level of borrowings denominated in the local currencies. The Group also entered into certain interest rate swaps to mitigate interest rate risks. As at 31st December, 2021, the notional amounts of these derivative instruments amounted to HK$61,980 million.

Charge on Group Assets

As at 31st December, 2021, certain assets were pledged to secure bank borrowings totalling HK$1,442 million granted to the Group.

Contingent Liabilities

As at 31st December, 2021, the Group was subject to the following contingent liabilities:

HK$ million	
Guarantee in respect of bank loan drawn by an affiliated company	583
Other guarantee given in respect of an affiliated company	363
Performance bond indemnities	175
Sub-contractor warranties	15
Total	1,136

Employees

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 2,365 employees. Employees' cost (excluding directors' emoluments) amounted to HK$949 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 24th December, 2021, the Company bought back 131,065,097 shares from a wholly owned subsidiary of the Company at US$8.8378 per share by private arrangement. All the shares bought back were subsequently cancelled on 29th December, 2021.

Save as disclosed above, during the year ended 31st December, 2021, 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.

The Company had 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") which was in force throughout the year ended 31st December, 2021.

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 Company has established the Whistleblowing Policy - Procedures for Reporting Possible Improprieties, which has been revised from time to time. In addition, the Company has also 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 the audit committee ("Audit Committee") on 11th 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 four Independent Non-executive Directors, namely, Mrs. Sng Sow-mei alias Poon Sow Mei (Chairperson of the Audit Committee), Mr. Cheong Ying Chew, Henry, Mr. Lan Hong Tsung, David and Mr. Paul Joseph Tighe. The principal duties of the Audit Committee include: the review and supervision of the Group's financial reporting system, risk management and internal control systems; 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, 2021 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 an Independent Non-executive Director, Mr. Cheong Ying Chew, Henry (Chairman of the Remuneration Committee), the Chairman of the Board, Mr. Victor T K Li, and an Independent Non-executive Director, Mr. Colin Stevens Russel.

Nomination Committee

The Company established its nomination committee ("Nomination Committee") on 1st January, 2019 which currently comprises a majority of Independent Non-executive Directors and is chaired by an Independent Non-executive Director. The Nomination Committee comprises an Independent Non-executive Director, Mrs. Kwok Eva Lee (Chairperson of the Nomination Committee), the Chairman of the Board, Mr. Victor T K Li, and an Independent Non-executive Director, Mr. Barrie Cook.

Sustainability Committee

The Company established its sustainability committee ("Sustainability Committee") on 1st December, 2020 with members comprised of an Executive Director, an Independent Non-executive Director and the Company Secretary to oversee management and advise the Board on the development and implementation of the sustainability initiatives of the Group, including reviewing the related environment, social and governance ("ESG") policies and practices, and assessing and making recommendations on matters concerning the Group's sustainability development and ESG risks. The Sustainability Committee comprises an Executive Director, Mr. Ip Tak Chuen, Edmond (Chairman of the Sustainability Committee), an Independent Non-executive Director, Mr. Paul Joseph Tighe, and the Company Secretary, Ms. Eirene Yeung.

Annual General Meeting

The 2022 Annual General Meeting ("2022 AGM") of the shareholders of the Company will be held on Tuesday, 17th May, 2022. Details of the arrangements will be provided in the Company's Circular in relation to the 2022 AGM which will be published and despatched to the shareholders in accordance with the Listing Rules in due course.

Closure of Register of Members

The Register of Members of the Company will be closed from Thursday, 12th May, 2022 to Tuesday, 17th May, 2022, 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 2022 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 Wednesday, 11th May, 2022.

The final dividend is payable to shareholders whose names appear on the Register of Members of the Company at the close of business on Monday, 23rd May, 2022, 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 Monday, 23rd May, 2022.

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. Frank John SIXT, Mr. Andrew John HUNTER (Deputy Managing Director), Mr. CHAN Loi Shun (Chief Financial Officer) and Ms. CHEN Tsien Hua; 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), Mr. Paul Joseph TIGHE (Independent Non-executive Director), Mrs. LEE Pui Ling, Angelina and Mr. George Colin MAGNUS; and the Alternate Directors are Mrs. CHOW WOO Mo Fong, Susan (Alternate Director to Mr. FOK Kin Ning, Canning), 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	**2021**	2020
Turnover	2	**40,730**	38,352
Sales and interest income from infrastructure investments	2	**7,048**	7,182
Other income	3	**412**	433
Operating costs	4	**(4,627)**	(4,009)
Finance costs		**(383)**	(301)
Exchange gain / (loss)		**189**	(391)
Share of results of associates		**2,590**	2,666
Share of results of joint ventures		**2,886**	2,767
Profit before taxation		**8,115**	8,347
Taxation	5	**(161)**	(188)
Profit for the year	6	**7,954**	8,159
Attributable to:			
Shareholders of the Company		**7,515**	7,320
Owners of perpetual capital securities		**434**	796
Non-controlling interests		**5**	43
		7,954	8,159
Earnings per share	7	**HK$2.98**	HK$2.91

