

CONSOLIDATED INCOME STATEMENT

for the year ended 31st December

HK\$ million	Notes	2021	2020
Turnover	6	40,730	38,352
Sales and interest income from infrastructure investments	6	7,048	7,182
Other income	7	412	433
Operating costs	8	(4,627)	(4,009)
Finance costs	9	(383)	(301)
Exchange gain/(loss)		189	(391)
Share of results of associates		2,590	2,666
Share of results of joint ventures		2,886	2,767
Profit before taxation	10	8,115	8,347
Taxation	11(a)	(161)	(188)
Profit for the year	12	7,954	8,159
Attributable to:			
Shareholders of the Company		7,515	7,320
Owners of perpetual capital securities		434	796
Non-controlling interests		5	43
		7,954	8,159
Earnings per share	13	HK\$2.98	HK\$2.91

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31st December

HK\$ million	2021	2020
Profit for the year	7,954	8,159
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Gain/(Loss) from fair value changes of derivatives designated as effective cash flow hedges	228	(109)
Gain/(Loss) from fair value changes of derivatives designated as effective net investment hedges	1,751	(2,296)
Exchange differences on translation of financial statements of foreign operations	(1,948)	4,562
Share of other comprehensive income/(expense) of associates	998	(211)
Share of other comprehensive income/(expense) of joint ventures	187	(1,554)
Income tax relating to components of other comprehensive income	(241)	654
	975	1,046
Items that will not be reclassified to profit or loss:		
Share of other comprehensive income/(expense) of associates	809	(698)
Share of other comprehensive income/(expense) of joint ventures	1,983	(2,218)
Income tax relating to components of other comprehensive income	(605)	594
	2,187	(2,322)
Other comprehensive income/(expense) for the year	3,162	(1,276)
Total comprehensive income for the year	11,116	6,883
Attributable to:		
Shareholders of the Company	10,673	6,036
Owners of perpetual capital securities	434	796
Non-controlling interests	9	51
	11,116	6,883

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31st December

HK\$ million	Notes	2021	2020
Property, plant and equipment	15	3,029	2,965
Investment properties	16	408	396
Interests in associates	17	37,998	37,133
Interests in joint ventures	18	106,802	106,803
Other financial assets	19	1,613	1,892
Derivative financial instruments	20	441	126
Goodwill and intangible assets	21	2,447	2,602
Deferred tax assets	27	6	6
Total non-current assets		152,744	151,923
Inventories	22	171	146
Derivative financial instruments	20	768	347
Debtors and prepayments	23	1,231	1,518
Bank balances and deposits	24	8,085	13,477
Total current assets		10,255	15,488
Bank and other loans	25	10,389	4,655
Derivative financial instruments	20	177	1,030
Creditors, accruals and others	26	5,963	5,152
Taxation		134	187
Total current liabilities		16,663	11,024
Net current (liabilities)/assets		(6,408)	4,464
Total assets less current liabilities		146,336	156,387
Bank and other loans	25	19,458	27,933
Derivative financial instruments	20	164	1,378
Deferred tax liabilities	27	476	476
Other non-current liabilities		391	338
Total non-current liabilities		20,489	30,125
Net assets		125,847	126,262
Representing:			
Share capital	29	2,520	2,651
Reserves		113,314	108,791
Equity attributable to shareholders of the Company		115,834	111,442
Perpetual capital securities	30	9,885	14,701
Non-controlling interests		128	119
Total equity		125,847	126,262

VICTOR T K LI
Director

IP TAK CHUEN, EDMOND
Director

16th March, 2022

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December

HK\$ million	Attributable to shareholders of the Company										Perpetual capital securities	Non-controlling interests	Total
	Share capital	Share premium	Treasury shares	Contributed surplus	Property revaluation reserve	Hedging reserve	Exchange translation reserve	Retained profits	Sub-total				
At 1st January, 2020	2,651	25,299	(9,245)	6,062	68	(3,625)	(8,496)	98,890	111,604	14,701	69	126,374	
Profit for the year	-	-	-	-	-	-	-	7,320	7,320	796	43	8,159	
Loss from fair value changes of derivatives designated as effective cash flow hedges	-	-	-	-	-	(109)	-	-	(109)	-	-	(109)	
Loss from fair value changes of derivatives designated as effective net investment hedges	-	-	-	-	-	-	(2,296)	-	(2,296)	-	-	(2,296)	
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	4,554	-	4,554	-	8	4,562	
Share of other comprehensive (expense)/income of associates	-	-	-	-	-	(917)	706	(698)	(909)	-	-	(909)	
Share of other comprehensive expense of joint ventures	-	-	-	-	-	(1,554)	-	(2,218)	(3,772)	-	-	(3,772)	
Income tax relating to components of other comprehensive income	-	-	-	-	-	654	-	594	1,248	-	-	1,248	
Total comprehensive (expense)/income for the year	-	-	-	-	-	(1,926)	2,964	4,998	6,036	796	51	6,883	
Final dividend paid for the year 2019	-	-	-	-	-	-	-	(4,485)	(4,485)	-	(1)	(4,486)	
Interim dividend paid	-	-	-	-	-	-	-	(1,713)	(1,713)	-	-	(1,713)	
Distribution paid on perpetual capital securities	-	-	-	-	-	-	-	-	-	(796)	-	(796)	
At 31st December, 2020	2,651	25,299	(9,245)	6,062	68	(5,551)	(5,532)	97,690	111,442	14,701	119	126,262	
Profit for the year	-	-	-	-	-	-	-	7,515	7,515	434	5	7,954	
Gain from fair value changes of derivatives designated as effective cash flow hedges	-	-	-	-	-	228	-	-	228	-	-	228	
Gain from fair value changes of derivatives designated as effective net investment hedges	-	-	-	-	-	-	1,751	-	1,751	-	-	1,751	
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	(1,952)	-	(1,952)	-	4	(1,948)	
Share of other comprehensive income/(expense) of associates	-	-	-	-	-	1,091	(93)	809	1,807	-	-	1,807	
Share of other comprehensive income of joint ventures	-	-	-	-	-	187	-	1,983	2,170	-	-	2,170	
Income tax relating to components of other comprehensive income	-	-	-	-	-	(241)	-	(605)	(846)	-	-	(846)	
Total comprehensive income/(expense) for the year	-	-	-	-	-	1,265	(294)	9,702	10,673	434	9	11,116	
Final dividend paid for the year 2020	-	-	-	-	-	-	-	(4,510)	(4,510)	-	-	(4,510)	
Interim dividend paid	-	-	-	-	-	-	-	(1,739)	(1,739)	-	-	(1,739)	
Distribution paid on perpetual capital securities	-	-	-	-	-	-	-	-	-	(570)	-	(570)	
Issue of perpetual capital securities (note 30)	-	-	-	-	-	-	-	-	-	4,680	-	4,680	
Direct costs for issue of perpetual capital securities	-	-	-	-	-	-	-	(32)	(32)	-	-	(32)	
Redemption of perpetual capital securities (note 30)	(131)	(9,114)	9,245	-	-	-	-	-	-	(9,360)	-	(9,360)	
At 31st December, 2021	2,520	16,185	-	6,062	68	(4,286)	(5,826)	101,111	115,834	9,885	128	125,847	

