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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)**

### **THE CHAIRMAN'S LETTER FOR 2022**

Most of the world has started to put COVID-19 to rest, however uncertainties persist in global markets. Challenges remain as many economies are faced with historically high inflation, rising interest rates, burgeoning energy crises and increasing geopolitical tensions.

Against this backdrop, CK Infrastructure Holdings Limited (“CKI”, the “Company” or the “Group”) recorded profit attributable to shareholders of HK\$7,748 million for the 12 months ended 31st December, 2022, representing 3% growth over the previous year. This result was significantly impacted by higher finance costs due to rising interest rates (and particularly higher index linked finance costs) and weakened foreign currencies against the Hong Kong dollar.

#### **CONTRIBUTIONS FROM BUSINESSES INCREASED 7%**

CKI’s portfolio of quality infrastructure assets showed continued resilience and generated good contributions to the Group recording a year-on-year growth of 7%. In local currencies, the year-on-year growth in contribution from the infrastructure portfolio was 16%.

#### **26 YEARS OF CONTINUED DIVIDEND GROWTH**

The Board of Directors of CKI (the “Board”) has recommended a final dividend of HK\$1.83 per share. Together with the interim dividend of HK\$0.70 per share, the total dividend for the year will amount to HK\$2.53 per share, a 1.2% increase over that of last year. This marks 26 consecutive years of dividend growth since listing. The proposed dividend will be paid on Wednesday, 7th June, 2023, subject to approval at the 2023 Annual General Meeting to those shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 23rd May, 2023.

## **BUSINESS REVIEW**

### **Power Assets**

Profit contribution from Power Assets was HK\$2,033 million, a year-on-year decrease of 8%. This drop is mainly attributed to higher finance costs due to rising interest rates and unfavourable exchange rates against the Hong Kong dollar for Power Assets' overseas investments.

In local currencies, the profit contribution from the infrastructure portfolio was a 5% increase year-on-year.

In Hong Kong, net profit achieved by HK Electric continued to be stable under the Scheme of Control. In recognition of HK Electric's efforts in Hong Kong for utilising green energy, promoting decarbonisation and assisting Hong Kong in achieving its carbon neutrality target, the Federation of Hong Kong Industries presented the "Sustainable Business Award" and the "Gold Award" in the manufacturing sector to HK Electric at the BOCHK Corporate Environmental Leadership Awards 2021.

### **United Kingdom Infrastructure Portfolio**

Profit contribution from the United Kingdom was HK\$3,069 million, up by 29% as compared with last year. This increase was mainly due to non-cash deferred tax related charges booked in the previous period, as well as a one-off gain arising from the sale of a 13% stake in Northumbrian Water in 2022. These gains were partly offset by higher finance charges and a weaker pound sterling as compared with the Hong Kong dollar.

UK Power Networks received the Final Determination for the upcoming regulatory period from April 2023 to March 2028. This facilitates predictability of revenues for the coming years. In both the Broad Measure of Customer Service and that of Performance conducted by The Office of Gas and Electricity Markets (Ofgem), UK Power Networks was rated as the number one electricity distribution network operator for 2022. During the year, UK Power Networks received close to 30 awards, including being named the best in the utilities category in the UK for customer service according to the UK Customer Satisfaction Index compiled by the Institution of Customer Service, as well as Employer of the Year Award and Capital Project of the Year Award in Utility Week Awards.

During the year, Northumbrian Water captured first place in the annual UK Water Company Performance Survey conducted by British Water, and was again the only water company being listed among the World's Most Ethical Companies compiled by the Ethisphere Institute – this is the 11th time Northumbrian Water received such recognition.

Both Northern Gas Networks and Wales & West Gas Networks made good progress in studying hydrogen related opportunities. Northern Gas Networks has carried out a trial funded by Ofgem to demonstrate that the existing gas network can be repurposed to carry 100% hydrogen. In addition, the company's Hydrogen Home project was named Project of the Year 2022 by the Institution of Gas Engineers and Managers (IGEM) Awards.

