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 2018

Underlying Business Profit Exceeded $10b – An Increase of 13%

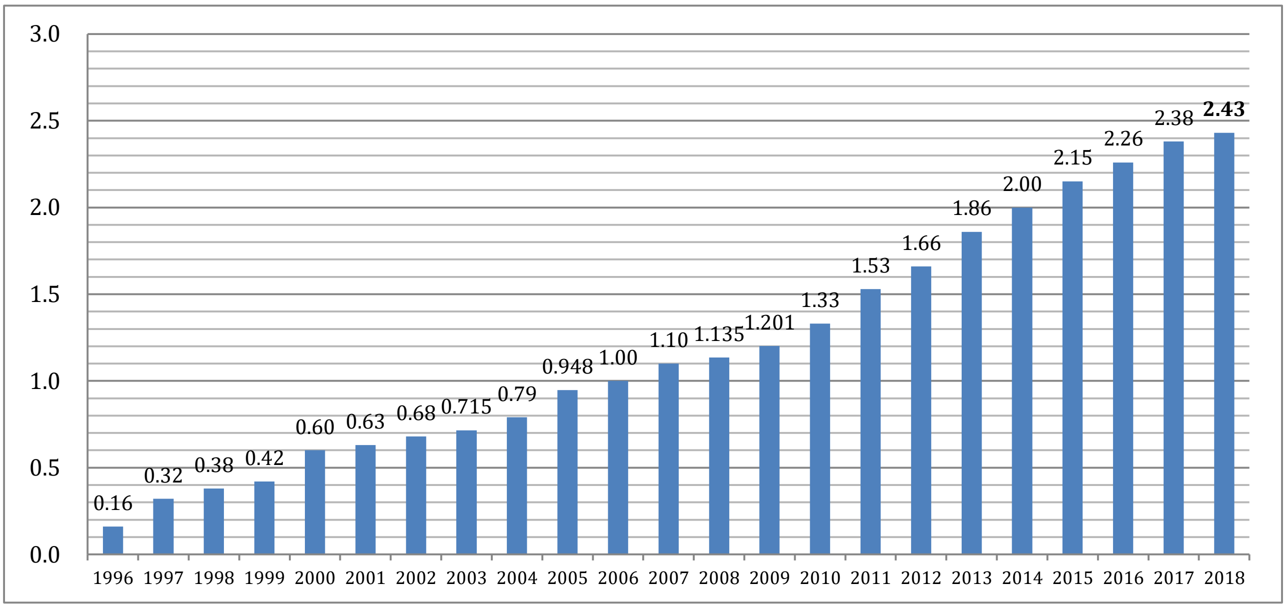
	2018	2017	% change
Profit Attributable to Shareholders (HK$ million)	10,443	10,256	2%
Underlying Business Profit Contribution (HK$ million)	10,443	9,236	13%

For the year ended 31st December, 2018, CK Infrastructure Holdings Limited ("CKI", the "Company" or the "Group") recorded profit attributable to shareholders of HK$10,443 million, an increase of 2% from the previous year. Excluding the one-off items recorded in 2017, the increase in underlying business profit contribution was 13%.

22 YEARS OF CONTINUED DIVIDEND GROWTH

The Board of Directors of CKI (the "Board") has recommended a final dividend of HK$1.75 per share. Together with the interim dividend of HK$0.68 per share, this will bring the total dividend for the year to HK$2.43, a 2% increase over the previous year. This represents the 22nd consecutive year of dividend growth since CKI was listed in 1996. The proposed dividend will be paid on Friday, 31st May, 2019, following approval at the 2019 Annual General Meeting to those shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 21st May, 2019.

Dividends per Share since Listing
(HK$)



BUSINESS REVIEW

POWER ASSETS

Profit contribution from Power Assets was HK$2,903 million (2017: HK$3,214 million). Taking out the one-off disposal gains recorded in 2017 and adjusting for certain treasury items, profit contribution increased by 9% as compared with the previous year.

Hongkong Electric, of which Power Assets holds a 33.37% stake, has entered into a new Scheme of Control in Hong Kong for a 15-year period with effect from 1st January, 2019. This framework is set to provide stability and predictability of profit contribution in the coming years.

