



# H L KAM

Group Managing Director

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# GROUP MANAGING DIRECTOR'S REPORT

## ATTRIBUTING CKI'S SUCCESS TO THE 30,000 COLLEAGUES OF THE CKI FAMILY

As our Chairman Mr. Victor Li reported, CKI registered satisfactory financial and operating results in 2022. In local currency terms, the profit contributions from the international infrastructure businesses in 2022 represented a 16% increase over that of 2021. Despite the challenges of the past few years, CKI continues to maintain steady growth for shareholders and provide essential services for the communities we serve.

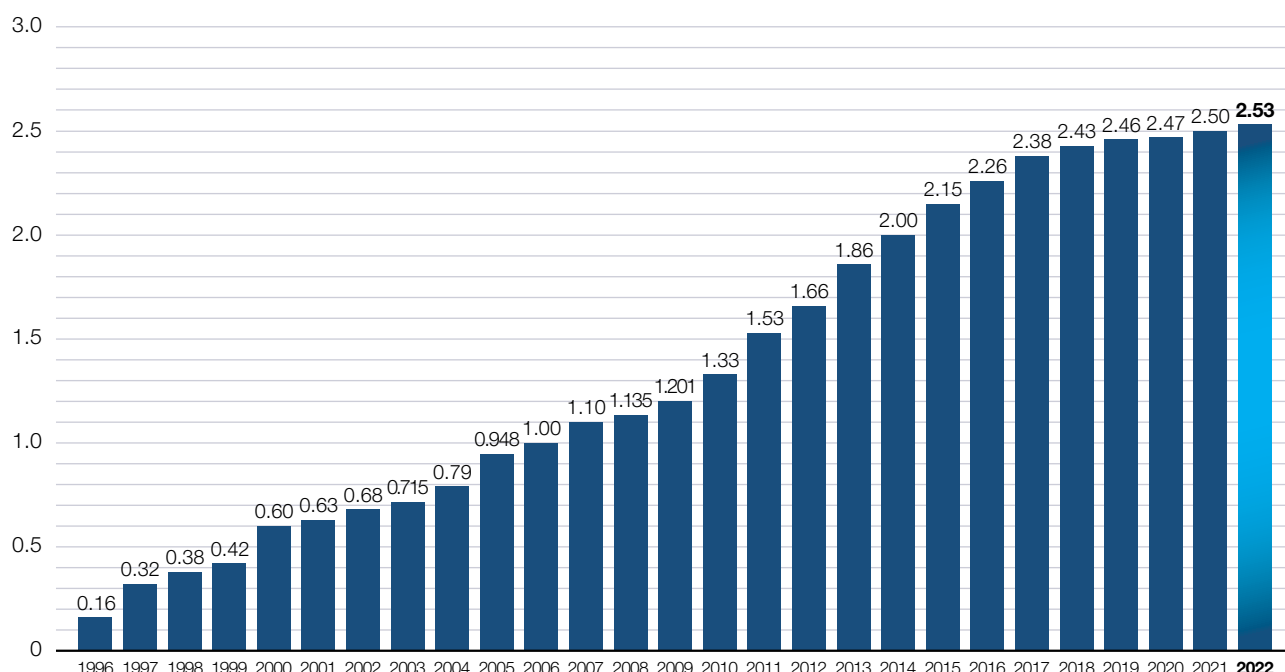
## ONE OF VERY FEW LISTED COMPANIES THAT DELIVERS UNINTERRUPTED DIVIDEND GROWTH

CKI has always been characterised by its strong resilience and solid finances. This has been repeatedly tested and verified, especially during the COVID period the past few years.

Prudent financial management has always been the bedrock of CKI. The Group's conservative risk management approach has created a strong and healthy financial position that enables the Group to weather storms. Our member companies have staged excellent performances, and the funds from operations have supported the Group in maintaining continuous dividend growth in 2022. CKI is one of the very few listed companies in the world that has sustained a dividend growth for 26 consecutive years since its initial offering in 1996.

### Dividend per Share since Listing in 1996

(HK\$)



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## FAMILY SPIRIT DRIVES OUR GROWTH MOMENTUM

In my GMD Report 2021, I stated that the success of CKI is attributed to its resilient nature. Now, I have discovered a new element that forms the basis of our resilience. When I attended the budget meetings in Melbourne for all of our member companies in the Southern Hemisphere, and in London for all of our member companies in the Northern Hemisphere in November 2022, I was inspired by two observations:

- All our member companies met their budget targets in 2022 despite the volatile environment and tough business conditions.
- All member companies have developed 2023 budgets that show growth, self-confidence and determination.

It is no mere coincidence that both our regulated and non-regulated businesses spanning different parts of the world delivered the same outstanding performances in 2022. Our regulated businesses such as electricity distribution, gas distribution and water utilities undeniably form the solid financial foundation for the Group. At the same time, our non-regulated businesses, such as off-airport car parking, train leasing, waste management, and household infrastructure, all performed extraordinarily well and delivered strong results. Hence, I deduced that it must be the “people” in the CKI family who form the culture that fosters unity and gives the Group as a whole its resilience.