Wales & West Gas Networks, together with other partners, carried out a demonstration of the world's first smart hydrogen hybrid heating system which was funded by UK Research and Innovation. This hybrid heating system is capable of switching flexibly between renewable electricity and green gases, such as hydrogen.

UK Rails signed new leases with ScotRail, Great Western Railway and East Midlands Railway, while Seabank Power entered into a fixed 100% toll arrangement which covers an initial six-year period until 2028.

### **Australian Infrastructure Portfolio**

In Australia, profit contribution increased 4% to HK\$1,976 million in 2022. This was on the back of higher contributions from United Energy, Victoria Power Networks and Energy Developments (“EDL”). The result was also partly offset by a weaker Australian dollar against the Hong Kong dollar. In local currency terms, profit increased 11%.

The country was hit by unprecedented storms in the fourth quarter of 2022, impacting operations in the states of Victoria and South Australia. Responding quickly to the challenges, the Group's businesses restored services in a timely manner to meet the demands of customers and regulators.

In the Australian Energy Regulator's benchmarking report for 2022, SA Power Networks, Powercor, CitiPower and United Energy ranked first, second, third and fifth in productivity respectively.

All four electricity distribution networks have been carrying out work to increase solar power capacity to be exported to their electricity grids.

Beon, the unregulated business of Victoria Power Networks, has been expanding rapidly with new projects for renewable energy connections, driving growth for the overall business.

In the regulatory landscape, Draft Determinations were received for the July 2023 to June 2028 period for Multinet Gas as well as for the businesses of Australian Gas Networks in the states of Victoria and New South Wales. Satisfactory outcomes were received with the decisions accepting the majority of the companies' proposed initiatives for the five-year period. Final Determinations will be released in the first half of 2023.

Australian Gas Networks' first renewable gas project, Hydrogen Park South Australia (HyP SA), has won the 2022 South Australian Premier's Community Engagement Award. It is Australia's largest renewable hydrogen facility and one of very few projects in the world that delivers a renewable gas blend to customers on an existing gas network.

In the Dampier Bunbury Pipeline business, the Pluto-Karratha Gas Plant Interconnector project was completed ahead of schedule and began operation in April 2022.

EDL successfully completed the Jabiru Hybrid Renewable Power Station in February 2022. The project was recognised at the 2022 Asian Power Awards, winning Solar Power Project of the Year. EDL has also continued to expand its landfill renewable gas business. Profit growth for EDL was enhanced by high merchant power prices during the year.

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

In Continental Europe, profit contribution was HK\$664 million, a decline of 4% as a result of weaker foreign exchange against the Hong Kong dollar. In local currency terms, profit contribution increased 6%.

Dutch Enviro Energy received a subsidy from the Dutch Government to build and operate its second Carbon Capture and Usage plant, while ista's new EcoTrend product, which gives apartment residents monthly snapshots of their heating energy and hot water consumption, has been in high demand since early 2022.

## **Canadian Infrastructure Portfolio**

In Canada, profit contribution increased significantly year-on-year by 30% to HK\$617 million, bolstered by robust contributions from Canadian Midstream Assets and Canadian Power. In local currency terms, profit contribution rose 33%.

The construction of Canadian Midstream Assets' Onion Lake lateral was completed and went into service in March 2022. A 15-year take-or-pay contract has been signed for the project.

Canadian Power's performance was boosted by favourable energy market conditions, while Park'N Fly returned to profitability following the post-pandemic recovery in travel.

Reliance Home Comfort continued to proceed with acquisitions to expand its business. Two transactions were completed during the year. They include an HVAC (heating, ventilation and air conditioning) company in Florida, USA, and a rental asset portfolio in the Greater Toronto Area.

## **New Zealand Portfolio**

Profit contribution from New Zealand decreased 2% to HK\$167 million due to weaker foreign exchange against the Hong Kong dollar. In local currency terms, profit increased 9% as compared with the previous year.

EnviroNZ signed a new contract with Dunedin City Council and Central Otago District Council as well as extended the contract with Wellington City Council in 2022.