UNITED KINGDOM PORTFOLIO

In the United Kingdom, profit contribution was HK$5,275 million (2017: HK$5,273 million). Excluding one-off items such as prior year adjustments and capital allowance claims recorded in 2017, the profit contribution of the underlying businesses increased 5% year-on-year. Overall, the Group's businesses have performed satisfactorily amidst a challenging macro environment dominated by the political uncertainty surrounding Brexit. The operating landscape in the United Kingdom is likely to remain unpredictable in 2019. Largely underpinned by regulatory returns, CKI's businesses are expected to continue to achieve steady performance.

UK Power Networks continued to be the largest profit contributor to the Group. It recorded solid growth in 2018. Within the electricity distributors in the country, UK Power Networks was one of the top performers during the year, especially in the areas of network reliability, safety, lowest cost to customers, employee engagement, and innovation. The current regulatory regime will remain in place until March 2023, allowing predictable and steady returns in the near term.

Northumbrian Water performed in line with expectations. In 2018, it was named "Water Company of the Year" in the Water Industry Achievement Awards.

The Group's two gas distribution companies in the United Kingdom, Northern Gas Networks and Wales & West Gas Networks, continued to perform well. Northern Gas Networks maintained its reputation for excellent customer service, achieving the highest 5-year average score in customer satisfaction according to the latest report of the regulator, Ofgem. Wales & West Gas Networks was named "Company of the Year" at the Gas Industry Awards 2018 organised by the Institute of Gas Engineers & Managers.

In UK Rails, newly constructed fleets of trains have been delivered and smoothly introduced into service on schedule. These trains have been well received by passengers.

AUSTRALIAN PORTFOLIO

Profit contribution from the Australian business was HK$2,066 million (2017: HK$1,939 million), representing a 7% increase over the previous year.

The Group's electricity distribution networks in Australia – SA Power Networks in South Australia, as well as Victoria Power Networks and the recently acquired United Energy in Victoria – all performed well. In the Annual Benchmarking Report released by the Australian Energy Regulator, all of the Group's electricity distribution networks were named the top performers in efficiency.

The gas businesses, Australian Gas Networks and Multinet Gas, made good progress. The gas networks in Victoria and New South Wales have entered into a new regulatory period in 2018; predictable returns have been secured.

During the year, the Dampier Bunbury Pipeline was awarded a major contract to build, own and operate a new natural gas pipeline to serve certain gold fields in Northern Territories for the next 10 years. Good stable returns are expected.

The performance of Energy Developments Pty Limited, which specialises in producing clean energy and providing energy solutions in remote regions, was recognised at the South Australian Premier's 2018 Awards for its Coober Pedy Renewable Hybrid Project which enabled the town of Coober Pedy to generate electricity largely from renewables.

CONTINENTAL EUROPE PORTFOLIO

Profit contribution from the Group's businesses in Continental Europe more than doubled to HK$870 million (2017: HK$412 million) in 2018. The increase is mainly attributed to the first full year of contribution from ista. In addition, the financial performance of Dutch Enviro Energy as well as Portugal Renewable Energy was both better than last year.

CANADIAN PORTFOLIO

In Canada, CKI has investments in Canadian Power, Park'N Fly, Canadian Midstream Assets and Reliance Home Comfort. The Canadian portfolio recorded profit contribution of HK$335 million (2017: HK$241 million), a 39% increase over the previous year. This is mainly attributable to the first full year of contribution from Reliance Home Comfort.

NEW ZEALAND PORTFOLIO

The New Zealand portfolio comprises Wellington Electricity and EnviroNZ. Profit contribution from New Zealand was largely flat at HK$172 million (2017: HK$171 million) as compared to the previous year. The result was affected by the weak exchange rate. In local currency, the profit contribution recorded a 3% increase.

HONG KONG AND MAINLAND CHINA PORTFOLIO

The Hong Kong and Mainland China portfolio includes materials business, and infrastructure investments in Mainland China. Profit contribution from this portfolio was HK$389 million (2017: HK$468 million), a drop of 17%. The result was affected by the performance of the toll roads which was impacted by traffic diversions and slower economic growth in the region.

With regards to the Group's materials business, the acquisition of a cement grinding plant and three pier berths in Yunfu City was completed in 2018.

