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**CK Infrastructure Holdings Limited**

**長江基建集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1038)**

## **INTERIM RESULTS FOR 2020**

For the interim period ended 30th June, 2020, CK Infrastructure Holdings Limited (“CKI”, the “Company” or the “Group”) recorded unaudited profit attributable to shareholders of HK\$2,860 million. This represents a decrease of 52% over the same period last year. Factors which led to the decline are:

***(i) One-off Charges on the Re-measurement of Deferred Tax Liabilities in the United Kingdom***

By far and the single largest factor that contributed to the decline in profit during the period under review arose from the re-measurement of the deferred tax liabilities of the United Kingdom businesses. Non-cash for the year and one-off in nature, the re-measurement accounted for about half of the decrease. The re-measurement in deferred tax liabilities took place due to the United Kingdom government’s decision to keep the corporate tax rate at 19% instead of reducing it to 17% from 1st April, 2020 as previously enacted. Under the applicable accounting standards, if tax rates and tax laws have been enacted or substantively enacted, the deferred tax balances of the relevant companies would need to be re-measured at the tax rates that are expected to be applied. Incidentally, profits were booked during the years 2010 to 2016 when the corporation tax rate was gradually reduced from 28%.

***(ii) One-off Divestment Gains in 2019***

Last year, CKI sold 2.05% of its shareholding in Power Assets and divested the Changsha Wujialing and Wuyilu Bridges, generating one-off gains in the first half of 2019; such gains were not repeated in the corresponding period in 2020.

### ***(iii) COVID-19 Disruption Impact***

COVID-19 has emerged as a global pandemic causing disruption to businesses all around the world. For CKI, due to the nature of its businesses, the impact of the pandemic has been less severe relative to other industries. A significant proportion of the Group's investments are regulated businesses protected by secure regimes; and amongst unregulated businesses, the Group's position has mostly been protected by steady business models and long-term contracts. Nonetheless, manpower supply, logistics and efficiency of day-to-day operations have been affected by the various measures introduced to contain the spread of the virus. The business that has been hit the most by the COVID-19 situation was Park'N Fly, as almost all air traffic has been suspended in Canada, resulting in substantial reduction of demand for off-airport parking.

### ***(iv) Lower Contribution from Northumbrian Water following Regulatory Reset***

Northumbrian Water's regulatory reset became effective on 1st April, 2020, with a significantly lower allowed return and consequently lower allowed revenues. Three months of profit contribution from the water company was adversely affected during the period under review.

## **INTERIM DIVIDEND**

The Board of Directors of CKI (the "Board") has declared an interim dividend for 2020 of HK\$0.68 per share (same as the corresponding period last year). The interim dividend will be paid on Wednesday, 16th September, 2020 to shareholders whose names appear on the Register of Members of the Company at the close of business on Monday, 7th September, 2020.

## **BUSINESS REVIEW**

### **Power Assets**

Profit contribution from Power Assets was HK\$813 million, a decline of 55% compared to the corresponding period last year. Similar to CKI, the major reasons for the decrease are: (i) the one-off charges on re-measurement of deferred tax liabilities of the United Kingdom businesses; (ii) the disposal gain recorded in 2019; and (iii) the COVID-19 impact.

In terms of operations, despite the COVID-19 lockdown, all the regulated businesses in the United Kingdom, Australia, New Zealand and Hong Kong delivered smooth, reliable services.

## **United Kingdom Infrastructure Portfolio**

Profit contribution from the United Kingdom dropped by 62% to HK\$943 million. This is attributable to: (i) the one-off charges on re-measurement of deferred tax liabilities; (ii) the COVID-19 impact; and (iii) lower revenue from Northumbrian Water following its regulatory reset.

UK Power Networks, Northumbrian Water, Northern Gas Networks and Wales & West Gas Networks all delivered excellent operational services to customers in spite of the COVID-19 situation.

During the period under review, UK Power Networks became the first electricity network operator to achieve the coveted Carbon Trust Standard for Carbon in recognition of its achievement in carbon reduction.

Northumbrian Water entered a new regulatory period on 1st April, 2020. The terms of the new determination as set by the regulator are more stringent than in previous periods. The company has elected to challenge the determination through the CMA (Competition and Markets Authority) appeal process.

Northern Gas Networks and Wales & West Gas Networks will enter their next regulatory periods on 1st April, 2021. Both companies received the draft determinations in July 2020. The draft determinations indicate lower allowable returns and tougher benchmarks for outperformance compared to the current period. The two companies are working on their revised proposals for submission to the regulator. Final determinations are set to be released by December 2020.