Wellington Electricity published a 10-year Asset Management Plan which features its long-term investment plans that would achieve an optimum balance with service level and consumer pricing, as well as ways to facilitate New Zealand's Emissions Reduction Plan.

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

In Hong Kong and Mainland China, CKI's portfolio recorded net profit of HK\$196 million, down by 38%. The cement business in Mainland China was negatively impacted by the slowdown of the construction industry during Covid lockdown, as well as surging fuel costs. Traffic volume for the toll road operations in Mainland China was also low as a result of Covid lockdown.

## **SOLID FINANCIAL FOUNDATION PLATFORM**

The Group's financial position continued to be strong in 2022, with cash on hand of HK\$18 billion and a net debt to net total capital of 7% as at 31st December, 2022.

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

## **SUSTAINABILITY AND COMBATING CLIMATE CHANGE**

Around the world, CKI's diverse portfolio of businesses has worked intensively on carrying out environment initiatives. The Group's electricity distribution networks are all supporting their respective Governments in achieving Net Zero plans. Initiatives such as Electric Vehicle (EV) charging facilities, smart grid schemes and technologies to facilitate solar power integration into the grid are being trialled and launched. Sustainable energy producer, EDL, has successfully generated energy via wind, solar, as well as waste gases from landfills and underground coal mines. HK Electric is in the process of building an offshore LNG terminal, and plans for smart meter rollout is on schedule.

Our gas distribution companies in UK and Australia are all pioneer proponents in the application of hydrogen fuel.

The Group's waste management experts not only convert waste into energy, but also operate material recovery facilities for household and commercial recycling. Carbon Capture and Usage is another innovative sustainability initiative of our Group's businesses.

CKI is also actively pursuing new investment opportunities in the arena of environmental sustainability as part of the overall business development strategy.

## **OUTLOOK**

The global economy has entered 2023 with continued uncertainties and challenges. Inflation, interest rate pressures and geopolitical tensions remain very much part of the economic landscape faced by most world economies in the post-pandemic world.

I am highly optimistic about CKI's prospects. Our strong cash position, the low net debt to net total capital level, as well as our longstanding legacy of delivering good service, improving efficiency and ushering in new investments have further cemented our solid track record of being a leading global infrastructure player.

Currency fluctuations and finance costs arising from inflation are cyclical issues and are not of major medium/long term concerns. While inflation generally has an adverse effect in the short term on interest costs and operating expenses, the protective real rate of return regulations that characterise these businesses allows these rising costs to be recovered over time as the Regulated Asset Value is adjusted upwards by actual inflation.

CKI, together with other strategic partners within the CK Group, including CK Asset and Power Assets, who are also very solid in their financials, are well placed to capitalise on investment opportunities, whether in our existing industries or new ones, as they arise around the globe.

In tandem with our growth strategies lies the Group's undiminished commitment to financial prudence. With a track record of maintaining continued earnings growth and a comfortable gearing position, CKI's philosophy is to uphold the optimum balance between stability and growth. Indeed, this philosophy flows directly through to our M&A strategy and criteria as we only pursue new projects that sit comfortably within our risk profile and within the right pricing parameters. There is no "must win" mantra when it comes to our expansion plans.

I would like to take this opportunity to thank the Board for their unwavering support, our loyal staff for their valuable contributions and our stakeholders for their continued commitment.

**VICTOR T K LI**

Chairman

15th March, 2023

## **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, 2022, cash and bank deposits on hand amounted to HK\$18,045 million and the total borrowings of the Group amounted to HK\$28,211 million, which included Hong Kong dollar borrowings of HK\$2,673 million and foreign currency borrowings of HK\$25,538 million. Of the total borrowings, 18 per cent were repayable in 2023 and 82 per cent were repayable between 2024 and 2027. 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, 2022, the Group maintained a net debt position with a net debt to net total capital ratio of 7.3 per cent. This was based on HK\$10,166 million of net debt and HK\$139,548 million of net total capital, which represents the total borrowings plus total equity net of cash and bank deposits. This ratio was lower than that of 14.7 per cent at the year end of 2021, mainly attributable to the cash inflows from the investment portfolios together with the sale proceeds from the partial disposal of interest in joint ventures.