ACQUISITION OF ECONOMIC BENEFITS FROM CK HUTCHISON IN 2018

In August 2018, CKI entered into an economic benefits agreement with CK Hutchison. The Group has increased its entitlement to distributions from six businesses – Northumbrian Water, UK Rails, Wales & West Gas Networks, Australian Gas Networks, Park'N Fly and Dutch Enviro Energy – for a consideration of approximately US$917.2 million (approximately HK$7,200 million).

This long-term investment is poised to generate stable investment income for the Group in the coming years.

STRONG FINANCIAL MANAGEMENT

CKI upholds a good reputation for its sound financial platform. The Group is committed to monitoring its financial position closely while growing a diverse investment portfolio. CKI is in a prime position to make new accretive acquisitions that will further enrich the global portfolio with cash on hand of HK$6 billion and sufficient debt capacity.

In September 2018, Standard & Poor's upgraded CKI to a credit rating of "A/Stable".

OUTLOOK

Looking ahead in 2019, there remain many uncertainties across the global economic landscape. A number of issues such as Sino-US trade negotiations, Brexit, and rising populist political influences loom at the forefront of the world investment community.

Amidst the uncertainties and challenges, the steady recurring cashflows of CKI which are underpinned by long term contracts and regulatory regimes continue to act as strong pillars of growth. Our past track record has well demonstrated this resilience.

Leveraging on our solid financials, together with our strategic partners – CK Asset and Power Assets – we are well placed to take on sizeable investment opportunities around the world. In addition to conventional infrastructure businesses, we are looking into the broader spectrum and studying investments in new industries and other infrastructure-like businesses. While pursuing new growth opportunities, we will continue to adhere to our principle of not holding a "must-win" mentality.

I would like to take this opportunity to thank our shareholders for their continued support and our staff and stakeholders for their commitment to CKI's growth.

Victor T K Li
Chairman

20th March, 2019

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, 2018, cash and bank deposits on hand amounted to HK$6,090 million and the total borrowings of the Group amounted to HK$30,139 million, which included Hong Kong dollar borrowings of HK$2,440 million and foreign currency borrowings of HK$27,699 million. Of the total borrowings, 5 per cent were repayable in 2019, 73 per cent were repayable between 2020 and 2023 and 22 per cent were repayable beyond 2023. 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 31st December, 2018, the Group maintained a net debt position with a net debt to net total capital ratio of 16.5 per cent, which was based on its net debt of HK$24,049 million and net total capital, which represents the total borrowings plus total equity net of cash and bank deposits, of HK$145,953 million. This ratio was slightly improved when compared with the net debt to net total capital ratio of 17.6 per cent at the year end of 2017 mainly due to cash inflows from the investment portfolios.

The fluctuations in currencies and in particular, the devaluation of the British pound arising from the United Kingdom referendum vote to leave the European Union had an impact on all businesses in the market that have exposure in the United Kingdom and/or to British pound. While the Group is not immune from such impact, there is no material change beyond market expectation.

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, 2018, the notional amounts of these derivative instruments amounted to HK$60,117 million.

Charge on Group Assets

As at 31st December, 2018:

- the Group's obligations under finance leases totalling HK$14 million were secured by charges over the leased assets with carrying value of HK$13 million; and

- the shares of a subsidiary were pledged to secure bank borrowings totalling HK$1,228 million granted to the Group.

Contingent Liabilities

As at 31st December, 2018, the Group was subject to the following contingent liabilities:

HK$ million	
Guarantee in respect of bank loan drawn by an affiliated company	1,136
Other guarantee given in respect of an affiliated company	529
Performance bond indemnities	89
Total	1,754

Employees

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 2,056 employees. Employees' cost (excluding directors' emoluments) amounted to HK$790 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, 2018, 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 year ended 31st December, 2018. In respect of code provisions A.5.1 to A.5.4 of the CG Code, the Company did not have a nomination committee during the year 2018. During the year, the full Board was responsible for reviewing the structure, size and composition of the Board and the appointment of new Directors from time to time to ensure that it had a balanced and diversified composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole was also responsible for reviewing the succession plan for the Directors, in particular the positions of Chairman of the Board ("Chairman") and Group Managing Director.