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31st December

HK\$ million	Notes	2021	2020
OPERATING ACTIVITIES			
Cash generated from operating activities before finance costs and income tax paid	32(a)	3,595	3,158
Finance costs paid		(335)	(199)
Income taxes paid		(205)	(134)
Net cash from operating activities		3,055	2,825
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(363)	(203)
Disposals of property, plant and equipment		37	1
Additions to intangible assets		(4)	(3)
Purchase of other financial assets		(57)	–
Advances to associates		(29)	(7)
Loan repaid from an associate		53	–
Investment in joint ventures		(1,214)	(212)
Advances to joint ventures		(221)	(50)
Advances repaid from a joint venture		1	7
Loan repaid from joint ventures		316	1,178
Disposal of joint ventures		–	45
Dividends received from associates		2,592	2,460
Dividends received from joint ventures		2,757	2,488
Distribution from a joint venture		–	1,380
Net cash received/(paid) on hedging instruments		443	(89)
Net cash flows from investing activities		4,311	6,995
Net cash flows before financing activities		7,366	9,820
FINANCING ACTIVITIES			
New bank and other loans	32(b)	9,687	6,684
Repayments of bank and other loans	32(b)	(10,864)	(8,073)
Repayment of lease principal	32(b)	(38)	(27)
Interest paid on lease liabilities	32(b)	(12)	(9)
Dividends paid		(6,249)	(6,198)
Dividends paid to non-controlling interests		–	(1)
Distribution paid on perpetual capital securities		(570)	(796)
Issue of perpetual capital securities		4,680	–
Direct costs for issue of perpetual capital securities		(32)	–
Redemption of perpetual capital securities		(9,360)	–
Net cash utilised in financing activities		(12,758)	(8,420)
Net (decrease)/increase in cash and cash equivalents		(5,392)	1,400
Cash and cash equivalents at 1st January		13,477	12,077
Cash and cash equivalents at 31st December	24	8,085	13,477

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

CK Infrastructure Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”). The addresses of its registered office and principal place of business are disclosed in the section headed “Corporate Information” of the Annual Report of the Company and its subsidiaries (collectively, the “Group”). The Company’s ultimate holding company is CK Hutchison Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on Hong Kong Stock Exchange.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Group’s principal activities are the development, investment and operation of infrastructure businesses in Hong Kong, Mainland China, the United Kingdom, Continental Europe, Australia, New Zealand, Canada and the United States.

The Directors are of the opinion that, taking into account of the available banking facilities and internal financial resources of the Group, the Group has sufficient working capital for its present requirements within one year from the end of the reporting period. Hence, the consolidated financial statements have been prepared on a going concern basis.

2. CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted the Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are effective to the Group for accounting periods beginning on or after 1st January, 2021. In addition, the Group has early applied the Amendment to HKFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021”. 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, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform – Phase 2”

In the current year, the Group has applied Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform – Phase 2” (the “Amendments”) issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1st January, 2021.

The Amendments provide practical expedients to address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes in the basis for determining the contractual cash flows and hedge accounting as a result of interest rate benchmark reform. The Amendments also set out the disclosure requirements.

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 certain exposure to interest rate movements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. CHANGES IN ACCOUNTING POLICIES (CONT'D)

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform – Phase 2” (Cont'd)

During the year, the Group has agreed with counterparties to transition certain contracts to relevant alternative benchmark rates. Such transitions have had no material impact on the consolidated financial statements as the Group has applied the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost. Additional disclosures as required by HKFRS 7 are set out in note 4.

The Group has not early adopted the following new and amendments to HKFRSs issued by the HKICPA that have been issued but are not yet effective. The Group is continuing to assess the implication of the adoption of these standards. The Directors anticipate that the adoption of the new and amendments to HKFRSs listed below will have no material impact on the results and financial position of the Group.

HKFRS 17	Insurance Contracts and the related amendments
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 16	Property, Plant and Equipment-Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts-Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

3. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on Hong Kong Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as explained in the principal accounting policies set out below.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(a) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the year together with the Group's interests in associates and joint ventures on the basis set out in (e) below.

The results of subsidiaries, share of results of associates and joint ventures acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains control/exercises significant influences/gains joint control until the date when the Group ceases to control/ceases to exercise significant influences/ceases to joint control, as appropriate.

(b) Goodwill

In relation to business combination that took place on or after 1st January, 2010, goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the subsidiaries, and the fair value of the Group's previously held equity interests in the subsidiaries (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill recognised prior to 1st January, 2010 was measured as the excess of costs of acquisition over the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the subsidiaries, associates and joint ventures acquired.

Goodwill is recognised as an asset less any identified impairment loss. Goodwill recognised in reserves prior to 1st January, 2001 continues to be held in the reserves and are transferred to retained profits when the business to which the goodwill relates is disposed of or becomes impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the business acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of a subsidiary, associate, joint venture or relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(c) Intangible Assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation of intangible assets is provided over their estimated useful lives using the straight-line method, at the following rates per annum:

Brand name and trademarks	Indefinite useful lives
Customer contracts	Over the contract lives
Resource consents (excluding landfills)	4% or over the contract lives
Computer software	33% or over the license period
Operation license	7%
Others	Over the contract lives

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired through business combination are carried at cost less accumulated impairment losses.

The useful life of the resource consents for the landfills is dependent on the total capacity of the landfills, the level of tonnage of waste, the compacting rate and other variable. As such the landfills useful life is reassessed annually and the amortisation rate of the landfills resource consents is adjusted accordingly.

The carrying amount of intangible assets with indefinite useful life is tested for impairment annually. The carrying amount of intangible assets with finite useful life is reviewed for indications of impairment at the end of each reporting period. An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(d) Subsidiaries

A subsidiary is an entity that is controlled by the Company. The Company controls an entity when it has power over the investees; it is exposed, or has rights, to variable returns from its involvement with the entity; and has the ability to affect those returns through its power over the entity.

The acquisition of a subsidiary is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. After 1st January, 2010, acquisition-related costs are generally recognised in profit or loss as incurred.

Prior to 1st January, 2010, any costs directly attributable to business combination were included as part of the cost of the acquisition.

The acquiree's identifiable assets, liabilities and contingent liabilities, where appropriate, are recognised at their fair values at the acquisition date.

(e) Associates and Joint Ventures

An associate is a company, other than a subsidiary or joint venture, in which the Group has a long-term equity interest and over which the Group is in a position to exercise significant influence over its management, including participation in the financial and operating policy decisions.

A joint venture is a contractual arrangement whereby the venturers agree to share control of the arrangement which exists only when the decisions about the relevant activities require unanimous consent of the parties sharing control, and have rights to the net assets of the arrangement.

The results and assets and liabilities of associates/joint ventures are incorporated in the Group's consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates/joint ventures are carried in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group.

Losses of an associate/joint venture in excess of the Group's interest in that associate/joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate/joint venture) are not recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(f) Property, Plant and Equipment

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Freehold land is not depreciated. Depreciation of property, plant and equipment is provided to write off their depreciable amounts over their estimated useful lives using the straight-line method, at the following rates per annum:

Leasehold land	Over the unexpired lease term
Buildings	2% to 3% or over the unexpired lease terms of the land, whichever is the higher
Mains, pipes, other plant and machinery	3% to 26% or over the expected useful lives
Leased properties and others	Over the lease term or expected useful lives
Furniture, fixtures and others	3% to 33% or over the expected useful lives

When an asset is disposed of or retired, any gain or loss, representing the difference between the carrying value and the sales proceeds, if any, is included in the consolidated income statement.