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, 2022, the notional amounts of these derivative instruments amounted to HK\$51,625 million.

## Charge on Group Assets

As at 31st December, 2022, certain assets were pledged to secure bank borrowings totalling HK\$1,523 million granted to the Group.

## Contingent Liabilities

As at 31st December, 2022, the Group was subject to the following contingent liabilities:

HK\$ million

Guarantee in respect of bank loan drawn by an affiliated company	548
Other guarantee given in respect of an affiliated company	253
Performance bond indemnities	168
Sub-contractor warranties	14
<b>Total</b>	<b>983</b>

## Employees

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 2,361 employees. Employees' cost (excluding directors' emoluments) amounted to HK\$941 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, 2022, 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”) throughout the year ended 31st December, 2022.

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 Anti-Fraud and Anti-Bribery Policy and 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, Mr. Paul Joseph Tighe (Chairman of the Audit Committee), Mr. Cheong Ying Chew, Henry, Mrs. Sng Sow-mei alias Poon Sow Mei and Mr. Lan Hong Tsung, David. The principal duties of the Audit Committee include: 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, 2022 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, Mrs. Sng Sow-mei alias Poon Sow Mei.

## **Nomination Committee**

The Company established its nomination committee (“Nomination Committee”) on 1st January, 2019 with a majority of the members thereof being Independent Non-executive Directors. 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. A majority of the Directors sitting on the Sustainability Committee are Independent Non-executive Directors. The Sustainability Committee comprises an Executive Director, Mr. Ip Tak Chuen, Edmond (Chairman of the Sustainability Committee), two Independent Non-executive Directors, Mr. Barrie Cook and Mr. Paul Joseph Tighe, and the Company Secretary, Ms. Eirene Yeung overseeing management and advising 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.

## **Annual General Meeting**

The 2023 Annual General Meeting (“2023 AGM”) of the shareholders of the Company will be held on Wednesday, 17th May, 2023. Details of the arrangements will be provided in the Company’s Circular in relation to the 2023 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 Friday, 12th May, 2023 to Wednesday, 17th May, 2023, 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 2023 AGM, 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 Thursday, 11th May, 2023.

The final dividend is payable to shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 23rd May, 2023, 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 Tuesday, 23rd May, 2023.

*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. 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	2022	2021
<b>Turnover</b>	2	<b>39,236</b>	40,730
<b>Sales and interest income from infrastructure investments</b>	2	<b>6,615</b>	7,048
Other income	3	925	412
Operating costs	4	(4,364)	(4,627)
Finance costs		(519)	(383)
Exchange gain		111	189
Share of results of associates		2,442	2,590
Share of results of joint ventures		3,084	2,886
<b>Profit before taxation</b>		<b>8,294</b>	8,115
Taxation	5	(121)	(161)
<b>Profit for the year</b>	6	<b>8,173</b>	7,954
<b>Attributable to:</b>			
Shareholders of the Company		7,748	7,515
Owners of perpetual capital securities		438	434
Non-controlling interests		(13)	5
		<b>8,173</b>	7,954
<b>Earnings per share</b>	7	<b>HK\$3.08</b>	HK\$2.98