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 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 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 five Independent Non-executive Directors, namely, Mr. Colin Stevens Russel (Chairman of the Audit Committee), Mr. Cheong Ying Chew, Henry, Mrs. Kwok Eva Lee, Mrs. Sng Sow-mei alias Poon Sow Mei and Mr. Lan Hong Tsung, David. The principal duties of the Audit Committee include: the review and supervision of the Group's financial reporting system, 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, 2018 have been reviewed by the Audit Committee and audited by the independent auditor of the Company, Deloitte Touche Tohmatsu.

Remuneration Committee

In compliance with the CG Code, the Company established its remuneration committee ("Remuneration Committee") on 1st January, 2005 with a majority of the members thereof being Independent Non-executive Directors. The Remuneration Committee comprises the Chairman, 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 ("Nomination Committee") on 1st January, 2019 which comprises all Directors of the Company, and the Chairman of the Board is the Chairman of the Nomination Committee. When the need to select, nominate or re-elect Directors arises, a sub-committee will be established comprising members from the Nomination Committee in compliance with the requirements under the Listing Rules in relation to the composition of the Nomination Committee.

Annual General Meeting

The 2019 Annual General Meeting of the shareholders of the Company will be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Wednesday, 15th May, 2019 at 10:30 a.m. and the Notice of Annual General Meeting will be published and despatched to the shareholders in the manner as required by the Listing Rules in due course.

Closure of Register of Members

The Register of Members of the Company will be closed from Thursday, 9th May, 2019 to Wednesday, 15th May, 2019, 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 2019 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, 8th May, 2019.

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, 21st May, 2019, 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, 21st May, 2019.

CONSOLIDATED INCOME STATEMENT

for the year ended 31st December

HK$ million	Notes	**2018**	2017
Turnover	4	**37,923**	31,642
Sales and interest income from infrastructure investments	4	**7,149**	6,016
Other income	5	**386**	792
Operating costs	6	**(3,923)**	(4,083)
Finance costs		**(502)**	(648)
Exchange (loss) / gain		**(51)**	120
Share of results of associates		**3,405**	3,693
Share of results of joint ventures		**4,894**	5,038
Profit before taxation		**11,358**	10,928
Taxation	7	**(105)**	(72)
Profit for the year	8	**11,253**	10,856
Attributable to:			
Shareholders of the Company		**10,443**	10,256
Owners of perpetual capital securities		**796**	626
Non-controlling interests		**14**	(26)
		11,253	10,856
Earnings per share	9	**HK$4.14**	HK$4.07

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31st December

HK$ million	Notes	2018	2017
Property, plant and equipment		**2,508**	2,462
Investment properties		**382**	360
Interests in associates		**38,191**	43,108
Interests in joint ventures		**95,892**	98,462
Other financial assets		**7,821**	702
Derivative financial instruments		**2,448**	1,253
Goodwill and intangible assets		**2,556**	2,569
Deferred tax assets		**12**	7
Other non-current assets		**-**	136
Total non-current assets		**149,810**	149,059
Inventories		**170**	170
Derivative financial instruments		**567**	-
Debtors and prepayments	11	**1,133**	804
Bank balances and deposits		**6,090**	9,781
Total current assets		**7,960**	10,755
Bank and other loans		**1,442**	10,896
Derivative financial instruments		**14**	417
Creditors and accruals	12	**4,703**	4,242
Taxation		**128**	114
Total current liabilities		**6,287**	15,669
Net current assets/(liabilities)		**1,673**	(4,914)
Total assets less current liabilities		**151,483**	144,145
Bank and other loans		**28,697**	24,140
Derivative financial instruments		**396**	1,287
Deferred tax liabilities		**463**	468
Other non-current liabilities		**23**	58
Total non-current liabilities		**29,579**	25,953
Net assets		**121,904**	118,192
Representing:			
Share capital		**2,651**	2,651
Reserves		**104,522**	100,822
Equity attributable to shareholders of the Company		**107,173**	103,473
Perpetual capital securities		**14,701**	14,701
Non-controlling interests		**30**	18
Total equity		**121,904**	118,192

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

In the current year, the Group has adopted a number of revised 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, 2018. Except as described in Note 2 below, the adoption of those revised 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. CHANGES IN ACCOUNTING POLICIES

(a) HKFRS 9 "Financial Instruments"