For UK Rails, leasing contracts from the train franchises continued to be in place during the COVID-19 lockdown period.

## **Australian Infrastructure Portfolio**

In Australia, profit contribution dropped by 17% year-on-year to HK\$918 million. This is largely due to the weak Australian currency and the impact of COVID-19.

Despite the COVID-19 challenges, all of the Group's regulated businesses in Australia reported very good operational performance.

SA Power Networks received the final decision for the 2020-2025 Rate Reset Revenue Determination from the Australian Energy Regulator earlier in the year. The new regime took effect on 1st July, 2020. The final determination gives predictability to the earnings for the next five years, though the allowable return was lower compared to the previous period due largely to the low interest rate environment.

The commencement date for the new regulatory reset period for the Victorian regulated electricity networks has been postponed by 6 months to start on 1st July, 2021. In February 2020, Victoria Power Networks and United Energy lodged their reset proposals for the new regulatory period.

During the period under review, Australian Gas Networks achieved satisfactory growth over the corresponding period last year. It also continued to progress well on its zero-carbon hydrogen initiatives, adding a new hydrogen plant in Queensland, the second such project by the gas network company in Australia.

As for the Dampier Bunbury Pipeline, the majority of the revenue has been re-contracted with 70% of the revenue for 2021-2025 being locked in.

In May 2020, Energy Developments completed a hybrid renewable project for Agnew Gold Mine in remote Western Australia. The system, partly funded by the Australian Renewable Energy Agency (ARENA) consists of wind turbines, solar panels, a battery system and a gas/diesel engine power plant. The project is Australia's largest hybrid renewable energy microgrid to date, and is the first in the country to use wind generation on a large scale at a mine site.

### **Infrastructure Portfolio in Continental Europe**

In Continental Europe, profit contribution declined by 3% to HK\$493 million.

Portugal Renewable Energy's results were adversely affected by weaker than usual wind resource during the period under review.

ista and Dutch Enviro Energy performed well. During the period under review, ista completed the acquisition of H+S, a submetering company in northern Germany, strengthening its market position in the region; and Dutch Enviro Energy won the renewal contract for processing the municipal waste of Utrecht.

### **Canadian Infrastructure Portfolio**

In Canada, net profit was HK\$146 million, 20% down from the same period last year.

Reliance Home Comfort and Canadian Midstream Assets reported growth over last year, while Canadian Power Holdings' results were compromised due to the ongoing coal-to-gas conversion works at the Sheerness Power Plant. Park'N Fly's revenue declined significantly as demand for off-airport parking fell in line with the decline in air traffic since March due to the COVID-19 pandemic.

## **New Zealand Infrastructure Portfolio**

The New Zealand portfolio reported profit contribution of HK\$53 million, a decrease of 30% compared to the same period last year.

A lower contribution from EnviroNZ was reported as business was temporarily impacted by the halting of commercial waste collection during the COVID-19 lockdown. As the COVID-19 situation has eased off in the country, improved performance is expected in the second half of the year.

Profit contribution from Wellington Electricity declined compared to the same period last year as a result of a lower allowed return under the new regulatory regime that started on 1st April, 2020.

## **Hong Kong and Mainland China Business**

In Hong Kong and Mainland China, CKI's portfolio showed a decline of 58% in net profit to HK\$111 million. The Group's materials businesses had a stable performance, however the results of the toll road portfolio in Mainland China reported a decrease over the corresponding period due to the one-off divestment gain generated from the sale of the Changsha Wujialing and Wuyilu Bridges back to the Mainland Chinese partner last year.

## **STRONG FINANCIAL POSITION**

CKI's financial position continued to be strong. Cash on hand was HK\$15.7 billion and net debt to net total capital ratio was 13.9% as at 30th June, 2020. Credit rating is "A/Stable" as reaffirmed by Standard & Poor's. This firm financial foundation ensures that the Group is well-positioned to capture future expansion opportunities as they arise.

## **OUTLOOK**

The global economy is rife with challenges on many levels. Uncertainty and volatility look poised to persist.

The economic impact of COVID-19 around the world is profound and the long term repercussions remain uncertain. For CKI, while the extent of such impact is not very significant compared to other industries, the disruption may still linger in the coming months. Once the COVID-19 situation improves and a semblance of normality returns for business activity, it is expected that most of CKI's businesses will recover quickly.

