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 2020

FUNDS FROM OPERATIONS INCREASE AMIDST PANDEMIC CHALLENGES

The global COVID-19 pandemic has impacted countries, businesses and people around the world. As well as the immediate implications on health, safety and travel, there have also been devastating effects on economies and markets.

Against this COVID-19 pandemic backdrop, CK Infrastructure Holdings Limited ("CKI", the "Company" or the "Group") has remained relatively steadfast and resilient. Characterised by regulated businesses, the performance of the operating units in different markets around the world have generally been stable, continuing to provide efficient and uninterrupted services to users and delivering an increase in funds from operations.

MAJORITY OF PROFIT DECREASE AMOUNT ARE NON-CASH ITEMS

For 2020, the Group recorded profit attributable to shareholders of HK$7,320 million (2019: HK$10,506 million), representing a year-on-year decrease of 30% (i.e. HK$3,186 million). More than half of the decrease is attributable to non-cash items: (i) the non-cash deferred tax charge of HK$1.4 billion reported in the United Kingdom to reflect the corporate tax rate remaining at 19% (rather than 17% as previously enacted); and (ii) the HK$0.4 billion non-cash higher depreciation charges for UK Rails in the United Kingdom and Energy Developments ("EDL") in Australia. The impact from COVID-19 only accounted for HK$0.6 billion of the decrease. Excluding the above mentioned non-cash items and COVID impacts, the profit decrease is about 7% between 2020 and 2019. Major factors accountable for such decrease are a lower contribution from Northumbrian Water subsequent to the commencement of the new regulatory regime in 2020, and exchange losses.

INCREASE IN FUNDS FROM OPERATIONS

In contrast to the decrease in profit, funds from operations increased from HK$7.6 billion to HK$7.8 billion.

The Group's portfolio as a whole generates continuous recurring cashflow every year. The income base of the Group is rock solid and the business foundation very strong and resilient.

FINANCIAL POSITION FURTHER STRENGTHENED

In 2020, the Group's financial position has been further strengthened with cash on hand of HK$13.5 billion and net debt to net total capital ratio of 13.1% as at 31st December, 2020.

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

24 YEARS OF CONTINUED DIVIDEND GROWTH

The Board of Directors of CKI (the "Board") has recommended a final dividend of HK$1.79 per share. Together with the interim dividend of HK$0.68 per share, the total dividend for the year will amount to HK$2.47, which is 15 times that of the dividend in 1996, the year of listing. This represents 24 consecutive years of dividend growth since then. The proposed dividend will be paid on Wednesday, 2nd June, 2021, subject to approval at the 2021 Annual General Meeting to those shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 18th May, 2021.

BUSINESS REVIEW

Business Expansion via Acquisitions and Organic Growth

During the year, a number of business expansion activities via acquisitions were carried out. They include ista's acquisition of Hildebrand & Schoenfeldt GmbH & Co. KG in northern Germany and Krohn + Scheddel GmbH & Co. KG in Bad Homburg; and Reliance's acquisitions of the asset portfolios of Field P & H, and TAS Plumbing in Saskatchewan, and Simply Smart in Greater Toronto in Canada. In February 2021, Canadian Power also announced that it has signed an agreement to acquire two wind farms located in the Okanagan region of British Columbia, Canada. The asset base of the Group has continued to grow, providing the framework for more recurring cashflow in the future.

In addition, many of the Group's businesses have embarked on organic growth plans, including Northumbrian Water's new 3.6 million litres capacity water treatment facility, Northern Gas Networks' new 5.5-mile gas pipeline, Victoria Power Networks' several solar farm projects totaling 272 MW in capacity, Dampier Bunbury Pipeline's new major Western Australia gas pipeline, as well as EDL's waste coal mine gas power station in Australia and Renewable Natural Gas plants in the United States.

Power Assets

Profit contribution from Power Assets was HK$2,205 million, a decrease of 14% as compared to last year. The decline mainly resulted from (i) non-cash charges on the remeasurement of deferred tax liabilities in the United Kingdom; (ii) lower contribution from Mainland China resulting from the expiry of two coal-fired power station ventures in 2019.