In the current year, the Group has adopted HKFRS 9 "Financial Instruments". HKFRS 9 is effective for the accounting periods beginning on or after 1st January, 2018. The Group applied the transition provisions set out in HKFRS 9 to adjust the retained profits or other reserves as at 1st January, 2018, without restating comparative information retrospectively by applying the classification and measurement requirements (including impairment) to instruments that have not been derecognised as at 1st January, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1st January, 2018. In addition, the Group applied the hedge accounting prospectively. Except for the share of impacts on associates and joint ventures as explained in note 3, the principal effects resulting from the application of HKFRS 9 on the Group's assets or liabilities are summarised below:

2. CHANGES IN ACCOUNTING POLICIES (CONT'D)

(a) HKFRS 9 "Financial Instruments" (Cont'd)

Classification and measurement of financial assets and financial liabilities

HKFRS 9 introduces a new classification and measurement approach for financial assets that reflects the business model in which assets are managed, and their cash flow characteristics. It also introduces the new requirements on the accounting for financial liabilities that are designated at fair value through profit or loss.

Prior to 1st January, 2018, the Group's investments in securities were classified as either "available-for-sale financial assets" or "financial assets at fair value through profit or loss". From 1st January, 2018 onwards, the equity securities and debt securities previously classified as "available-for-sale financial assets" are classified as "financial assets at fair value through profit or loss" and "financial assets at amortised cost", respectively, according to the business model and cashflow characteristics. All other financial assets continue to be measured on the same basis as are measured under Hong Kong Accounting Standard ("HKAS") 39 "Financial Instruments: Recognition and Measurement".

Impairment of financial assets

HKFRS 9 replaces the "incurred loss" impairment model in HKAS 39 with a forward-looking "expected credit loss" model. The Group applies simplified approach to recognise lifetime expected losses for all trade debtors, and 12 months expected credit losses for investments in debt securities and other financial instruments. The credit losses calculated pursuant to the new requirements are not significantly different from the amount recognised under the HKAS 39. Therefore, the Group considered no adjustment is necessary.

Hedge accounting

The Group has elected to use a more principles-based approach on hedge accounting which is introduced by HKFRS 9. HKFRS 9 requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy. The foreign currency forward contracts, cross currency swaps and interest rate swaps stated as at 31st December, 2017 continue to be qualified as net investment hedges or cash flow hedges under HKFRS 9 and no adjustment is considered necessary.

2. CHANGES IN ACCOUNTING POLICIES (CONT'D)

(b) HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 "Revenue from Contracts with Customers" establishes a single comprehensive model in accounting for revenue arising from contracts with customers which are recognised when a performance obligation is satisfied. It replaces existing revenue recognition guidance, including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations.

The Group has elected to adopt HKFRS 15 using the modified retrospective approach, with the effect of initially applying this standard recognised at the date of initial application. Accordingly, the information presented for 2017 has not been restated. Except for the share of impacts on joint ventures as explained in note 3, the application of HKFRS 15 does not have a material impact on the timing and amounts of revenue recognition of the Group.

3. SUMMARY OF EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

Consolidated Statement of Financial Position items

HK$ million	31/12/2017	Effects of adopting HKFRS 9*	Effects of adopting HKFRS 15^	1/1/2018
Interests in associates	43,108	90	-	43,198
Interests in joint ventures	98,462	-	211	98,673
Retained profits	88,398	90	211	88,699

Notes:

* The effects are in relation to the changes in classification and measurement of financial assets of an associate.

^ The effects are in relation to change in revenue recognition of certain sub-metering, maintenance contracts and construction service contracts of joint ventures.

Consolidated Income Statement and Consolidated Statement of Comprehensive Income items

For the year ended 31st December 2018

HK$ million	As reported	Effects of adopting HKFRS 9	Effects of adopting HKFRS 15	Without adoption of HKFRS 9 & 15
Share of results of associates	3,405	(31)	1	3,375
Share of results of joint ventures	4,894	(4)	(10)	4,880
Share of other comprehensive income/(expense) of associates and joint ventures	257	(8)	-	249
Income tax relating to components of other comprehensive income	(111)	3	-	(108)

3. SUMMARY OF EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (CONT'D)

The following table illustrates the classification of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1st January, 2018.