Many of CKI's regulated businesses have recently or will soon be undergoing challenging regulatory resets. Against an environment of ultra-low interest and inflation rates as well as tougher stances adopted by regulators, the outcome is expected to be lower revenues arising from lower allowed returns. Nevertheless, the concerned companies will strive to negotiate improved settlements with regulators and to outperform targets.

The Group has a strong balance sheet, reliable revenue streams, and an experienced management team. We are in a vantage position to continue our growth as acquisition opportunities emerge, many of which have been put on hold during the pandemic. CKI's flexibility in forming alliances with other members of the CK Group, namely CK Asset and Power Assets, further strengthens our strategic advantage. In pursuing new expansion opportunities, we will continue to adhere to our strict investment discipline and will not pursue any acquisitions with a "must-win" mentality.

In today's low interest, low inflation, and economically volatile environment, the value of CKI's global portfolio of high quality infrastructure assets characterised by healthy, solid operations with strong recurring income is even more to be appreciated.

On this occasion, I would like to give a special mention to the management and staff of our businesses who have worked tirelessly over the past few months to ensure that their operations are smoothly run. Despite the disruptions caused by COVID-19, all our businesses which provide essential services in the United Kingdom, Australia, New Zealand, Canada, Continental Europe and Hong Kong have performed admirably, delivering uninterrupted electricity, gas, water, heating, waste management and other services to customers. This achievement is not easily attained during a pandemic lockdown.

I would also like to take this opportunity to thank the Board for their ongoing guidance and our stakeholders for their continued support.

**VICTOR T K LI**

Chairman

5th August, 2020

# 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 30th June, 2020, cash and bank deposits on hand amounted to HK\$15,735 million and the total borrowings of the Group amounted to HK\$35,683 million, which included Hong Kong dollar borrowings of HK\$4,620 million and foreign currency borrowings of HK\$31,063 million. Of the total borrowings, 8 per cent were repayable in 2020, 84 per cent were repayable between 2021 and 2024 and 8 per cent were repayable beyond 2024. 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, Canadian dollars or Euro. 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 30th June, 2020, the Group maintained a net debt position with a net debt to net total capital ratio of 13.9 per cent. This was based on HK\$19,948 million of net debt and HK\$143,791 million of net total capital, which represents the total borrowings plus total equity net of cash and bank deposits. This ratio was similar to that of 13.5 per cent at the year end of 2019.

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 30th June, 2020, the notional amounts of these derivative instruments amounted to HK\$58,477 million.

## Charge on Group Assets

As at 30th June, 2020:

- leased assets with carrying value of HK\$10 million were pledged to secure certain lease liabilities; and
- certain assets were pledged to secure bank borrowings totalling HK\$1,241 million granted to the Group.

## Contingent Liabilities

As at 30th June, 2020, the Group was subject to the following contingent liabilities:

HK\$ million

Guarantee in respect of bank loan drawn by an affiliated company	1,118
Other guarantee given in respect of an affiliated company	443
Performance bond indemnities	153
<b>Total</b>	<b>1,714</b>

## Employees

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 2,127 employees. Employees' cost (excluding directors' emoluments) amounted to HK\$383 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 six months ended 30th June, 2020, 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 (except as stated below) 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 six months ended 30th June, 2020.

In accordance with code provision A.5.1 of the CG Code, the Company established its nomination committee ("Nomination Committee") on 1st January, 2019 which is chaired by the Chairman of the Board. When the need to select, nominate or re-elect Directors arises, the Nomination Committee will establish a sub-committee comprising a majority of Independent Non-executive Directors that is chaired by the Chairman of the Board in compliance with the requirements under the Listing Rules in relation to the composition of the nomination committee to consider and if appropriate, recommend the nomination of Director to be appointed or re-elected. While the Nomination Committee comprises all Directors of the Company, this is consistent with the established approach of the Company that the full Board as a whole is responsible for reviewing the selection and appointment of Directors.

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 ("Audit Committee") has established the Procedures for Reporting Possible Improprieties in Matters of Financial Reporting, Internal Control or Other Matters. 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 Company established the 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 (Chairman 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 interim results for the six months ended 30th June, 2020 have been reviewed by the Audit Committee.

## **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, Mr. Victor T K Li, and two Independent Non-executive Directors, namely, Mr. Cheong Ying Chew, Henry (Chairman of the Remuneration Committee) and Mr. Colin Stevens Russel.