We have long recognised our staff members as our most valuable asset. It is no coincidence that we have been able to attract, and more importantly, retain the right people for our diverse businesses across industries and across borders. We are blessed to have built a family of 30,000+ loyal members who are so passionate about making a difference through their dedicated work. Our family culture is an asset that cannot be easily copied — it is as distinctive as an individual's DNA.

## THE CKI FAMILY CULTURE THAT BINDS OUR DIVERSIFIED AND GLOBAL BUSINESSES TOGETHER

CKI is a diversified portfolio comprising more than 20 companies spanning different parts of the world, and these companies engage in a variety of industries. With this scale of diversification, CKI's success lies in the ability to establish a unique “Family Culture” that signifies family spirit, loyalty, commitment, teamwork, understanding and togetherness. These qualities have been well demonstrated by CKI family's three groups of people.

## THE THREE GROUPS OF COLLEAGUES IN CKI'S FAMILY

CKI has smoothly navigated the difficulties of the past few years. All of our member companies overcame enormous challenges in the past year to achieve resilient results. The common denominator is the 30,000+ talented and dedicated people who make up the CKI global family with its unique culture.

Three groups of people within the CKI family are integral to our sustained success:

- Board members, Executive Directors and Senior Management of each member company
- CKI Head Office Management Members
- All Frontline and Office Colleagues

## **(I) SALUTE TO THE BOARDS, EXECUTIVE DIRECTORS AND SENIOR MANAGEMENT OF CKI MEMBER COMPANIES**

No doubt 2022 was a difficult year. In addition to maintaining smooth daily operations in the face of constant disruptions, the boards, executive directors and senior management of member companies had to contend with challenges compounded by accelerated inflation. Rising material, logistics and labour costs, manpower shortages and other factors conflated to stretch management's capacity to navigate through stormy waters.

A number of our Board members, CEOs and senior executives around the world have been a part of our family for a long time. Many of them joined us when their companies became part of the CKI family. Applying their extensive experience and in-depth knowledge, our local management teams handle complex sets of issues with aplomb. CKI's regulated businesses delivered stable services through extreme weather conditions and operational difficulties. In the meantime, our non-regulated businesses continued to generate stable income protected by long-term contracts.

The invaluable contributions of our local management teams, which have played significant roles in laying a strong foundation for their respective companies, continue to take these companies to new heights.

During the year, CKI member companies not only displayed outstanding financial performance, they also performed exceptionally well in terms of operations. Our member companies were recognised for their distinguished aspects such as operational efficiency, technological innovation, customer service, CSR and sustainability initiatives, and contribution to society as evident by numerous prestigious awards presented by reputable organisations from around the world.

The following are some examples of recognition which our businesses have been given:

- UK Power Networks was rated as the number one electricity distribution network operator for 2022 in both the Broad Measure of Customer Service and that of Performance conducted by Ofgem. The company received close to 30 awards, including best in the UK for customer service in the utilities category, and most importantly, Employer of the Year Award.
- Northumbrian Water captured first place in the annual UK Water Company Performance Survey conducted by British Water, and was again the only water company listed among the World's Most Ethical Companies compiled by the Ethisphere Institute.
- Northern Gas Networks' Hydrogen Home project was named Project of the Year 2022 by the Institution of Gas Engineers and Managers (IGEM) Awards.
- Wales & West Gas Networks won the Gold Award in the Royal Society for the Prevention of Accidents (RoSPA) Health & Safety Awards 2022.
- UK Rails was selected as Technical Innovation of the Year winner in the Global Light Rail Awards 2022.
- In the Australian Energy Regulator's benchmarking report for 2022, SA Power Networks, CitiPower, Powercor and United Energy ranked first, second, third and fifth in productivity respectively among the 13 distribution network service providers in Australia.
- Australian Gas Networks' first renewable gas project, Hydrogen Park South Australia (HyP SA), won the 2022 South Australian Premier's Community Engagement Award.

# GROUP MANAGING DIRECTOR'S REPORT

- EDL's Jabiru Hybrid Renewable Power Station project was recognised at the 2022 Asian Power Awards, winning Solar Power Project of the Year.
- Wellington Electricity's collaborative programme EnergyMate won the 2022 Outcomes Award in the New Zealand Energy Excellence Awards.
- EnviroNZ was named Winner in both the Health and Safety Category and Organics Materials Category in 2022 WasteMINZ Awards for Excellence.
- Reliance Home Comfort was presented with Best of Home Stars Awards 2022 in the Heating & Cooling Category.
- HK Electric was presented with the Gold Award and Sustainable Business Award in the BOCHK Corporate Environmental Leadership Awards by the Federation of Hong Kong Industries. HK Electric also received Hong Kong Institute of Engineers MIS Industry Award 2022.
- Green Island Cement obtained an Outstanding Award in the Hong Kong Occupational Safety & Health Award, and Gold Green Management Award in the Hong Kong Green Awards 2022.
- Alliance Construction Materials received the Management Award, Pioneering Organisation, and Leadership Award for Net-Zero Contribution in the Hong Kong Quality Assurance Agency Recognition Programme 2022.