In Hong Kong, HK Electric continued to achieve a solid operating performance and served the community well during the onset of COVID-19.

United Kingdom Infrastructure Portfolio

Profit contribution from the United Kingdom was reduced by 44% to HK$2,603 million. This decrease can be attributed to several key factors:
(i) the non-cash deferred tax loss due to changes in the corporate tax rate;
(ii) the commencement of a new regulatory reset for Northumbrian Water on 1st April, 2020, which resulted in lower revenues to the Group;
(iii) higher depreciation for UK Rails; and
(iv) rising costs associated with COVID-19.

The Group's regulated water and gas businesses in the United Kingdom are going through tough regulatory reset processes as regulators set stringent parameters for the resets against a challenging macro-economic backdrop combined with a low interest rate environment. CKI's management teams have worked diligently to propose improvements to strike a good balance between the interests of customers, shareholders and other stakeholders, and to ensure that the overall financial and operational health of the respective businesses are sustainable.

The first in the Group's United Kingdom portfolio to commence a new regulatory period is Northumbrian Water (April 2020), followed by Northern Gas Networks and Wales & West Gas Networks (April 2021). The current regulatory regime of UK Power Networks will remain in place until March 2023.

As the terms of the new determination as set by the regulator are more stringent than in previous periods, Northumbrian Water has elected to challenge the determination through the Competition and Markets Authority ("CMA") appeal process. The final terms of the CMA's redetermination showed improvements.

The final determinations for Northern Gas Networks and Wales & West Gas Networks were released in December 2020. Both companies have also decided to appeal to the CMA.

In terms of operations, all the businesses performed very well despite disruptions posed by COVID-19. They have all continued to deliver good quality uninterrupted services to customers. A number of awards have also been attained including UK Power Networks' "Network of the Year 2020"; Northumbrian Water's "Water Company of the Year"; Northern Gas Networks and Wales & West Gas Networks' RoSPA (Royal Society for the Prevention of Accidents) Gold Awards; and UK Rails' Gold, Silver and Bronze awards in the industry award programme Golden Spanner Awards.

Australian Infrastructure Portfolio

In Australia, profit contribution dropped 11% to HK$1,864 million mainly due to higher depreciation for EDL and the impact of COVID-19.

The regulated businesses in Australia are also encountering regulatory resets. SA Power Networks' new regulatory period started on 1st July, 2020, while that for Dampier Bunbury Pipeline commenced in January 2021. Victoria Power Networks, United Energy, and the businesses of Australian Gas Networks in South Australia and Queensland will enter into new regulatory resets on 1st July, 2021.

In terms of operations, despite the challenges presented by this unprecedented year, all of the Group's regulated businesses in Australia reported excellent performances. CKI's four networks – SA Power Networks, CitiPower, Powercor and United Energy – were ranked first, second, third and fourth respectively in the most efficient distribution network table in Australia in the Annual Benchmarking Report released by the Australian Energy Regulator ("AER"). Additionally, Australian Gas Networks was named winner of the Australian Engineering Excellence Award for South Australia for its renewable hydrogen project.

The performance of EDL was negatively impacted by lower green credit revenue. For business development, the company launched a series of expansion projects during the year.

Infrastructure Portfolio in Continental Europe

In Continental Europe, profit contribution rose 98% to HK$1,550 million. All businesses in Continental Europe generated increase in profit contribution.

ista and Dutch Enviro Energy achieved solid operational performances. During the year, ista's acquisitions have integrated well with current operations and have started to bring in additional revenues. Dutch Enviro Energy's new contract with The Hague municipality started on 1st March, 2020, giving the company an assurance of an additional revenue stream for the coming years.

Portugal Renewable Energy was divested in October 2020. Revenue from this business in the first half of the year was adversely affected by weaker wind resource. The divestment gain resulted in profit contribution in 2020 recording an increase over 2019.