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31st December

HK$ million	Notes	**2021**	2020
Property, plant and equipment		**3,029**	2,965
Investment properties		**408**	396
Interests in associates		**37,998**	37,133
Interests in joint ventures		**106,802**	106,803
Other financial assets		**1,613**	1,892
Derivative financial instruments		**441**	126
Goodwill and intangible assets		**2,447**	2,602
Deferred tax assets		**6**	6
Total non-current assets		**152,744**	151,923
Inventories		**171**	146
Derivative financial instruments		**768**	347
Debtors and prepayments	9	**1,231**	1,518
Bank balances and deposits		**8,085**	13,477
Total current assets		**10,255**	15,488
Bank and other loans		**10,389**	4,655
Derivative financial instruments		**177**	1,030
Creditors, accruals and others	10	**5,963**	5,152
Taxation		**134**	187
Total current liabilities		**16,663**	11,024
Net current (liabilities) / assets		**(6,408)**	4,464
Total assets less current liabilities		**146,336**	156,387
Bank and other loans		**19,458**	27,933
Derivative financial instruments		**164**	1,378
Deferred tax liabilities		**476**	476
Other non-current liabilities		**391**	338
Total non-current liabilities		**20,489**	30,125
Net assets		**125,847**	126,262
Representing:			
Share capital		**2,520**	2,651
Reserves		**113,314**	108,791
Equity attributable to shareholders of the Company		**115,834**	111,442
Perpetual capital securities		**9,885**	14,701
Non-controlling interests		**128**	119
Total equity		**125,847**	126,262

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted the Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective to the Group for accounting periods beginning on or after 1st January, 2021. In addition, the Group has early applied the Amendment to HKFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021". Except as described below, the adoption of the amendments to 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.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2"

In the current year, the Group has applied Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2" (the "Amendments") issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1st January, 2021.

The Amendments provide practical expedients to address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes in the basis for determining the contractual cash flows and hedge accounting as a result of interest rate benchmark reform. The Amendments also set out the disclosure requirements.

The Group has certain bank borrowings carrying interest at floating rate which were determined with reference to London Interbank Offered Rate ("LIBOR"). Interest rate swaps were utilised and designated as cash flow hedges to manage certain exposure to interest rate movements.

During the year, the Group has agreed with counterparties to transition certain contracts to relevant alternative benchmark rates. Such transitions have had no material impact on the consolidated financial statements as the Group has applied the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost.

2. TURNOVER

Turnover represents net sales of infrastructure materials, interest income from loans granted to associates and joint ventures, sales of waste management services and share of turnover of joint ventures. Sales of infrastructure materials and waste management services were substantially recognised at a point in time.

Turnover comprises both sales and interest income from infrastructure investments and share of turnover of joint ventures as follows:

HK$ million	**2021**	2020
Sales of infrastructure materials	**2,417**	2,390
Interest income from loans granted to associates	**311**	285
Interest income from loans granted to joint ventures	**2,466**	3,028
Sales of waste management services	**1,854**	1,479
Sales and interest income from infrastructure investments	**7,048**	7,182
Share of turnover of joint ventures	**33,682**	31,170
Turnover	**40,730**	38,352

3. OTHER INCOME

Other income includes the following:

HK$ million	**2021**	2020
Gain on disposal of joint ventures	**-**	57
Bank interest income	**45**	165
Change in fair values of investment properties	**12**	(2)

4. OPERATING COSTS

Operating costs include the following:

HK$ million	**2021**	2020
Depreciation of property, plant and equipment	**324**	325
Amortisation of intangible assets	**45**	70
Cost of inventories sold	**2,041**	1,907
Cost of services provided	**1,101**	871

5. TAXATION

Taxation is provided for at the applicable tax rates 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	**2021**	2020
Current taxation – Hong Kong	**1**	1
Current taxation – outside Hong Kong	**135**	177
Deferred taxation	**25**	10
Total	**161**	188