## **Nomination Committee**

The Company established its Nomination Committee on 1st January, 2019 which is chaired by the Chairman of the Board. When the need to select, nominate or re-elect Directors arises, the Nomination Committee will establish a sub-committee comprising a majority of Independent Non-executive Directors that is chaired by the Chairman of the Board in compliance with the requirements under the Listing Rules in relation to the composition of the nomination committee to consider and if appropriate, recommend the nomination of Director to be appointed or re-elected. While the Nomination Committee comprises all Directors of the Company, this is consistent with the established approach of the Company that the full Board as a whole is responsible for reviewing the selection and appointment of Directors.



# CK Infrastructure Holdings Limited

長江基建集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1038)

## NOTICE OF PAYMENT OF INTERIM DIVIDEND, 2020

The Board of Directors of CK Infrastructure Holdings Limited announces that the Group's unaudited profit attributable to shareholders for the six months ended 30th June, 2020 amounted to HK\$2,860 million which represents earnings of HK\$1.14 per share. The Directors have resolved to pay an interim dividend for 2020 of HK\$0.68 per share to shareholders whose names appear on the Register of Members of the Company at the close of business on Monday, 7th September, 2020, being the record date for determination of entitlement to the interim dividend. In order to qualify for the interim 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, 7th September, 2020. The dividend will be paid on Wednesday, 16th September, 2020.

By Order of the Board

**CK INFRASTRUCTURE HOLDINGS LIMITED**

**Eirene Yeung**

Company Secretary

5th August, 2020

*As at the date hereof, the Executive Directors of the Company are Mr. LI Tzar Kuoi, Victor (Chairman), Mr. KAM Hing Lam (Group Managing Director), Mr. IP Tak Chuen, Edmond (Deputy Chairman), Mr. FOK Kin Ning, Canning (Deputy Chairman), Mr. 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 six months ended 30th June

HK\$ million	Notes	2020	Unaudited 2019
<b>Turnover</b>	3	<b>18,241</b>	18,071
<b>Sales and interest income</b>			
<b>from infrastructure investments</b>	3	<b>3,158</b>	3,245
Other income	4	176	837
Operating costs	5	(1,719)	(1,585)
Finance costs		(144)	(182)
Exchange loss		(51)	(64)
Share of results of associates		1,052	1,601
Share of results of joint ventures		858	2,555
<b>Profit before taxation</b>		<b>3,330</b>	6,407
Taxation	6	(57)	(45)
<b>Profit for the period</b>	7	<b>3,273</b>	6,362
<b>Attributable to:</b>			
Shareholders of the Company		2,860	5,943
Owners of perpetual capital securities		398	398
Non-controlling interests		15	21
		<b>3,273</b>	6,362
<b>Earnings per share</b>	8	<b>HK\$1.14</b>	HK\$2.36

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK\$ million	Notes	Unaudited 30/6/2020	Audited 31/12/2019
Property, plant and equipment		2,796	2,805
Investment properties		398	398
Interests in associates		35,840	36,814
Interests in joint ventures		102,391	104,952
Other financial assets		1,842	1,871
Derivative financial instruments		2,177	1,107
Goodwill and intangible assets		2,413	2,486
Deferred tax assets		3	3
<b>Total non-current assets</b>		<b>147,860</b>	<b>150,436</b>
Inventories		162	137
Derivative financial instruments		2,308	1,452
Debtors and prepayments	10	983	1,082
Bank balances and deposits		15,735	12,077
<b>Total current assets</b>		<b>19,188</b>	<b>14,748</b>
Bank and other loans		3,984	4,447
Derivative financial instruments		66	345
Creditors, accruals and others	11	6,055	5,361
Taxation		142	150
<b>Total current liabilities</b>		<b>10,247</b>	<b>10,303</b>
<b>Net current assets</b>		<b>8,941</b>	<b>4,445</b>
<b>Total assets less current liabilities</b>		<b>156,801</b>	<b>154,881</b>
Bank and other loans		31,699	27,295
Derivative financial instruments		604	547
Deferred tax liabilities		426	450
Other non-current liabilities		229	215
<b>Total non-current liabilities</b>		<b>32,958</b>	<b>28,507</b>
<b>Net assets</b>		<b>123,843</b>	<b>126,374</b>
Representing:			
Share capital		2,651	2,651
Reserves		106,408	108,953
<b>Equity attributable to shareholders of the Company</b>		<b>109,059</b>	<b>111,604</b>
Perpetual capital securities		14,701	14,701
Non-controlling interests		83	69
<b>Total equity</b>		<b>123,843</b>	<b>126,374</b>

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

The accounting policies adopted for the preparation of the consolidated interim financial statements are consistent with those set out in the Group's consolidated annual financial statements for the year ended 31st December, 2019, except for adoption of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are effective to the Group for accounting periods beginning on or after 1st January, 2020. Apart from the changes in accounting policies as set out in note 2 below, the adoption of those new and amendments to HKFRSs has no material impact on the Group's results and financial position for the current or prior periods and does not result in any significant change in accounting policies of the Group.