(g) Investment Properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are stated at its fair value at the end of the reporting period. Gains or losses arising from changes in the fair values of investment properties are recognised in the consolidated income statement for the period in which they arise.

(h) Inventories

Inventories are stated at the lower of cost, computed on a weighted-average or a first-in first-out basis as appropriate, and net realisable value. Cost includes cost of purchase and where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value is determined on the basis of anticipated sales proceeds less estimated costs to completion and costs necessary to make the sale.

(i) Financial Instruments

Investments in securities

Equity securities and debt securities are classified as “financial assets at fair value through profit or loss” and “financial assets at amortised cost”, respectively, according to the business model.

Financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(i) Financial Instruments (Cont'd)

Other investments

Other investments are classified as financial assets at fair value through profit or loss in accordance with HKFRS 9.

Derivative financial instruments and hedge accounting

Derivative financial instruments are initially measured at fair values on the dates at which the contracts are entered into, and are remeasured to their fair values at subsequent reporting dates.

Hedging accounting relationships are aligned with the Group's risk management objectives and strategy.

Changes in the fair values of derivative financial instruments that are designated as effective in hedging future cash flows are recognised directly in hedging reserve. Amounts deferred in the equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. Any ineffective portion is recognised immediately in the consolidated income statement.

When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the interest rate benchmark reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

Changes in fair values of derivative financial instruments that are designated and qualify as net investment hedges are recognised directly in exchange translation reserve. Any ineffective portion is recognised immediately in the consolidated income statement.

Changes in the fair values of derivative financial instruments that do not qualify for hedge accounting are recognised in the consolidated income statement.

Any changes made to the hedged risk, hedged item or hedging instrument required by interest rate benchmark reform, do not constitute neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship.

The Group discontinues hedge accounting prospectively only when the hedging relationship ceases to meet the qualifying criteria, including instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it, in which case hedge accounting continues for the remainder of the hedging relationship. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the hedged risk associated with the hedged item is ultimately recognised in profit or loss. The cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss when a forecast transaction is no longer expected to occur in relation to hedging of a forecast transaction.

For the purpose of determining whether a forecast transaction is highly probable and assessing the economic relationship between the hedged item and the hedging instrument, the Group assumes that the interest rate benchmark is not altered as a result of interest rate benchmark reform.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(i) Financial Instruments (Cont'd)

Debtors

Debtors are classified as financial assets at amortised cost in accordance with HKFRS 9, and subsequently measured at amortised cost using the effective interest method.

Appropriate allowances for expected credit loss are recognised in the consolidated income statement to reflect the initial expected credit losses and the changes in credit risk since initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Bank and other loans

Interest-bearing bank and other loans are initially measured at fair values, and are subsequently measured at amortised cost, using the effective interest method.

Creditors

Creditors are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Perpetual capital securities issued by the Group are classified as equity instruments and are initially recorded at the proceeds received.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of the initial fair value less subsequent amortisation and the amount of the expected loss determined in accordance with HKFRS 9.

Fair value

Fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. Fair value of derivative financial instruments and certain financial assets not traded on active liquid markets are determined with reference to fair value estimated by independent professionals or the present value of the estimated future cash flows discounted at the effective interest rate.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(i) Financial Instruments (Cont'd)

Impairment

The Group recognises a loss allowance for expected credit loss on financial assets and financial guarantee which are subject to impairment under HKFRS 9. The amount of expected credit loss is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime expected credit loss represents the expected credit loss that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month expected credit loss represents the portion of lifetime expected credit loss that is expected to result from default events that are possible within 12 months after the reporting date.

The Group recognises lifetime expected credit loss for trade receivables. For all other financial instruments, the Group measures the loss allowance equal to 12-month expected credit loss, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime expected credit loss.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate prospectively. Such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

(j) Revenue Recognition

Sales of goods

Revenue from sales of goods is recognised when a performance obligation is satisfied, which is recognised at a point in time, based on the timing of control of the goods underlying the particular performance obligation being transferred to the customer.

Revenue is measured at the fair value of the consideration received or receivable and is arrived at after deduction of any sales returns and discounts and taxes.

Sales of services

Revenue from sales of services is recognised when a performance obligation is satisfied, which is recognised at a point in time, based on the timing of control of the services underlying the particular performance obligation being transferred to the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(j) Revenue Recognition (Cont'd)

Interest income

Interest income from a financial asset excluding financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(k) Foreign Currencies

The individual financial statements of each group entity is prepared and presented in the currency of the primary economic environment in which the entity operates ("functional currency"). For the purpose of the consolidated financial statements, the result and financial position of each entity are presented in Hong Kong dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was measured. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated income statement for the year, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised directly in other comprehensive income. Exchange differences arising on the retranslation of non-monetary items carried at fair values are included in the consolidated income statement for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income and accumulated in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Hong Kong dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as other comprehensive income and included in the Group's exchange translation reserve. Such translation differences are recognised in the consolidated income statement in the year in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the exchange translation reserve.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(l) Taxation

Hong Kong Profits Tax is provided for at the prevailing tax rate on the estimated assessable profits less available tax relief for losses brought forward of each individual company comprising the Group. Overseas tax is provided for at the applicable local tax rates on the estimated assessable profits less available tax losses of the individual company concerned.

Deferred tax is provided for all temporary differences arising between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit of the corresponding year. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(m) Leases

For lessees, right-of-use assets and lease liabilities are recognised at the lease commencement date, except for leases with a lease term of 12 months or less, or those low-value assets, which are recognised as expenses on a straight-line basis over the lease terms.

Lease liabilities are initially measured at the present value of the remaining lease payments with reference to an expected lease term, which includes optional lease periods when the lessee is reasonably certain to exercise the option to extend or not to terminate the lease. The remaining lease payments are discounted using the interest rate implicit in the lease. If the interest rate implicit in the lease is not readily determinable, the Group uses the incremental borrowing rate at the lease commencement date. Subsequently, lease liabilities are adjusted by interest accretion and lease payments. Lease payments are separated into principal portion and interest portion and presented within financing activities in the consolidated statement of cash flows.

At inception, the right-of-use assets comprise the initial lease liabilities, initial direct costs and the obligation to restore the asset, less any incentive granted by the lessor. The right-of-use assets are depreciated over the shorter of the lease term or the useful life of the underlying asset. The carrying amount of right-of-use assets is reviewed for indications of impairment at the end of each reporting period. All impairment loss is recognised in profit or loss if the carrying amount of an asset exceeds its recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(n) Employee Retirement Benefits

The Group operates defined contribution and defined benefit retirement plans for its employees.

The costs of defined contribution plans are charged to the consolidated income statement as an expense when employees have rendered service entitling them to the contributions.

The cost of providing retirement benefits under the Group's defined benefit retirement plans is determined using the projected unit credit method, with actuarial valuations being carried out annually. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained profits and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a planned amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. The amount recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plans.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include other financial assets, derivative financial instruments, bank balances and deposits, bank and other loans, and debtors and creditors. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Currency Risk

The Group is exposed to currency risk primarily arising from foreign investments and borrowings denominated in currencies other than the functional currency of individual subsidiaries, which accounted for 25 per cent of the Group's borrowings (2020: 24 per cent). The Group generally hedges those investments with the appropriate level of borrowings denominated in the local currencies of relevant countries. The Group also entered into currency derivatives to hedge most foreign investments financed by internal resources. Given this, the management considers that the net exposure to currency risk is kept to an appropriate level. Details of the currency derivatives entered into by the Group at the end of the reporting period are set out in note 20.