6. PROFIT FOR THE YEAR AND SEGMENT INFORMATION

for the year ended 31st December

	Investment in Power Assets Holdings Limited		Infrastructure Investments																	
			United Kingdom		Australia		Continental Europe		Hong Kong and Mainland China		Canada		New Zealand		Total before unallocated items		Unallocated items		Consolidated	
HK$ million	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Turnover	**-**	-	**20,535**	19,355	**6,535**	6,483	**4,963**	5,118	**3,673**	3,434	**2,602**	1,967	**2,422**	1,995	**40,730**	38,352	**-**	-	**40,730**	38,352
Sales and interest income from infrastructure investments	**-**	-	**1,287**	1,816	**596**	576	**638**	685	**2,417**	2,390	**256**	236	**1,854**	1,479	**7,048**	7,182	**-**	-	**7,048**	7,182
Bank interest income	**-**	-	**-**	-	**-**	-	**-**	-	**33**	47	**-**	-	**1**	1	**34**	48	**11**	117	**45**	165
Other income	**-**	-	**-**	-	**45**	-	**-**	-	**69**	56	**-**	-	**7**	38	**121**	94	**90**	117	**211**	211
Change in fair value of derivative financial instruments/ other financial assets	**-**	-	**(329)**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(329)**	-	**156**	-	**(173)**	-
Depreciation and amortisation	**-**	-	**-**	-	**-**	-	**-**	-	**(122)**	(177)	**-**	-	**(246)**	(217)	**(368)**	(394)	**(1)**	(1)	**(369)**	(395)
Other operating costs	**-**	-	**-**	-	**-**	-	**-**	(31)	**(2,179)**	(2,058)	**-**	-	**(1,464)**	(1,161)	**(3,643)**	(3,250)	**(286)**	(364)	**(3,929)**	(3,614)
Finance costs	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(47)**	(44)	**(47)**	(44)	**(336)**	(257)	**(383)**	(301)
Exchange (loss) / gain	**-**	-	**(9)**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(9)**	-	**198**	(391)	**189**	(391)
Gain on disposal of joint ventures	**-**	-	**-**	-	**-**	-	**-**	-	**-**	57	**-**	-	**-**	-	**-**	57	**-**	-	**-**	57
Share of results of associates and joint ventures#	**2,208**	2,205	**1,422**	792	**1,262**	1,288	**56**	896	**181**	117	**259**	64	**88**	71	**5,476**	5,433	**-**	-	**5,476**	5,433
Profit / (Loss) before taxation	**2,208**	2,205	**2,371**	2,608	**1,903**	1,864	**694**	1,550	**399**	432	**515**	300	**193**	167	**8,283**	9,126	**(168)**	(779)	**8,115**	8,347
Taxation	**-**	-	**-**	(5)	**-**	-	**-**	-	**(78)**	(99)	**(40)**	(32)	**(23)**	(31)	**(141)**	(167)	**(20)**	(21)	**(161)**	(188)
Profit / (Loss) for the year	**2,208**	2,205	**2,371**	2,603	**1,903**	1,864	**694**	1,550	**321**	333	**475**	268	**170**	136	**8,142**	8,959	**(188)**	(800)	**7,954**	8,159
Attributable to:																				
Shareholders of the Company	**2,208**	2,205	**2,371**	2,603	**1,903**	1,864	**694**	1,550	**316**	290	**475**	268	**170**	136	**8,137**	8,916	**(622)**	(1,596)	**7,515**	7,320
Owners of perpetual capital securities	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**434**	796	**434**	796
Non-controlling interests	**-**	-	**-**	-	**-**	-	**-**	-	**5**	43	**-**	-	**-**	-	**5**	43	**-**	-	**5**	43
	2,208	2,205	**2,371**	2,603	**1,903**	1,864	**694**	1,550	**321**	333	**475**	268	**170**	136	**8,142**	8,959	**(188)**	(800)	**7,954**	8,159

Included net amount of share of deferred tax charges on change in corporate tax rate of the United Kingdom and share of tax credit in respect of deferred tax liabilities on intangible assets amounting to HK$1,813 million (2020: HK$1,394 million).

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$7,515 million (2020: HK$7,320 million) and on 2,519,610,945 shares (2020: 2,519,610,945 shares) in issue during the year.

The 131,065,097 shares issued in connection with the issue of perpetual capital securities in March 2016, which were cancelled in December 2021, 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	**2021**	2020
Interim dividend paid of HK$0.69 per share (2020: HK$0.68 per share)	**1,739**	1,713
Proposed final dividend of HK$1.81 per share (2020: HK$1.79 per share)	**4,560**	4,510
Total	**6,299**	6,223

During the year, dividend of HK$6,299 million (2020: HK$6,223 million) are stated after elimination of HK$90 million (2020: HK$324 million) paid for the shares issued in connection with the issue of perpetual capital securities. There is no such elimination for the proposed final dividend in 2021 after the cancellation of such shares in December 2021.

(b)

HK$ million	**2021**	2020
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$1.79 per share (2020: HK$1.78 per share)	**4,510**	4,485

Final dividend in respect of the previous financial year, approved and paid during the year ended 31st December, 2021, is stated after elimination of HK$235 million (2020: HK$233 million) for the shares issued in connection with the issue of perpetual capital securities.

9. DEBTORS AND PREPAYMENTS

Included in debtors and prepayments are trade debtors of HK$311 million (2020: HK$257 million) and their aging analysis is as follows:

HK$ million	**2021**	2020
Less than 1 month	**214**	189
1 to 3 months	**87**	65
More than 3 months but less than 12 months	**19**	17
More than 12 months	**3**	-
Gross total	**323**	271
Loss allowance	**(12)**	(14)
Total after allowance	**311**	257

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, ACCRUALS AND OTHERS

Included in creditors, accruals and others are trade creditors of HK$243 million (2020: HK$262 million) and their aging analysis is as follows:

HK$ million	**2021**	2020
Current	**164**	188
1 month	**27**	37
2 to 3 months	**12**	9
Over 3 months	**40**	28
Total	**243**	262

11. COMPARATIVE FIGURES

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

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, 2021, consolidated income statement and the related notes thereto for the year ended 31st December, 2021 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 HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.