## 2. CHANGES IN ACCOUNTING POLICIES

### **Amendments to HKFRS 9, HKAS 39 and HKFRS 7 "Interest Rate Benchmark Reform"**

In the current period, the Group has adopted Amendments to HKFRS 9, HKAS 39 and HKFRS 7 "Interest Rate Benchmark Reform" (the "Amendments") which are effective for the accounting periods beginning on or after 1st January, 2020. The Amendments were applied retrospectively to hedging relationships that existed on 1st January, 2020 or were designated thereafter and that are directly affected by interest rate benchmark reform.

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 its exposure to interest rate movements. Under the ongoing interest rate benchmark reform, there is uncertainty over the negotiation with the counterparties on the introduction of fall back clauses. The Amendments modify certain hedge accounting requirements to allow hedge accounting to continue during the period of uncertainty.

The Amendments will continue to be applied until the uncertainty arising from the interest rate benchmark reform ends.

### 3. 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. The turnover were substantially recognised at a point of time.

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

HK\$ million	Six months ended 30th June	
	2020	2019
Sales of infrastructure materials	1,055	945
Interest income from loans granted to associates	134	146
Interest income from loans granted to joint ventures	1,344	1,413
Sales of waste management services	625	741
<b>Sales and interest income from infrastructure investments</b>	<b>3,158</b>	<b>3,245</b>
<b>Share of turnover of joint ventures</b>	<b>15,083</b>	<b>14,826</b>
<b>Turnover</b>	<b>18,241</b>	<b>18,071</b>

### 4. OTHER INCOME

Other income includes the following:

HK\$ million	Six months ended 30th June	
	2020	2019
Gain on disposal of an associate	-	427
Gain on disposal of joint ventures	-	88
Bank interest income	123	79

## 5. OPERATING COSTS

Operating costs include the following:

HK\$ million	Six months ended 30th June	
	2020	2019
Cost of inventories sold	870	724
Cost of services provided	392	437
Depreciation of property, plant and equipment	115	112
Amortisation of intangible assets	20	14

## 6. 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	Six months ended 30th June	
	2020	2019
Current taxation - Hong Kong	1	-
Current taxation - outside Hong Kong	59	26
Deferred taxation	(3)	19
<b>Total</b>	<b>57</b>	<b>45</b>