The Group is also exposed to currency risk arising from bank deposits denominated in foreign currencies, which accounted for 85 per cent of the Group's bank balances and deposits at the end of the reporting period (2020: 74 per cent). Those bank balances and deposits are mainly denominated in United States dollars, Australian dollars, Pounds sterling, New Zealand dollars and Renminbi. The management maintains the portfolio of bank deposits denominated in different currencies and the exposure to currency risk is kept to an appropriate level.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Currency Risk (Cont'd)

Sensitivity analysis

The following table indicates the approximate change in the Group's profit for the year and other comprehensive income in response to a 5 per cent strengthening in foreign currencies (except for United States dollars) against Hong Kong dollars to which the Group has significant exposure related to monetary financial assets and liabilities and derivative financial instruments in existence at the end of the reporting period:

HK\$ million	2021		2020	
	Effect on profit for the year increase/ (decrease)	Effect on other comprehensive income increase/ (decrease)	Effect on profit for the year increase/ (decrease)	Effect on other comprehensive income increase/ (decrease)
Australian dollars	28	(475)	25	(542)
Pounds sterling	79	(1,316)	75	(1,330)
Japanese yen	(102)	–	(112)	–
Canadian dollars	3	(352)	9	(358)
New Zealand dollars	11	(74)	16	(78)
Euros	18	(460)	16	(501)

A 5 per cent weakening in the above foreign currencies against Hong Kong dollars would have had an equal but opposite effect on the Group's profit for the year and other comprehensive income.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the Group's entities exposure to currency risk for both monetary financial assets and liabilities and derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the next reporting period. In this respect, the management does not expect any significant movements in the pegged rate of 7.8 between the United States dollars and Hong Kong dollars. It is also assumed that such pegged rate would be materially unaffected by any changes in movement in value of the United States dollars against other currencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Interest Rate Risk

The Group's interest rate risk relates primarily to floating rate borrowings and deposits. In relation to these floating rate borrowings, the management aims at keeping borrowings at fixed rates at appropriate level by entering into interest rate swaps. In order to achieve this result, the Group entered into interest rate swaps to hedge against certain exposures to changes in interest rates of the borrowings.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates with nearly risk-free alternative rates. Group's risk exposure arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out in note 4(f).

Details of the Group's interest rate swaps and borrowings entered into by the Group at the end of the reporting period are set out in notes 20 and 25, respectively.

Sensitivity analysis

At 31st December, 2021, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would increase the Group's profit for the year by HK\$25 million (2020: decrease the Group's profit for the year by HK\$12 million). Other comprehensive income would increase by HK\$104 million (2020: HK\$192 million) in response to the general increase in interest rates. A decrease of 100 basis points in interest rate would have had an equal but opposite effect on the Group's profit for the year and other comprehensive income.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis points increase represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period.

(c) Credit Risk

The Group's credit risk is primarily attributable to debt securities investments, derivative financial instruments entered into for hedging purposes, bank balances and deposits, trade debtors and other receivables.

In respect of trade debtors and other receivables, local management teams of subsidiaries are responsible for monitoring the procedures to ensure that follow-up actions are taken to recover overdue debts of the subsidiaries. In addition, the teams perform impairment assessment under expected credit loss model based on provision matrix or individual assessment on each debt at the end of the reporting period in relation to waste management services and sales of infrastructure materials to ensure that adequate impairment losses are recognised. Normally, the Group does not obtain collateral covering the outstanding balances.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Credit Risk (Cont'd)

The Group recognises lifetime expected credit loss for trade receivables. For all other financial instruments, the Group measures the loss allowance equal to 12-month expected credit loss, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime expected credit loss.

The estimated loss rates are estimated based on historically observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

Debt securities investments are normally liquid securities for long term strategic purposes. Transactions involving derivative financial instruments and liquid funds are also with banks or financial institutions of high credit standing.

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. Except for the guarantees given by the Group as set out in note 35, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these guarantees at the end of the reporting period is disclosed in note 35.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors and other receivables are set out in note 23.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

(d) Liquidity Risk

The Group's treasury activities are centralised to achieve better risk control and minimise the cost of funds. Cash is generally placed in short-term deposits mostly denominated in United States dollars, Hong Kong dollars, Australian dollars, Pounds sterling, New Zealand dollars and Renminbi. The management aims to maintain a balance between continuity of adequate funding and the flexibility through the use of bank and other borrowings. The Group's liquidity and financing requirements are reviewed regularly to mitigate the effects of fluctuations in cash flows. The management will consider new financing while maintaining appropriate gearing for new investments and refinancing of existing debts. Group's risk exposure arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out in note 4(f).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Liquidity Risk (Cont'd)

The following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial assets and liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

HK\$ million	2021						2020					
	Carrying amount	Total contractual undiscounted cash outflows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Carrying amount	Total contractual undiscounted cash outflows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
Unsecured bank loans	19,411	19,684	9,076	5,598	5,010	-	24,005	24,421	4,856	9,588	9,977	-
Secured bank loans	1,442	1,453	1,453	-	-	-	1,507	1,531	17	1,514	-	-
Lease liabilities	390	476	42	41	111	282	338	418	43	33	90	252
Unsecured notes and bonds	8,994	9,371	100	100	7,886	1,285	7,076	7,545	96	96	5,929	1,424
Trade creditors	243	243	243	-	-	-	262	262	262	-	-	-
Other payables and accruals	1,106	1,106	1,074	-	-	32	989	989	963	-	-	26
	31,586	32,333	11,988	5,739	13,007	1,599	34,177	35,166	6,237	11,231	15,996	1,702
Derivatives settled gross:												
Currency derivatives held as net investment hedging instruments:												
- outflow		52,103	36,898	701	6,006	8,498		53,585	29,492	8,128	7,000	8,965
- inflow		(53,714)	(37,960)	(674)	(6,195)	(8,885)		(53,044)	(29,159)	(8,131)	(6,869)	(8,885)
		(1,611)	(1,062)	27	(189)	(387)		541	333	(3)	131	80

(e) Other Price Risk

The Group is exposed to other price risk through its investments in securities and other investments as set out in note 19. The management manages this exposure by maintaining a portfolio of investments with different risks. For strategic purposes, the Group holds primarily equity or debt instruments operating in energy sector.

Sensitivity analysis

At 31st December, 2021, it is estimated that a 5 per cent decrease in the prices of the respective instruments, with all other variables held constant, would decrease the Group's profit for the year by HK\$81 million (2020: HK\$86 million). A 5 per cent increase in prices would have had an equal but opposite effect on the Group's profit for the year and other comprehensive income.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(e) Other Price Risk (Cont'd)

Sensitivity analysis (Cont'd)

The sensitivity analysis above has been determined assuming that the change in prices had occurred at the end of the reporting period and had been applied to the exposure to price risk for the Group's investments in securities and other investments at fair value in existence at that date (as set out in note 19). The 5 per cent decrease in prices represents management's assessment of a reasonably possible change in the prices of those instruments over the period until the end of the next reporting period.

(f) Interest Rate Benchmark Reform

The Group has certain LIBOR bank borrowings and interest rate swaps which are subject to the interest rate benchmark reform.