Canadian Infrastructure Portfolio

In Canada, profit contribution was HK$268 million, a decline of 20% from the previous year. The decrease was due to the negative COVID-19 impact experienced by Park'N Fly; revenue for this business declined significantly as airports have been running at extremely low capacity since March 2020 with its consequent impact on off-airport car parking.

Reliance Home Comfort recorded a strong performance in profit contribution. The three bolt-on acquisitions in the year further strengthened the company's revenue streams and business foundation.

Canadian Midstream Assets posted satisfactory financial results for the Group, with strong income protection from the preferential arrangement with Husky Energy. During the year, Husky Energy announced a merger with Cenovus Energy, however the move has not affected the Group's contract with Canadian Midstream Assets.

New Zealand Portfolio

The New Zealand market reported profit contribution of HK$136 million, a decrease of 22%. This drop is mainly attributed to a lower contribution from EnviroNZ whose business was impacted by reduced volumes due to COVID-19.

Profit contribution from Wellington Electricity was similar to 2019. The three-year Earthquake Readiness Programme approved by the New Zealand Commerce Commission which commenced in 2018 continued to be carried out in 2020 despite the periodic COVID-19 lockdowns. Over 70% of the entire Programme was completed by the end of 2020 with the remainder to be completed in 2021. The Programme aims to strengthen the network's readiness and reduce outage times following major earthquakes.

Hong Kong and Mainland China Business

In Hong Kong and Mainland China, CKI's portfolio showed a decline of 22% in profit contribution to HK$290 million. While the Group's materials businesses had a solid performance with positive growth in profit contribution, the Mainland China portfolio reported a decrease over the previous year as (i) toll revenue was negatively impacted by COVID-19, and (ii) a one-off divestment gain was generated from the sale of the Changsha Wujialing and Wuyilu Bridges back to the Mainland Chinese partner in 2019.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

In December 2020, a dedicated Sustainability Committee was formed for CKI. CKI is keenly involved with all aspects of ESG and has a set of clearly defined ESG policies. In addition to adhering to the policies, our management teams often take the initiative to launch projects which are in support of ESG.

Many of our businesses have received numerous accolades for their contributions in this aspect especially in the area of environmental sustainability. Some of the environmental activities carried out involve launching trials in regards to transporting hydrogen in gas networks in the United Kingdom and Australia; and the development of hydrogen trains in the United Kingdom. As hydrogen is a major green energy of the future, the Group will continue to promote its usage. Other environmental projects of the Group include mega-hybrid renewable energy projects in remote regions of Australia; investing in advanced technology to increase the intake of solar energy into electricity grids in Australia; capturing and converting methane gas to energy in New Zealand; generating energy from municipal waste in Continental Europe; as well as investing in the new wind farms in Okanagan, Canada.

OUTLOOK

While there is cause for optimism on the pandemic front with the roll-out of various COVID-19 vaccines and the much-anticipated return to normal business activity, there remain significant uncertainties and difficulties for the global economies.

The Group's sizeable portfolio of regulated businesses are protected by secure regimes. For the unregulated businesses, many operate with a focus on secure business models and long-term contracts. As the world markets look forward to the resumption of normal daily life and activities, the Group is optimistic that business in our portfolio (particularly in the unregulated industries) will rebound.

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

We are confident that growth opportunities will arise in the coming future as the COVID-19 situation improves and normality resumes. The Group is poised to continue its path of growth, both organically and via acquisitions based on its strong balance sheet and the solid revenue streams of our existing businesses.

Over the years, CKI has proven our track record as one of the key global infrastructure players. Our strong financials and extensive experience and knowledge give us an edge in securing new mega-acquisitions. CKI's flexibility in forming alliances with other members of the CK Group, namely CK Asset and Power Assets, further strengthens our strategic advantage.