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31st December

HK\$ million	Notes	2022	2021
Property, plant and equipment		3,017	3,029
Investment properties		408	408
Interests in associates		38,527	37,998
Interests in joint ventures		99,302	106,802
Other financial assets		1,590	1,613
Derivative financial instruments		1,249	441
Goodwill and intangible assets		2,246	2,447
Deferred tax assets		3	6
<b>Total non-current assets</b>		<b>146,342</b>	<b>152,744</b>
Inventories		309	171
Derivative financial instruments		53	768
Debtors and prepayments	9	1,118	1,231
Bank balances and deposits		18,045	8,085
<b>Total current assets</b>		<b>19,525</b>	<b>10,255</b>
Bank and other loans		5,148	10,389
Derivative financial instruments		891	177
Creditors, accruals and others	10	6,173	5,963
Taxation		56	134
<b>Total current liabilities</b>		<b>12,268</b>	<b>16,663</b>
<b>Net current assets / (liabilities)</b>		<b>7,257</b>	<b>(6,408)</b>
<b>Total assets less current liabilities</b>		<b>153,599</b>	<b>146,336</b>
Bank and other loans		23,063	19,458
Derivative financial instruments		314	164
Deferred tax liabilities		493	476
Other non-current liabilities		347	391
<b>Total non-current liabilities</b>		<b>24,217</b>	<b>20,489</b>
<b>Net assets</b>		<b>129,382</b>	<b>125,847</b>
Representing:			
Share capital		2,520	2,520
Reserves		116,873	113,314
<b>Equity attributable to shareholders of the Company</b>		<b>119,393</b>	<b>115,834</b>
Perpetual capital securities		9,885	9,885
Non-controlling interests		104	128
<b>Total equity</b>		<b>129,382</b>	<b>125,847</b>

## 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 period beginning on 1st January, 2022. 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.

### 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	2022	2021
Sales of infrastructure materials	2,066	2,417
Interest income from loans granted to associates	287	311
Interest income from loans granted to joint ventures	2,361	2,466
Sales of waste management services	1,901	1,854
<b>Sales and interest income from infrastructure investments</b>	<b>6,615</b>	<b>7,048</b>
<b>Share of turnover of joint ventures</b>	<b>32,621</b>	<b>33,682</b>
<b>Turnover</b>	<b>39,236</b>	<b>40,730</b>

### 3. OTHER INCOME

Other income includes the following:

HK\$ million	2022	2021
Gain on disposal of joint ventures	526	-
Bank interest income	203	45
Change in fair values of investment properties	-	12

#### 4. OPERATING COSTS

Operating costs include the following:

HK\$ million	2022	2021
Depreciation of property, plant and equipment	306	324
Amortisation of intangible assets	36	45
Cost of inventories sold	1,952	2,041
Cost of services provided	1,137	1,101

#### 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	2022	2021
Current taxation – Hong Kong	1	1
Current taxation – outside Hong Kong	67	135
Deferred taxation	53	25
<b>Total</b>	<b>121</b>	<b>161</b>