At 31st December, 2021, the Group has agreed with counterparties to transition JPY LIBOR bank borrowings and GBP LIBOR interest rate swaps to Tokyo Overnight Average rate ("TONAR") and Sterling Overnight Index Average ("SONIA"), respectively. Subsequently, the GBP LIBOR bank borrowings have also been transitioned to SONIA. The Directors anticipate that the interest rate benchmark reform will have no material impact on the Group's risk exposure.

(g) Fair Value

Except for certain investments in securities which are stated at cost, the carrying values of all financial assets and financial liabilities approximate to their fair values.

The fair value of the Group's financial instruments and non-financial instruments are grouped into Level 1 to 3 with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31st December, 2021, investment properties amounting to HK\$408 million (2020: HK\$396 million) and unlisted investment in securities amounting to HK\$367 million (2020: HK\$524 million) were measured at fair value based on value inputs, other than quoted prices, that are observable either directly or indirectly. Other investments amounting to HK\$1,246 million (2020: HK\$1,189 million) were measured at fair value based on value inputs that are not observable market data but change of these value inputs to reasonable possible alternatives would not have material effect on the Group's results and financial position.

Derivative financial instruments were measured at fair value based on value inputs, other than quoted prices, that are observable either directly or indirectly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(h) Offsetting Financial Assets and Financial Liabilities

The following tables set out the carrying amounts of financial assets and financial liabilities that are subject to enforceable master netting arrangements or similar agreements, irrespective of whether they are offset in the Group's consolidated statement of financial position.

As at 31st December, 2021 HK\$ million	Gross amounts of recognised financial assets/ (liabilities)	Gross amounts offset in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net amounts
				Financial assets/ (liabilities)	Cash collateral pledged/ (received)	
Financial asset						
Derivative financial instruments	395	-	395	(64)	-	331
Financial liability						
Derivative financial instruments	(64)	-	(64)	64	-	-

As at 31st December, 2020 HK\$ million	Gross amounts of recognised financial assets/ (liabilities)	Gross amounts offset in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net amounts
				Financial assets/ (liabilities)	Cash collateral pledged/ (received)	
Financial asset						
Derivative financial instruments	411	-	411	(411)	-	-
Financial liability						
Derivative financial instruments	(831)	-	(831)	411	-	(420)

5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Significant estimates and assumptions concerning the future may be required in selecting and applying the appropriate accounting methods and policies in the financial statements. The Group bases its estimates and judgements on historical experience and various other assumptions that it believes are reasonable under various circumstances. Actual results may differ from these estimates and judgements under different assumptions and conditions.

(a) Impairment testing of goodwill

Goodwill is tested for impairment annually or more frequently when there is any indication of impairment which required the Group to estimate the value in use of the relevant cash-generating unit. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value. The carrying value of goodwill as at 31st December, 2021 is HK\$907 million (2020: HK\$948 million). Details of the impairment testing of goodwill are disclosed in note 21.

(b) Impairment testing of intangible assets

Impairment testing of intangible assets requires significant judgement and estimate. Intangible assets with indefinite useful lives are tested for impairment annually and intangible assets with definite useful lives are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs of disposals and value in use. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value. The carrying value of intangible assets as at 31st December, 2021 is HK\$1,540 million (2020: HK\$1,654 million).

6. 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	2021	2020
Sales of infrastructure materials	2,417	2,390
Interest income from loans granted to associates	311	285
Interest income from loans granted to joint ventures	2,466	3,028
Sales of waste management services	1,854	1,479
Sales and interest income from infrastructure investments	7,048	7,182
Share of turnover of joint ventures	33,682	31,170
Turnover	40,730	38,352

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. OTHER INCOME

Other income includes the following:

HK\$ million	2021	2020
Gain on disposal of joint ventures	–	57
Bank interest income	45	165
Change in fair values of investment properties	12	(2)

8. OPERATING COSTS

Operating costs include the following:

HK\$ million	2021	2020
Depreciation of property, plant and equipment	324	325
Amortisation of intangible assets	45	70
Cost of inventories sold	2,041	1,907
Cost of services provided	1,101	871

9. FINANCE COSTS

HK\$ million	2021	2020
Interest and other finance costs on		
Bank borrowings	348	434
Notes and bonds	95	91
Lease liabilities	12	9
Others	(72)	(233)
Total	383	301

10. PROFIT BEFORE TAXATION

HK\$ million	2021	2020
Profit before taxation is arrived at after charging:		
Staff costs	949	831
Lease expenses relating to short-term leases and leases of low-value assets	64	58
Directors' emoluments (note 33)	108	100
Auditor's remuneration	9	8

11. TAXATION

- (a) 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	2021	2020
Current taxation – Hong Kong	1	1
Current taxation – outside Hong Kong	135	177
Deferred taxation (note 27)	25	10
Total	161	188

- (b) Reconciliation between tax charge and accounting profit at Hong Kong profits tax rate:

HK\$ million	2021	2020
Profit before taxation	8,115	8,347
Less: Share of results of associates	(2,590)	(2,666)
Share of results of joint ventures	(2,886)	(2,767)
	2,639	2,914
Tax at 16.5% (2020: 16.5%)	435	481
Tax impact on:		
Different domestic rates of subsidiaries operating in other tax jurisdictions	(115)	(175)
Income not subject to tax	(253)	(261)
Expenses not deductible for tax purpose	59	93
Tax losses and other temporary differences not recognised	18	34
Others	17	16
Tax charge	161	188

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. 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		
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	
HK\$ million																					
Turnover	-	-	20,535	19,355	6,535	6,483	4,963	5,118	3,673	3,434	2,602	1,967	2,422	1,995	40,730	38,352	-	-	40,730	38,352	
Sales and interest income from infrastructure investments	-	-	1,287	1,816	596	576	638	685	2,417	2,390	256	236	1,854	1,479	7,048	7,182	-	-	7,048	7,182	
Bank interest income	-	-	-	-	-	-	-	-	33	47	-	-	1	1	34	48	11	117	45	165	
Other income	-	-	-	-	45	-	-	-	69	56	-	-	7	38	121	94	90	117	211	211	
Change in fair value of derivative financial instruments / other financial assets	-	-	(329)	-	-	-	-	-	-	-	-	-	-	-	(329)	-	156	-	(173)	-	
Depreciation and amortisation	-	-	-	-	-	-	-	-	(122)	(177)	-	-	(246)	(217)	(368)	(394)	(1)	(1)	(369)	(395)	
Other operating costs	-	-	-	-	-	-	(31)	(31)	(2,179)	(2,058)	-	-	(1,464)	(1,161)	(3,643)	(3,250)	(286)	(364)	(3,929)	(3,614)	
Finance costs	-	-	-	-	-	-	-	-	-	-	-	-	(47)	(44)	(47)	(44)	(336)	(257)	(383)	(301)	
Exchange (loss) / gain	-	-	(9)	-	-	-	-	-	-	-	-	-	-	-	(9)	-	198	(391)	189	(391)	
Gain on disposal of joint ventures	-	-	-	-	-	-	-	-	-	57	-	-	-	-	-	57	-	-	-	57	
Share of results of associates and joint ventures [#]	-	-	1,422	792	1,262	1,288	56	896	181	117	259	64	88	71	5,476	5,433	-	-	5,476	5,433	
Profit / (Loss) before taxation	2,208	2,205	2,371	2,608	1,903	1,864	694	1,550	399	432	515	300	193	167	8,283	9,126	(168)	(779)	8,115	8,347	
Taxation	-	-	-	(5)	-	-	-	-	(78)	(99)	(40)	(32)	(23)	(31)	(141)	(167)	(20)	(21)	(161)	(188)	
Profit / (Loss) for the year	2,208	2,205	2,371	2,603	1,903	1,864	694	1,550	321	333	475	268	170	136	8,142	8,959	(188)	(800)	7,954	8,159	
Attributable to:																					
Shareholders of the Company	2,208	2,205	2,371	2,603	1,903	1,864	694	1,550	316	290	475	268	170	136	8,137	8,916	(622)	(1,596)	7,515	7,320	
Owners of perpetual capital securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	434	796	434	796	
Non-controlling interests	-	-	-	-	-	-	-	-	5	43	-	-	-	-	5	43	-	-	5	43	
	2,208	2,205	2,371	2,603	1,903	1,864	694	1,550	321	333	475	268	170	136	8,142	8,959	(188)	(800)	7,954	8,159	