One of the key tenets of CKI's operating philosophy is to maintain the optimal balance between stability and growth, and to uphold a fine equilibrium between continued earnings growth and a comfortable gearing position. As the Group pursues new expansion opportunities, we will continue to adhere to our strict investment discipline and will not pursue any acquisitions with a "must-win" mentality, utmost priority will be placed on upholding our strict investment criteria that add value to our entire portfolio.

At this juncture, I would like to give special thanks to the management and staff of all our businesses during this time of COVID-19 for showing their unwavering commitment to ensure that reliable electricity, gas, water, heating, waste management and other services have been provided to customers. Despite the ongoing disruptions caused by COVID-19, all our businesses which provide essential services in the United Kingdom, Australia, New Zealand, Canada, Continental Europe, Hong Kong and Mainland China have achieved excellent operational performances and reliability of service.

I would like to take this opportunity to thank the Board for their unwavering commitment, our dedicated staff for their valuable efforts and our stakeholders for continued support during this challenging period.

Victor T K Li
Chairman

17th March, 2021

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, 2020, cash and bank deposits on hand amounted to HK$13,477 million and the total borrowings of the Group amounted to HK$32,588 million, which included Hong Kong dollar borrowings of HK$4,620 million and foreign currency borrowings of HK$27,968 million. Of the total borrowings, 14 per cent were repayable in 2021, 82 per cent were repayable between 2022 and 2025 and 4 per cent were repayable beyond 2025. 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, 2020, the Group maintained a net debt position with a net debt to net total capital ratio of 13.1 per cent. This was based on HK$19,111 million of net debt and HK$145,373 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 31st December, 2020, the notional amounts of these derivative instruments amounted to HK$63,717 million.

Charge on Group Assets

As at 31st December, 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$1,507 million granted to the Group.

Contingent Liabilities

As at 31st December, 2020, the Group was subject to the following contingent liabilities:

HK$ million	
Guarantee in respect of bank loan drawn by an affiliated company	1,191
Other guarantee given in respect of an affiliated company	438
Performance bond indemnities	173
Total	1,802

Employees

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 2,195 employees. Employees' cost (excluding directors' emoluments) amounted to HK$831 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, 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 year ended 31st December, 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. The Nomination Committee currently comprises a majority of Independent Non-executive Directors and is chaired by an Independent Non-executive Director. During the period from 1st January, 2020 to 30th November, 2020, the Nomination Committee was chaired by the Chairman of the Board and comprised all the Directors of the Company, and when the need to select, nominate or re-elect Directors arose, the Nomination Committee established a sub-committee comprising a majority of Independent Non-executive Directors that was 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.

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 four Independent Non-executive Directors, namely, Mrs. Sng Sow-mei alias Poon Sow Mei (Chairperson of the Audit Committee), Mr. Cheong Ying Chew, Henry, Mr. Lan Hong Tsung, David and Mr. Paul Joseph Tighe. The principal duties of the Audit Committee include: the review and supervision of the Group's financial reporting system, risk management and internal control systems; review of the Group's financial information; review of the relationship with the external auditor of the Company; and performance of the corporate governance functions delegated by the Board.

The Group's annual results for the year ended 31st December, 2020 have been reviewed by the Audit Committee and audited by the independent auditor of the Company, Deloitte Touche Tohmatsu.

Remuneration Committee

In compliance with the CG Code, the Company established its remuneration committee ("Remuneration Committee") on 1st January, 2005 with a majority of the members thereof being Independent Non-executive Directors. The Remuneration Committee comprises an Independent Non-executive Director, Mr. Cheong Ying Chew, Henry (Chairman of the Remuneration Committee), the Chairman of the Board, Mr. Victor T K Li, and an Independent Non-executive Director, Mr. Colin Stevens Russel.

Nomination Committee

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

Sustainability Committee

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

Annual General Meeting

The 2021 Annual General Meeting ("2021 AGM") of the shareholders of the Company will be held at 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Wednesday, 12th May, 2021 at 10:00 a.m., and which will be a hybrid meeting. The shareholders of the Company have the option of attending, participating and voting in the 2021 AGM either through the physical attendance at the abovementioned venue or online access. Details of the arrangements for, among others, registration and voting at the hybrid meeting will be provided in the Company's Circular in relation to the 2021 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, 7th May, 2021 to Wednesday, 12th May, 2021, 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 2021 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 Thursday, 6th May, 2021.