Analysis of financial assets items

HK$ million	**Original classification under HKAS 39**	**Original carrying amount under HKAS 39**	**New classification under HKFRS 9**	**New carrying amount under HKFRS 9**
Financial assets				
Investment in securities	Available-for-sale financial assets, at cost	477	Financial assets at fair value through profit or loss*	477
	Available-for-sale financial assets, at fair value	179	Financial assets at amortised cost^	179
	Financial assets at fair value through profit or loss	46	Financial assets at fair value through profit or loss	46
Derivatives financial instruments	Hedging instruments at fair value	1,253	Hedging instruments at fair value	1,253
Bank balances and deposits	Loans and receivables	9,781	Financial assets at amortised cost	9,781
Debtors and other receivables	Loans and receivables	696	Financial assets at amortised cost	696
Total financial assets		**12,432**		**12,432**

Notes:

* reclassified at the date of initial application as financial assets measured at fair value through profit or loss.

^ reclassified at the date of initial application as financial assets measured at amortised cost, according to the Group's business model to hold this investment for collection of contractual cash flows, which represent solely payment of principal and interest on the principal amount outstanding.

4. 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 point of time.

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

HK$ million	**2018**	2017
Sales of infrastructure materials	**2,272**	1,985
Interest income from loans granted to associates	**332**	377
Interest income from loans granted to joint ventures	**3,045**	2,204
Sales of waste management services	**1,500**	1,450
Sales and interest income from infrastructure investments	**7,149**	6,016
Share of turnover of joint ventures	**30,774**	25,626
Turnover	**37,923**	31,642

5. OTHER INCOME

Other income includes the following:

HK$ million	**2018**	2017
Gain on disposal of an associate	**-**	383
Bank interest income	**136**	97
Change in fair values of investment properties	**22**	16

6. OPERATING COSTS

Operating costs include the following:

HK$ million	**2018**	2017
Depreciation of property, plant and equipment	**195**	202
Amortisation of intangible assets	**32**	29
Cost of inventories sold	**1,943**	1,790
Cost of services provided	**873**	824

7. 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	**2018**	2017
Current taxation – Hong Kong	**-**	-
Current taxation – outside Hong Kong	**95**	71
Deferred taxation	**10**	1
Total	**105**	72