[#] Included net amount of share of deferred tax charges on change in corporate tax rate of the United Kingdom and share of tax credit in respect of deferred tax liabilities on intangible assets amounting to HK\$1,813 million (2020: HK\$1,394 million).

12. PROFIT FOR THE YEAR AND SEGMENT INFORMATION (CONT'D)

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		
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	
HK\$ million																					
Other information																					
Expenditure for segment non-current assets:																					
– Additions to property, plant and equipment	-	-	-	-	-	-	-	-	50	20	-	-	-	422	310	472	330	-	-	472	330
– Additions to intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	4	3	4	3	-	-	4	3
– Investments in joint ventures	-	-	-	4,976	-	-	-	-	-	-	-	1,214	212	-	-	1,214	5,188	-	-	1,214	5,188
as at 31st December																					
Assets																					
Interests in associates and joint ventures	31,200	30,480	55,997	55,873	31,254	31,398	15,314	16,620	912	862	9,000	7,661	1,123	1,042	144,800	143,936	-	-	144,800	143,936	
Property, plant and equipment and investment properties	-	-	-	-	-	-	-	-	1,766	1,805	-	-	1,669	1,554	3,435	3,359	2	2	3,437	3,361	
Other segment assets	-	-	378	657	-	-	-	-	2,976	3,177	9	7	2,924	3,097	6,287	6,938	-	-	6,287	6,938	
Unallocated corporate assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,475	13,176	8,475	13,176
Total assets	31,200	30,480	56,375	56,530	31,254	31,398	15,314	16,620	5,654	5,844	9,009	7,668	5,716	5,693	154,522	154,233	8,477	13,178	162,999	167,411	
Liabilities																					
Segment liabilities	-	-	-	-	-	-	102	109	1,164	1,120	58	36	2,595	2,638	3,919	3,903	-	-	3,919	3,903	
Unallocated corporate liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33,233	37,246	33,233	37,246
Total liabilities	-	-	-	-	-	-	102	109	1,164	1,120	58	36	2,595	2,638	3,919	3,903	33,233	37,246	37,152	41,149	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. 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.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than financial assets of the Group's head office; and
- all liabilities are allocated to reportable segments other than financial and other liabilities of the Group's head office.

13. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of the Company of HK\$7,515 million (2020: HK\$7,320 million) and on 2,519,610,945 shares (2020: 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 (note 30), which were cancelled in December 2021, were excluded from the calculation of earnings per share since these shares are disregarded for the purpose of determining the number of shares held by the public.

14. DIVIDENDS

(a)	HK\$ million	2021	2020
	Interim dividend paid of HK\$0.69 per share (2020: HK\$0.68 per share)	1,739	1,713
	Proposed final dividend of HK\$1.81 per share (2020: HK\$1.79 per share)	4,560	4,510
	Total	6,299	6,223

During the year, dividends of HK\$6,299 million (2020: HK\$6,223 million) are stated after elimination of HK\$90 million (2020: HK\$324 million) paid for the shares issued in connection with the issue of perpetual capital securities. There is no such elimination for the proposed final dividend in 2021 after the cancellation of such shares in December 2021 (note 30).

(b)	HK\$ million	2021	2020
	Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$1.79 per share (2020: HK\$1.78 per share)	4,510	4,485

Final dividend in respect of the previous financial year, approved and paid during the year ended 31st December, 2021, is stated after elimination of HK\$235 million (2020: HK\$233 million) for the shares issued in connection with the issue of perpetual capital securities (note 30).

15. PROPERTY, PLANT AND EQUIPMENT

HK\$ million	Medium term leasehold land in Hong Kong	Medium term leasehold land outside Hong Kong	Freehold land outside Hong Kong	Buildings	Mains, pipes, other plant and machinery	Leased properties and others	Furniture, fixtures and others	Total
Cost								
At 1st January, 2020	393	144	289	1,370	3,135	321	70	5,722
Additions	–	–	25	2	174	127	2	330
Disposals	–	–	–	–	(85)	–	(1)	(86)
Termination of leases	–	–	–	–	–	(26)	–	(26)
Exchange translation differences	–	10	24	74	208	34	4	354
At 31st December, 2020	393	154	338	1,446	3,432	456	75	6,294
Transfer between categories	–	–	–	44	(24)	(20)	–	–
Additions	–	–	10	8	342	109	3	472
Disposals	–	–	(26)	(1)	(53)	–	(1)	(81)
Termination of leases	–	–	–	–	–	(31)	–	(31)
Exchange translation differences	–	4	(14)	20	(65)	(23)	1	(77)
At 31st December, 2021	393	158	308	1,517	3,632	491	78	6,577
Accumulated depreciation								
At 1st January, 2020	213	54	–	707	1,777	121	45	2,917
Charge for the year	7	3	14	47	220	29	5	325
Disposals	–	–	–	–	(56)	–	(1)	(57)
Termination of leases	–	–	–	–	–	(24)	–	(24)
Exchange translation differences	–	4	1	30	122	9	2	168
At 31st December, 2020	220	61	15	784	2,063	135	51	3,329
Charge for the year	7	4	9	36	226	38	4	324
Transfer between categories	–	–	–	–	13	(13)	–	–
Disposals	–	–	–	(1)	(47)	–	(1)	(49)
Termination of leases	–	–	–	–	–	(30)	–	(30)
Exchange translation differences	–	2	–	10	(32)	(6)	–	(26)
At 31st December, 2021	227	67	24	829	2,223	124	54	3,548
Carrying value								
At 31st December, 2021	166	91	284	688	1,409	367	24	3,029
At 31st December, 2020	173	93	323	662	1,369	321	24	2,965

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. INVESTMENT PROPERTIES

HK\$ million	
Medium term leases in Hong Kong, at fair value	
At 1st January, 2020	398
Change in fair values	(2)
At 31st December, 2020	396
Change in fair values	12
At 31st December, 2021	408

The fair values of the Group's investment properties at 31st December, 2021 and 2020 are determined based on a valuation carried out by Mr. K. B. Wong for and on behalf of DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. Mr. K. B. Wong is a member of the Hong Kong Institute of Surveyors. The valuation which reflects the highest and best use was arrived at by reference to comparable market transactions and also taking reference of capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties.

17. INTERESTS IN ASSOCIATES

HK\$ million	2021	2020
Investment costs		
– Listed in Hong Kong	8,036	8,036
– Unlisted	730	730
Share of post-acquisition reserves	26,246	25,163
	35,012	33,929
Amounts due by unlisted associates (note 36)	2,986	3,204
	37,998	37,133
Market value of investment in a listed associate	37,300	32,120

Included in the amounts due by unlisted associates are subordinated loans of HK\$2,856 million (2020: HK\$3,009 million). The rights in respect of these loans are subordinated to the rights of any other lenders to the associates.