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, 18th May, 2021, 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, 18th May, 2021.

As at the date of this document, the Executive Directors of the Company are Mr. LI Tzar Kuoi, Victor (Chairman), Mr. KAM Hing Lam (Group Managing Director), Mr. IP Tak Chuen, Edmond (Deputy Chairman), Mr. FOK Kin Ning, Canning (Deputy Chairman), Mr. Frank John SIXT, Mr. Andrew John HUNTER (Deputy Managing Director), Mr. CHAN Loi Shun (Chief Financial Officer) and Ms. CHEN Tsien Hua; the Non-executive Directors are Mr. CHEONG Ying Chew, Henry (Independent Non-executive Director), Mrs. KWOK Eva Lee (Independent Non-executive Director), Mrs. SNG Sow-mei alias POON Sow Mei (Independent Non-executive Director), Mr. Colin Stevens RUSSEL (Independent Non-executive Director), Mr. LAN Hong Tsung, David (Independent Non-executive Director), Mr. Barrie COOK (Independent Non-executive Director), Mr. Paul Joseph TIGHE (Independent Non-executive Director), Mrs. LEE Pui Ling, Angelina and Mr. George Colin MAGNUS; and the Alternate Directors are Mrs. CHOW WOO Mo Fong, Susan (Alternate Director to Mr. FOK Kin Ning, Canning), Mr. MAN Ka Keung, Simon (Alternate Director to Mr. IP Tak Chuen, Edmond) and Ms. Eirene YEUNG (Alternate Director to Mr. KAM Hing Lam).

CONSOLIDATED INCOME STATEMENT

for the year ended 31st December

HK$ million	Notes	**2020**	2019
Turnover	2	**38,352**	36,125
Sales and interest income from infrastructure investments	2	**7,182**	6,733
Other income	3	**433**	1,271
Operating costs	4	**(4,009)**	(3,665)
Finance costs		**(301)**	(332)
Exchange loss		**(391)**	(26)
Share of results of associates		**2,666**	3,033
Share of results of joint ventures		**2,767**	4,459
Profit before taxation		**8,347**	11,473
Taxation	5	**(188)**	(129)
Profit for the year	6	**8,159**	11,344
Attributable to:			
Shareholders of the Company		**7,320**	10,506
Owners of perpetual capital securities		**796**	796
Non-controlling interests		**43**	42
		8,159	11,344
Earnings per share	7	**HK$2.91**	HK$4.17

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31st December

HK$ million	Notes	**2020**	2019
Property, plant and equipment		**2,965**	2,805
Investment properties		**396**	398
Interests in associates		**37,133**	36,814
Interests in joint ventures		**106,803**	104,952
Other financial assets		**1,892**	1,871
Derivative financial instruments		**126**	1,107
Goodwill and intangible assets		**2,602**	2,486
Deferred tax assets		**6**	3
Total non-current assets		**151,923**	150,436
Inventories		**146**	137
Derivative financial instruments		**347**	1,452
Debtors and prepayments	9	**1,518**	1,082
Bank balances and deposits		**13,477**	12,077
Total current assets		**15,488**	14,748
Bank and other loans		**4,655**	4,447
Derivative financial instruments		**1,030**	345
Creditors, accruals and others	10	**5,152**	5,361
Taxation		**187**	150
Total current liabilities		**11,024**	10,303
Net current assets		**4,464**	4,445
Total assets less current liabilities		**156,387**	154,881
Bank and other loans		**27,933**	27,295
Derivative financial instruments		**1,378**	547
Deferred tax liabilities		**476**	450
Other non-current liabilities		**338**	215
Total non-current liabilities		**30,125**	28,507
Net assets		**126,262**	126,374
Representing:			
Share capital		**2,651**	2,651
Reserves		**108,791**	108,953
Equity attributable to shareholders of the Company		**111,442**	111,604
Perpetual capital securities		**14,701**	14,701
Non-controlling interests		**119**	69
Total equity		**126,262**	126,374