8. PROFIT FOR THE YEAR AND SEGMENT INFORMATION

for the year ended 31st December

			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	
HK$ million	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Turnover	**-**	-	**18,405**	17,397	**6,741**	5,240	**5,238**	2,368	**3,319**	3,288	**2,093**	1,251	**2,127**	2,098	**37,923**	31,642	**-**	-	**37,923**	31,642
Sales and interest income from infrastructure investments	**-**	-	**1,562**	1,457	**789**	671	**731**	274	**2,272**	1,985	**243**	124	**1,552**	1,505	**7,149**	6,016	**-**	-	**7,149**	6,016
Bank interest income	**-**	-	**-**	1	**-**	-	**-**	-	**33**	38	**-**	-	**1**	1	**34**	40	**102**	57	**136**	97
Other income	**-**	-	**-**	25	**-**	62	**-**	-	**144**	182	**-**	-	**6**	2	**150**	271	**100**	18	**250**	289
Change in fair value of derivative financial instruments	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**10**	(10)	**10**	(10)
Depreciation and amortisation	**-**	-	**-**	-	**-**	-	**-**	-	**(81)**	(84)	**-**	-	**(145)**	(146)	**(226)**	(230)	**(1)**	(1)	**(227)**	(231)
Other operating expenses	**-**	-	**-**	-	**(2)**	-	**-**	-	**(2,057)**	(1,920)	**-**	-	**(1,168)**	(1,100)	**(3,227)**	(3,020)	**(479)**	(822)	**(3,706)**	(3,842)
Finance costs	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(70)**	(71)	**(70)**	(71)	**(432)**	(577)	**(502)**	(648)
Exchange gain / (loss)	**-**	-	**-**	-	**-**	-	**-**	-	**1**	(12)	**-**	-	**-**	-	**1**	(12)	**(52)**	132	**(51)**	120
Gain on disposal of an associate	**-**	383	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	383	**-**	-	**-**	383
Gain on disposal of a joint venture	**-**	-	**-**	-	**-**	-	**-**	-	**-**	23	**-**	-	**-**	-	**-**	23	**-**	-	**-**	23
Share of results of associates and joint ventures	**2,903**	3,214	**3,713**	3,779	**1,279**	1,206	**139**	138	**151**	250	**100**	141	**14**	3	**8,299**	8,731	**-**	-	**8,299**	8,731
Profit/ (Loss) before taxation	**2,903**	3,597	**5,275**	5,262	**2,066**	1,939	**870**	412	**463**	462	**343**	265	**190**	194	**12,110**	12,131	**(752)**	(1,203)	**11,358**	10,928
Taxation	**-**	-	**-**	11	**-**	-	**-**	-	**(60)**	(20)	**(8)**	(24)	**(18)**	(23)	**(86)**	(56)	**(19)**	(16)	**(105)**	(72)
Profit/ (Loss) for the year	**2,903**	3,597	**5,275**	5,273	**2,066**	1,939	**870**	412	**403**	442	**335**	241	**172**	171	**12,024**	12,075	**(771)**	(1,219)	**11,253**	10,856
Attributable to:																				
Shareholders of the Company	**2,903**	3,597	**5,275**	5,273	**2,066**	1,939	**870**	412	**389**	468	**335**	241	**172**	171	**12,010**	12,101	**(1,567)**	(1,845)	**10,443**	10,256
Owners of perpetual capital securities	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**796**	626	**796**	626
Non-controlling interests	**-**	-	**-**	-	**-**	-	**-**	-	**14**	(26)	**-**	-	**-**	-	**14**	(26)	**-**	-	**14**	(26)
	2,903	3,597	**5,275**	5,273	**2,066**	1,939	**870**	412	**403**	442	**335**	241	**172**	171	**12,024**	12,075	**(771)**	(1,219)	**11,253**	10,856

8. 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.

9. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of the Company of HK$10,443 million (2017: HK$10,256 million) and on 2,519,610,945 shares (2017: 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 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.

10. DIVIDENDS

(a)

HK$ million	**2018**	2017
Interim dividend paid of HK$0.68 per share (2017: HK$0.67 per share)	**1,713**	1,688
Proposed final dividend of HK$1.75 per share (2017: HK$1.71 per share)	**4,410**	4,309
Total	**6,123**	5,997

During the year, dividends of HK$6,123 million (2017: HK$5,997 million) are stated after elimination of HK$318 million (2017: HK$312 million) paid / proposed for the shares issued in connection with the issue of perpetual capital securities.

(b)

HK$ million	**2018**	2017
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$1.71 per share (2017: HK$1.63 per share)	**4,309**	4,107

Final dividend in respect of the previous financial year, approved and paid during the year ended 31st December, 2018, is stated after elimination of HK$224 million (2017: HK$214 million) for the shares issued in connection with the issue of perpetual capital securities.

11. DEBTORS AND PREPAYMENTS

Included in debtors and prepayments are trade debtors of HK$274 million (2017: HK$286 million) and their aging analysis is as follows:

HK$ million	**2018**	2017
Current	**173**	178
Less than 1 month past due	**81**	85
1 to 3 months past due	**15**	13
More than 3 months but less than 12 months past due	**10**	14
More than 12 months past due	**8**	21
Amount past due	**114**	133
Loss allowance	**(13)**	(25)
Total after allowance	**274**	286

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.

12. CREDITORS AND ACCRUALS

Included in creditors and accruals are trade creditors of HK$228 million (2017: HK$211 million) and their aging analysis is as follows:

HK$ million	**2018**	2017
Current	**171**	142
1 month	**32**	30
2 to 3 months	**7**	9
Over 3 months	**18**	30
Total	**228**	211

13. EVENT AFTER THE REPORTING PERIOD

In January 2019, the Group entered into a placing agreement with a placing agent to sell an aggregate of 43,800,000 shares in Power Assets at a price of HK$52.93 per share. After completion, the Group currently holds approximately 35.96% of Power Assets' issued share capital.

14. REVIEW OF ANNUAL RESULTS

The annual results have been reviewed by the Audit Committee.

15. 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, 2018, consolidated income statement and the related notes thereto for the year ended 31st December, 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.