17. INTERESTS IN ASSOCIATES (CONT'D)

Summarised financial information of Power Assets Holdings Limited (“Power Assets”), the only material associate, adjusted for any differences in accounting policies and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below.

(a) Financial information of the material associate as at 31st December

HK\$ million	Power Assets	
	2021	2020
Current assets	4,963	6,062
Non-current assets	89,341	87,490
Current liabilities	(3,554)	(7,406)
Non-current liabilities	(3,983)	(1,380)
Equity	86,767	84,766
Reconciled to the Group’s interests in the material associate		
Group’s effective interest	35.96%	35.96%
Group’s shares of net assets of the material associate and its carrying amount in the consolidated financial statements	31,200	30,480

(b) Financial information of the material associate for the year ended 31st December

HK\$ million	Power Assets	
	2021	2020
Turnover	1,276	1,270
Profit for the year	6,140	6,132
Other comprehensive income/(expense)	1,880	(882)
Total comprehensive income	8,020	5,250
Dividend received from the material associate	2,164	2,149

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. INTERESTS IN ASSOCIATES (CONT'D)

(c) Aggregate information of associates that are not individually material

HK\$ million	2021	2020
Aggregate carrying amount of individually insignificant associates in the consolidated financial statements	3,812	3,449
Aggregate amounts of the Group's share of those associates'		
Profit for the year	382	461
Other comprehensive income/(expense)	592	(222)
Total comprehensive income	974	239

Particulars of the principal associates are set out in Appendix 2 on pages 145 and 146.

18. INTERESTS IN JOINT VENTURES

HK\$ million	2021	2020
Investment costs	58,077	56,863
Share of post-acquisition reserves	10,964	10,456
	69,041	67,319
Amounts due by joint ventures (note 36)	37,761	39,484
	106,802	106,803

Included in the amounts due by joint ventures are subordinated loans of HK\$26,783 million (2020: HK\$27,557 million). The rights in respect of these loans are subordinated to the rights of any other lenders to the joint ventures.

18. INTERESTS IN JOINT VENTURES (CONT'D)

Summarised financial information of CK William UK Holdings Limited (“CK William”) and UK Power Networks Holdings Limited (“UK Power Networks”), the material joint ventures, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below.

(a) Financial information of the material joint ventures as at 31st December

HK\$ million	CK William		UK Power Networks	
	2021	2020	2021	2020
Current assets	4,563	4,419	4,945	6,915
Non-current assets	92,637	96,895	147,303	142,725
Current liabilities	(15,175)	(5,214)	(9,508)	(15,874)
Non-current liabilities	(59,711)	(74,576)	(81,947)	(75,651)
Equity	22,314	21,524	60,793	58,115
Reconciled to the Group's interest in the joint ventures				
Group's effective interest	40%	40%	40%	40%
Group's share of net assets of the joint ventures	8,926	8,610	24,317	23,246
Consolidation adjustments at Group level and non-controlling interests	555	710	124	124
Carrying amount of the joint ventures in the consolidated financial statements	9,481	9,320	24,441	23,370
Included in the above assets and liabilities:				
Cash and cash equivalents	1,616	1,828	1,831	3,081
Current financial liabilities (excluding trade and other payables and provisions)	(10,955)	(1,890)	(986)	(8,310)
Non-current financial liabilities (excluding trade and other payables and provisions)	(51,328)	(65,729)	(61,835)	(56,522)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. INTERESTS IN JOINT VENTURES (CONT'D)

(b) Financial information of the material joint ventures for the year ended 31st December

HK\$ million	CK William		UK Power Networks	
	2021	2020	2021	2020
Turnover	10,490	10,783	17,848	16,118
Profit for the year	930	947	3,492	4,129
Other comprehensive income/ (expense)	1,004	(378)	1,369	(2,846)
Total comprehensive income	1,934	569	4,861	1,283
Dividend received from the joint ventures	194	55	615	964
Included in the above profit:				
Depreciation and amortisation	(2,772)	(2,851)	(3,188)	(2,849)
Interest income	9	18	274	268
Interest expense	(2,092)	(2,261)	(2,868)	(2,446)
Income tax expense	(528)	(575)	(3,146)	(2,250)

(c) Aggregate information of joint ventures that are not individually material

HK\$ million	2021	2020
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	35,119	34,629
Aggregate amounts of the Group's share of those joint ventures'		
Profit for the year	1,117	737
Other comprehensive income/(expense)	922	(1,614)
Total comprehensive income/(expense)	2,039	(877)

Particulars of the principal joint ventures are set out in Appendix 3 on pages 147 and 148.

19. OTHER FINANCIAL ASSETS

HK\$ million	2021	2020
Financial assets at fair value through profit or loss		
Equity securities, unlisted	367	524
Other investments [#]	1,246	1,189
Financial assets at amortised cost		
Debt securities, unlisted	–	179
Total	1,613	1,892

[#] Other investments include the investments under the agreement made as of 31st August, 2018 and as amended as of 30th December, 2019 with CK Hutchison Holdings Limited and its wholly-owned subsidiary.

20. DERIVATIVE FINANCIAL INSTRUMENTS

HK\$ million	2021		2020	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	555	(69)	432	(1,125)
Cross currency swaps	654	(48)	41	(677)
Interest rate swaps	–	(224)	–	(606)
	1,209	(341)	473	(2,408)
Portion classified as:				
Non-current	441	(164)	126	(1,378)
Current	768	(177)	347	(1,030)
	1,209	(341)	473	(2,408)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

Currency Derivatives

During the current year, the Group utilised currency derivatives to hedge long-term foreign investments. The Group is a party to a variety of foreign currency forward contracts and cross currency swaps in the management of its exchange rate exposures.

The following contracts are outstanding as at the end of the reporting period and the major terms of these contracts are as follows:

As at 31st December, 2021 Notional amount	Maturity
Sell AUD 159.3 million [^]	2022
Sell CAD 676.7 million [^]	2022
Sell GBP 2,487.4 million [^]	2022
Sell NZD 280.0 million [^]	2022
Sell EUR 515.0 million [^]	2022
Sell CAD 114.9 million [^]	2023
Sell CAD 200.0 million [^]	2024
Sell EUR 450.0 million [^]	2024
Sell CAD 132.5 million [^]	2025
Sell EUR 65.0 million [^]	2027
Sell AUD 1,414.8 million [^]	2027

20. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

Currency Derivatives (Cont'd)

As at 31st December, 2020 Notional amount	Maturity
Sell AUD 159.3 million [^]	2021
Sell CAD 276.7 million [^]	2021
Sell GBP 2,411.4 million [^]	2021
Sell NZD 280.0 million [^]	2021
Sell CAD 400.0 million [^]	2022
Sell GBP 76.0 million [^]	2022
Sell EUR 515.0 million [^]	2022
Sell CAD 114.9 million [^]	2023
Sell CAD 200.0 million [^]	2024
Sell EUR 450.0 million [^]	2024
Sell CAD 132.5 million [^]	2025
Sell EUR 65.0 million [^]	2027
Sell AUD 1,414.8 million [^]	2027

[^] designated as hedging instrument in accordance with HKFRS 9

The fair values of the above currency derivatives that are designated and effective as net investment hedges totalling HK\$1,092 million (net assets to the Group) (2020: HK\$1,329 million (net liabilities to the Group)) have been deferred in equity at 31st December, 2021.