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted the Amendments to Reference to the Conceptual Framework in Hong Kong Financial Reporting Standards ("HKFRSs") and a number of amendments to 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, 2020. In addition, the Group has early applied the Amendment to HKFRS 16 "Covid-19-Related Rent Concessions". Except as described below, the adoption of the amendments to HKFRSs has no material impact on the Group's results and financial position for the current or prior years and does not result in any significant change in accounting policies of the Group.

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

In the current year, 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.

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	**2020**	2019
Sales of infrastructure materials	**2,390**	2,172
Interest income from loans granted to associates	**285**	289
Interest income from loans granted to joint ventures	**3,028**	2,784
Sales of waste management services	**1,479**	1,488
Sales and interest income from infrastructure investments	**7,182**	6,733
Share of turnover of joint ventures	**31,170**	29,392
Turnover	**38,352**	36,125

3. OTHER INCOME

Other income includes the following:

HK$ million	**2020**	2019
Gain on disposal of an associate	**-**	427
Gain on disposal of joint ventures	**57**	88
Bank interest income	**165**	196
Change in fair values of investment properties	**(2)**	16

4. OPERATING COSTS

Operating costs include the following:

HK$ million	**2020**	2019
Depreciation of property, plant and equipment	**325**	220
Amortisation of intangible assets	**70**	81
Cost of inventories sold	**1,907**	1,742
Cost of services provided	**871**	860

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	**2020**	2019
Current taxation – Hong Kong	**1**	1
Current taxation – outside Hong Kong	**177**	111
Deferred taxation	**10**	17
Total	**188**	129

6. PROFIT FOR THE YEAR AND SEGMENT INFORMATION

for the year ended 31st December

	Investment in Power Assets Holdings Limited		Infrastructure Investments: United Kingdom		Infrastructure Investments: Australia		Infrastructure Investments: Continental Europe		Infrastructure Investments: Hong Kong and Mainland China		Infrastructure Investments: Canada		Infrastructure Investments: New Zealand		Total before unallocated items		Unallocated items		Consolidated	
HK$ million	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Turnover	**-**	-	**19,355**	17,401	**6,483**	6,387	**5,118**	5,033	**3,434**	3,148	**1,967**	2,101	**1,995**	2,055	**38,352**	36,125	**-**	-	**38,352**	36,125
Sales and interest income from infrastructure investments	**-**	-	**1,816**	1,474	**576**	681	**685**	680	**2,390**	2,172	**236**	238	**1,479**	1,488	**7,182**	6,733	**-**	-	**7,182**	6,733
Bank interest income	**-**	-	**-**	-	**-**	-	**-**	-	**47**	50	**-**	-	**1**	1	**48**	51	**117**	145	**165**	196
Other income	**-**	-	**-**	-	**-**	22	**-**	-	**56**	56	**-**	-	**38**	2	**94**	80	**117**	480	**211**	560
Depreciation and amortisation	**-**	-	**-**	-	**-**	-	**-**	-	**(177)**	(136)	**-**	-	**(217)**	(164)	**(394)**	(300)	**(1)**	(1)	**(395)**	(301)
Other operating costs	**-**	-	**-**	-	**-**	(1)	**(31)**	-	**(2,058)**	(1,863)	**-**	-	**(1,161)**	(1,128)	**(3,250)**	(2,992)	**(364)**	(372)	**(3,614)**	(3,364)
Finance costs	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(44)**	(57)	**(44)**	(57)	**(257)**	(275)	**(301)**	(332)
Exchange loss	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(391)**	(26)	**(391)**	(26)
Gain on disposal of an associate	**-**	427	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	427	**-**	-	**-**	427
Gain on disposal of joint ventures	**-**	-	**-**	-	**-**	-	**-**	-	**57**	88	**-**	-	**-**	-	**57**	88	**-**	-	**57**	88
Share of results of associates and joint ventures	**2,205**	2,564	**792**	3,161	**1,288**	1,381	**896**	105	**117**	115	**64**	98	**71**	68	**5,433**	7,492	**-**	-	**5,433**	7,492
Profit / (Loss) before taxation	**2,205**	2,991	**2,608**	4,635	**1,864**	2,083	**1,550**	785	**432**	482	**300**	336	**167**	210	**9,126**	11,522	**(779)**	(49)	**8,347**	11,473
Taxation	**-**	-	**(5)**	(5)	**-**	-	**-**	-	**(99)**	(69)	**(32)**	(1)	**(31)**	(36)	**(167)**	(111)	**(21)**	(18)	**(188)**	(129)
Profit / (Loss) for the year	**2,205**	2,991	**2,603**	4,630	**1,864**	2,083	**1,550**	785	**333**	413	**268**	335	**136**	174	**8,959**	11,411	**(800)**	(67)	**8,159**	11,344
Attributable to:																				
Shareholders of the Company	**2,205**	2,991	**2,603**	4,630	**1,864**	2,083	**1,550**	785	**290**	371	**268**	335	**136**	174	**8,916**	11,369	**(1,596)**	(863)	**7,320**	10,506
Owners of perpetual capital securities	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**796**	796	**796**	796
Non-controlling interests	**-**	-	**-**	-	**-**	-	**-**	-	**43**	42	**-**	-	**-**	-	**43**	42	**-**	-	**43**	42
	2,205	2,991	**2,603**	4,630	**1,864**	2,083	**1,550**	785	**333**	413	**268**	335	**136**	174	**8,959**	11,411	**(800)**	(67)	**8,159**	11,344