These are just some examples of all the awards received. In fact, nearly every member company received some kind of award recognition for their professionalism and contribution to society. In 2022, a total of approximately 170 awards were presented to the CKI member companies around the world.

## (II) CREDIT TO THE HEAD OFFICE TEAM MEMBERS

In addition to the tremendous efforts by the senior management teams of the member companies at local level, the satisfactory results of 2022 can very well be attributed to the leadership and contributions made by the dynamic and professional management team at the Head Office on a marco level.

The elite professionals that comprise our Executive Committee which is led by Chairman Victor Li wield expertise in finance, investment, international management, law and public affairs. It has been well noted that it is not CKI's culture to assign head office staff as expatriates on site and run the day-to-day businesses of our member companies overseas. The management teams of each member company are usually locally formed and groomed. Nevertheless, they maintain a close relationship with the Head Office management team. The trick of CKI's success depends upon the mutual trust between the Head Office team members and local management. The value of the Head Office management is to understand, encourage, motivate and provide thought leadership as well as guidance, and most importantly, offer help to improve the member companies' performance rather than exert direct interference on their operations.



I would describe the relationship between the Head Office team and the respective local management teams as analogous to Newton's Second Law of Motion, which states that the acceleration of an object is related to two variables – the net force acting on the object and the mass of the object. Similarly, the role of the Head Office team acts as an external force that can influence the momentum of the member companies in positive ways, empowering the member companies to exceed and excel. They always keep a close eye not so much on control but more on how they can be of help, as well as make key decisions together.

One of the Head Office's key functions is to create synergy among our CKI family members, accelerate collaboration and ensure cohesiveness. Over the past years, the Head Office team contributed to the success of the member companies through:

- (1) Actively participating in overseas board meetings held on site at member companies;
- (2) Working together on sub-committees and special projects;
- (3) Ensuring effective, uninterrupted communication among various local management teams and head office;
- (4) Creating synergy among the member companies by organising various committees and conferences on issues such as health and safety, risk management, innovation, IT and public relations, etc.

The Head Office has effectively laid a shared platform for all member companies to facilitate their performance towards a common goal.

### **(III) A TRIBUTE TO GENERAL STAFF MEMBERS OF THE CKI FAMILY**

The bulk of our infrastructure portfolio comprises utility companies that provide essential services including electricity distribution networks, gas transmission and distribution networks, water utilities, energy infrastructure, transportation infrastructure, household infrastructure, and waste management. In a year marked by devastating climate events impacting different regions, utility companies found themselves in the metaphorical eye of the storm, working against all odds to ensure that the essential services they provide continue without major disruptions.

Time and again, our colleagues braved enormous difficulties caused by the pandemic or extreme weather events to ensure continuous, efficient and uninterrupted essential services, often putting their own wellbeing at risk. Their unwavering commitment to excellence and integrity in performing their duties are not only crucial to their respective communities, but also instrumental in mitigating the negative financial impact caused by these natural disasters.

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### **CKI REPRESENTS THE “AMALGAMATION OF INDIVIDUAL SUCCESSSES”**

As a global family, the story of CKI is a story of the “Amalgamation of Individual Successes”. Like an equation – when individual staff members perform well, our member companies achieve success; by the same token, when our individual member companies achieve success, CKI as a group collectively reaps satisfactory results.

The fact is that each staff member of our big family possesses the precious qualities of loyalty, commitment and diligence. Together they form a strong foundation for each member company to strive for success.

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## TOGETHER, WE ARE BUILDING A PROMISING FUTURE

In an era marked by cascading global crises with compounding effects, a 26-year streak of continuous dividend growth may be considered somewhat of an outlier. Progressing forward, CKI will continue to implement our simple yet effective set of strategies as we move forward:

- (1) Grow existing businesses organically;
- (2) Acquire new businesses with good and stable returns;
- (3) Maintain a strong balance sheet with steady cashflow and low gearing;
- (4) Advance our sustainability efforts.

As the global pandemic appears smaller and smaller in our rearview mirrors, it should be acknowledged that CKI has been “lucky” to be bonded through the global CKI family in good times and in bad. In every instance when CKI enlisted a new company into our Group, the tangible assets have been important, but the knowledge and experience of the local teams have been invaluable. Today, our 30,000+ strong global team has become one of the Group's greatest competitive strengths. CKI is fully committed to continue fostering a culture and environment where everyone is valued and given every opportunity to realise their career dreams and ambitions.

**H L KAM**

Group Managing Director

15th March, 2023