## 7. PROFIT FOR THE PERIOD AND SEGMENT INFORMATION

for the six months ended 30th June

HK\$ million	Infrastructure Investments																			
	Investment in Power Assets Holdings Limited		United Kingdom		Australia		Continental Europe		Hong Kong and Mainland China		Canada		New Zealand		Total before unallocated items		Unallocated items		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Turnover	-	-	9,268	8,755	2,968	3,191	2,658	2,673	1,499	1,405	980	1,025	868	1,022	18,241	18,071	-	-	18,241	18,071
Sales and interest income from infrastructure investments	-	-	743	741	284	360	337	340	1,055	945	114	118	625	741	3,158	3,245	-	-	3,158	3,245
Bank interest income	-	-	-	-	-	-	-	-	29	23	-	-	-	-	29	23	94	56	123	79
Other income	-	-	-	-	-	21	-	-	17	22	-	-	34	2	51	45	2	198	53	243
Depreciation and amortisation	-	-	-	-	-	-	-	-	(47)	(46)	-	-	(88)	(80)	(135)	(126)	-	-	(135)	(126)
Other operating expenses	-	-	-	-	-	-	-	-	(918)	(771)	-	-	(525)	(570)	(1,443)	(1,341)	(141)	(118)	(1,584)	(1,459)
Finance costs	-	-	-	-	-	-	-	-	-	-	-	-	(21)	(34)	(21)	(34)	(123)	(148)	(144)	(182)
Exchange loss	-	-	-	-	-	-	-	-	-	(1)	-	-	-	-	-	(1)	(51)	(63)	(51)	(64)
Gain on disposal of an associate	-	427	-	-	-	-	-	-	-	-	-	-	-	-	-	427	-	-	-	427
Gain on disposal of joint ventures	-	-	-	-	-	-	-	-	-	88	-	-	-	-	-	88	-	-	-	88
Share of results of associates and joint ventures	813	1,363	200	1,749	634	722	156	168	32	51	47	72	28	31	1,910	4,156	-	-	1,910	4,156
<b>Profit/ (Loss) before taxation</b>	<b>813</b>	<b>1,790</b>	<b>943</b>	<b>2,490</b>	<b>918</b>	<b>1,103</b>	<b>493</b>	<b>508</b>	<b>168</b>	<b>311</b>	<b>161</b>	<b>190</b>	<b>53</b>	<b>90</b>	<b>3,549</b>	<b>6,482</b>	<b>(219)</b>	<b>(75)</b>	<b>3,330</b>	<b>6,407</b>
Taxation	-	-	-	-	-	-	-	-	(42)	(24)	(15)	(7)	-	(14)	(57)	(45)	-	-	(57)	(45)
<b>Profit/ (Loss) for the period</b>	<b>813</b>	<b>1,790</b>	<b>943</b>	<b>2,490</b>	<b>918</b>	<b>1,103</b>	<b>493</b>	<b>508</b>	<b>126</b>	<b>287</b>	<b>146</b>	<b>183</b>	<b>53</b>	<b>76</b>	<b>3,492</b>	<b>6,437</b>	<b>(219)</b>	<b>(75)</b>	<b>3,273</b>	<b>6,362</b>
<b>Attributable to:</b>																				
Shareholders of the Company	813	1,790	943	2,490	918	1,103	493	508	111	266	146	183	53	76	3,477	6,416	(617)	(473)	2,860	5,943
Owners of perpetual capital securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	398	398	398	398
Non-controlling interests	-	-	-	-	-	-	-	-	15	21	-	-	-	-	15	21	-	-	15	21
	<b>813</b>	<b>1,790</b>	<b>943</b>	<b>2,490</b>	<b>918</b>	<b>1,103</b>	<b>493</b>	<b>508</b>	<b>126</b>	<b>287</b>	<b>146</b>	<b>183</b>	<b>53</b>	<b>76</b>	<b>3,492</b>	<b>6,437</b>	<b>(219)</b>	<b>(75)</b>	<b>3,273</b>	<b>6,362</b>

## 7. PROFIT FOR THE PERIOD 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.

## 8. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of the Company of HK\$2,860 million (2019: HK\$5,943 million) and on 2,519,610,945 shares (2019: 2,519,610,945 shares) in issue during the interim period.

The 131,065,097 shares issued in connection with the issue of perpetual capital securities in March 2016 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.

## 9. INTERIM DIVIDEND

The interim dividend declared by the Board of Directors is as follows:

HK\$ million	Six months ended 30th June	
	2020	2019
Interim dividend of HK\$0.68 per share (2019: HK\$0.68 per share)	<b>1,713</b>	1,713

During the six months ended 30th June, 2020, interim dividend declared by the Board of Directors amounted to HK\$1,713 million (2019: HK\$1,713 million) are stated after elimination of HK\$89 million (2019: HK\$89 million) for the shares issued in connection with the issue of perpetual capital securities in March 2016.

## 10. DEBTORS AND PREPAYMENTS

Included in debtors and prepayments are trade debtors of HK\$234 million (HK\$263 million at 31st December, 2019) and their aging analysis is as follows:

HK\$ million	30/6/2020	31/12/2019
Current	158	171
Less than 1 month past due	63	70
1 to 3 months past due	8	17
More than 3 months but less than 12 months past due	11	10
More than 12 months past due	8	7
Amount past due	90	104
Loss allowance	(14)	(12)
<b>Total after allowance</b>	<b>234</b>	<b>263</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.

## 11. CREDITORS, ACCRUALS AND OTHERS

Included in creditors, accruals and others are trade creditors of HK\$221 million (HK\$248 million at 31st December, 2019) and their aging analysis is as follows:

HK\$ million	30/6/2020	31/12/2019
Current	162	194
1 month	27	26
2 to 3 months	11	7
Over 3 months	21	21
<b>Total</b>	<b>221</b>	<b>248</b>

## 12. REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The consolidated interim financial statements are unaudited, but have been reviewed by the Audit Committee.