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$7,320 million (2019: HK$10,506 million) and on 2,519,610,945 shares (2019: 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.

8. DIVIDENDS

(a)

HK$ million	**2020**	2019
Interim dividend paid of HK$0.68 per share (2019: HK$0.68 per share)	**1,713**	1,713
Proposed final dividend of HK$1.79 per share (2019: HK$1.78 per share)	**4,510**	4,485
Total	**6,223**	6,198

During the year, dividends of HK$6,223 million (2019: HK$6,198 million) are stated after elimination of HK$324 million (2019: HK$322 million) paid / proposed for the shares issued in connection with the issue of perpetual capital securities.

(b)

HK$ million	**2020**	2019
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$1.78 per share (2019: HK$1.75 per share)	**4,485**	4,410

Final dividend in respect of the previous financial year, approved and paid during the year ended 31st December, 2020, is stated after elimination of HK$233 million (2019: HK$229 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$257 million (2019: HK$263 million) and their aging analysis is as follows:

HK$ million	**2020**	2019
Current	**190**	171
Less than 1 month past due	**54**	70
1 to 3 months past due	**11**	17
More than 3 months but less than 12 months past due	**9**	10
More than 12 months past due	**7**	7
Amount past due	**81**	104
Loss allowance	**(14)**	(12)
Total after allowance	**257**	263

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$262 million (2019: HK$248 million) and their aging analysis is as follows:

HK$ million	**2020**	2019
Current	**188**	194
1 month	**37**	26
2 to 3 months	**9**	7
Over 3 months	**28**	21
Total	**262**	248

11. EVENT AFTER THE REPORTING PERIOD

On 1st March, 2021, all outstanding US$1,200 million perpetual capital securities ("Securities") were redeemed in full at a redemption price equal to 100 per cent of the principal amount, plus accrued and unpaid distribution up to such date. After redemption of the outstanding Securities, all Securities have been withdrawn from listing on Hong Kong Stock Exchange.

12. REVIEW OF ANNUAL RESULTS

The annual results have been reviewed by the Audit Committee.

13. SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position as at 31st December, 2020, consolidated income statement and the related notes thereto for the year ended 31st December, 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.