## 6. PROFIT FOR THE YEAR AND SEGMENT INFORMATION

for the year ended 31st December

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	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Turnover	-	-	18,795	20,535	6,703	6,535	4,827	4,963	3,395	3,673	3,064	2,602	2,452	2,422	39,236	40,730	-	-	39,236	40,730
Sales and interest income from infrastructure investments	-	-	1,184	1,287	658	596	556	638	2,066	2,417	250	256	1,901	1,854	6,615	7,048	-	-	6,615	7,048
Bank interest income	-	-	-	-	-	-	-	-	44	33	-	-	2	1	46	34	157	11	203	45
Other income	-	-	-	-	-	45	-	-	132	69	-	-	5	7	137	121	2	90	139	211
Change in fair value of derivative financial instruments/ other financial assets	-	-	-	(329)	-	-	-	-	-	-	-	-	-	-	-	(329)	51	156	51	(173)
Depreciation and amortisation	-	-	-	-	-	-	-	-	(105)	(122)	-	-	(236)	(246)	(341)	(368)	(1)	(1)	(342)	(369)
Other operating costs	-	-	-	-	-	-	-	-	(2,096)	(2,179)	-	-	(1,500)	(1,464)	(3,596)	(3,643)	(420)	(286)	(4,016)	(3,929)
Finance costs	-	-	-	-	-	-	-	-	-	-	-	-	(69)	(47)	(69)	(47)	(450)	(336)	(519)	(383)
Exchange (loss) / gain	-	-	-	(9)	-	-	-	-	(32)	-	-	-	-	-	(32)	(9)	143	198	111	189
Gain on disposal of joint ventures	-	-	526	-	-	-	-	-	-	-	-	-	-	-	526	-	-	-	526	-
Share of results of associates and joint ventures#	2,033	2,208	1,359	1,422	1,318	1,262	108	56	189	181	430	259	89	88	5,526	5,476	-	-	5,526	5,476
<b>Profit / (Loss) before taxation</b>	<b>2,033</b>	<b>2,208</b>	<b>3,069</b>	<b>2,371</b>	<b>1,976</b>	<b>1,903</b>	<b>664</b>	<b>694</b>	<b>198</b>	<b>399</b>	<b>680</b>	<b>515</b>	<b>192</b>	<b>193</b>	<b>8,812</b>	<b>8,283</b>	<b>(518)</b>	<b>(168)</b>	<b>8,294</b>	<b>8,115</b>
Taxation	-	-	-	-	-	-	-	-	(15)	(78)	(63)	(40)	(25)	(23)	(103)	(141)	(18)	(20)	(121)	(161)
<b>Profit / (Loss) for the year</b>	<b>2,033</b>	<b>2,208</b>	<b>3,069</b>	<b>2,371</b>	<b>1,976</b>	<b>1,903</b>	<b>664</b>	<b>694</b>	<b>183</b>	<b>321</b>	<b>617</b>	<b>475</b>	<b>167</b>	<b>170</b>	<b>8,709</b>	<b>8,142</b>	<b>(536)</b>	<b>(188)</b>	<b>8,173</b>	<b>7,954</b>
<b>Attributable to:</b>																				
Shareholders of the Company	2,033	2,208	3,069	2,371	1,976	1,903	664	694	196	316	617	475	167	170	8,722	8,137	(974)	(622)	7,748	7,515
Owners of perpetual capital securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	438	434	438	434
Non-controlling interests	-	-	-	-	-	-	-	-	(13)	5	-	-	-	-	(13)	5	-	-	(13)	5
	<b>2,033</b>	<b>2,208</b>	<b>3,069</b>	<b>2,371</b>	<b>1,976</b>	<b>1,903</b>	<b>664</b>	<b>694</b>	<b>183</b>	<b>321</b>	<b>617</b>	<b>475</b>	<b>167</b>	<b>170</b>	<b>8,709</b>	<b>8,142</b>	<b>(536)</b>	<b>(188)</b>	<b>8,173</b>	<b>7,954</b>

# 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 in the year ended 31st December, 2021.

## 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\$7,748 million (2021: HK\$7,515 million) and on 2,519,610,945 shares (2021: 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	2022	2021
Interim dividend paid of HK\$0.70 per share (2021: HK\$0.69 per share)	1,764	1,739
Proposed final dividend of HK\$1.83 per share (2021: HK\$1.81 per share)	4,611	4,560
<b>Total</b>	<b>6,375</b>	<b>6,299</b>

During the year ended 31st December, 2021, dividends of HK\$6,299 million are stated after elimination of HK\$90 million paid for the shares issued in connection with the issue of perpetual capital securities. There is no such elimination in 2022 after the cancellation of such shares in December 2021.

(b) HK\$ million	2022	2021
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$1.81 per share (2021: HK\$1.79 per share)	4,560	4,510

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 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\$349 million (2021: HK\$311 million) and their aging analysis is as follows:

HK\$ million	2022	2021
Less than 1 month	215	214
1 to 3 months	112	87
More than 3 months but less than 12 months	27	19
More than 12 months	4	3
Gross total	358	323
Loss allowance	(9)	(12)
<b>Total after allowance</b>	<b>349</b>	<b>311</b>

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

## 10. CREDITORS, ACCRUALS AND OTHERS

Included in creditors, accruals and others are trade creditors of HK\$313 million (2021: HK\$243 million) and their aging analysis is as follows:

HK\$ million	2022	2021
Current	241	164
1 month	30	27
2 to 3 months	11	12
Over 3 months	31	40
<b>Total</b>	<b>313</b>	<b>243</b>

## **11. REVIEW OF ANNUAL RESULTS**

The annual results have been reviewed by the Audit Committee.

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

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement and the related notes thereto for the year ended 31st December, 2022 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 as approved by the Board of Directors on 15th March 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.