None of above currency derivatives is designated and effective as cash flow hedges and fair value hedges at 31st December, 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

Interest Rate Swaps

During the current year, the Group utilised interest rate swaps to manage its exposure to interest rate movements on its bank borrowings by swapping a proportion of those borrowings from floating rates to fixed rates. The notional principal amounts of the interest rate swap contracts outstanding as at 31st December, 2021 and the major terms of these contracts are as follows:

As at 31st December, 2021 HK\$ million	Floating interest rate	Weighted average fixed interest rate	Notional principal amount
Contracts maturing in 2022	BKBM*	1.53%	794
Contracts maturing in 2022	LIBOR*	1.89%	6,234
Contracts maturing in 2025	BBSW*	2.70%	2,850

As at 31st December, 2020 HK\$ million	Floating interest rate	Weighted average fixed interest rate	Notional principal amount
Contracts maturing in 2022	BKBM*	1.53%	830
Contracts maturing in 2022	LIBOR*	1.89%	6,300
Contracts maturing in 2025	BBSW*	2.70%	3,003

- * BKBM – New Zealand Bank Bill Reference Rate
LIBOR – London Interbank Offered Rate
BBSW – Australian Bank Bill Swap Reference Rate

The fair values of the above interest rate swaps that are designated and effective as cash flow hedges totalling HK\$167 million (2020: HK\$393 million) (net liabilities to the Group) have been deferred in equity at 31st December, 2021.

21. GOODWILL AND INTANGIBLE ASSETS

HK\$ million	2021	2020
Goodwill	907	948
Intangible assets	1,540	1,654
Total	2,447	2,602

Goodwill

HK\$ million	2021	2020
At 1st January	948	881
Exchange difference	(41)	67
At 31st December	907	948

For the purpose of impairment test, the recoverable amount of the cash-generating units is determined based on value in use calculations.

The Group prepared its cash flow projections of each cash-generating unit based on the latest approved budget plus extrapolated cash flows for the subsequent 4 years (2020: 4 years) except for a landfill where the whole life model is used. Cash flow projections for each cash-generating unit are based on the expected terminal growth rate of 3 per cent (2020: 3 per cent). The Group considers that cash flow projections of 5 years (2020: 5 years) are appropriate as they entered long-term contracts with customers.

The model uses a terminal value which is equal to eight to ten times of earnings before interest, taxation, depreciation and amortisation and discount rate of 6.7 per cent to 9.8 per cent (2020: 6.7 per cent to 9.8 per cent). The impairment test of its assets is then assessed using the value in use for each cash-generating unit. Based on impairment tests prepared, there is no impairment for goodwill as at 31st December, 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. GOODWILL AND INTANGIBLE ASSETS (CONT'D)

Intangible Assets

HK\$ million	Brand name and trademarks	Customer contracts	Resource consents	Computer software	Operation license	Others	Total
Cost							
At 1st January, 2020	122	57	1,493	66	89	13	1,840
Additions	-	-	1	-	-	2	3
Exchange translation differences	9	3	111	5	6	-	134
At 31st December, 2020	131	60	1,605	71	95	15	1,977
Additions	-	-	4	-	-	-	4
Disposals	-	-	-	(12)	-	-	(12)
Exchange translation differences	(5)	(3)	(71)	(3)	3	-	(79)
At 31st December, 2021	126	57	1,538	56	98	15	1,890
Accumulated amortisation							
At 1st January, 2020	-	42	106	24	52	11	235
Charge for the year	-	5	19	7	38	1	70
Exchange translation differences	-	3	8	2	5	-	18
At 31st December, 2020	-	50	133	33	95	12	323
Charge for the year	-	5	25	14	-	1	45
Disposals	-	-	-	(9)	-	-	(9)
Exchange translation differences	-	(2)	(7)	(3)	3	-	(9)
At 31st December, 2021	-	53	151	35	98	13	350
Carrying value							
At 31st December, 2021	126	4	1,387	21	-	2	1,540
At 31st December, 2020	131	10	1,472	38	-	3	1,654

For brand name and trademarks of the Group that are regarded to have indefinite useful lives, there is no foreseeable limit to the period over which these assets are expected to generate cash flows for the Group.

For other intangible assets of the Group that are regarded to have finite useful lives, they are amortised on a straight-line basis according to their license periods or contract lives.

22. INVENTORIES

HK\$ million	2021	2020
Raw materials	60	62
Work-in-progress	31	26
Stores, spare parts and supplies	36	39
Finished goods	44	19
Total	171	146

23. DEBTORS AND PREPAYMENTS

HK\$ million	2021	2020
Trade debtors	311	257
Prepayments, deposits and other receivables	920	1,261
Total	1,231	1,518

The aging analysis of the Group's trade debtors presented based on the invoice dates is as follows:

HK\$ million	2021	2020
Less than 1 month	214	189
1 to 3 months	87	65
More than 3 months but less than 12 months	19	17
More than 12 months	3	–
Gross total	323	271
Loss allowance	(12)	(14)
Total after allowance	311	257

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. DEBTORS AND PREPAYMENTS (CONT'D)

During the year ended 31st December, 2021, the Group measured the loss allowance based on provision matrix or individual assessment under the expected credit loss model.

The Group used average loss rates ranging from 0.04 per cent to 22.3 per cent (2020: from 0.4 per cent to 31.1 per cent) for provision matrix assessment. The average loss rates were estimated based on historically observed default rates of the debtors and were adjusted for any forward-looking information that was available without undue cost or effort.

The movement in the loss allowance during the year is as follows:

HK\$ million	2021	2020
At 1st January	14	12
Impairment loss recognised	2	3
Impairment loss written back	(4)	(1)
At 31st December	12	14

24. BANK BALANCES AND DEPOSITS

Bank balances and deposits carry average effective interest rate at 0.17 per cent (2020: 1.00 per cent) per annum.

25. BANK AND OTHER LOANS

HK\$ million	2021	2020
Unsecured bank loans repayable:		
Within 1 year	8,947	4,655
In the 2nd year	5,523	9,463
In the 3rd to 5th year, inclusive	4,941	9,887
	19,411	24,005
Unsecured notes and bonds repayable:		
Within 1 year	–	–
In the 2nd year	–	–
In the 3rd to 5th year, inclusive	7,717	5,700
After 5 years	1,277	1,376
	8,994	7,076
Secured bank loans repayable:		
Within 1 year	1,442	–
In the 2nd year	–	1,507
	1,442	1,507
Total	29,847	32,588
Portion classified as:		
Current liabilities	10,389	4,655
Non-current liabilities	19,458	27,933
Total	29,847	32,588

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. BANK AND OTHER LOANS (CONT'D)

The carrying amounts of the Group's borrowings are denominated in the following currencies:

HK\$ million	Bank loans		Notes		Bonds		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
GBP	1,559	1,575	–	–	–	–	1,559	1,575
AUD	15,190	16,004	–	–	–	–	15,190	16,004
JPY	1,016	1,116	1,017	1,116	–	–	2,033	2,232
EUR	884	950	–	–	5,304	5,700	6,188	6,650
NZD	1,442	1,507	–	–	–	–	1,442	1,507
Others	762	4,360	2,673	260	–	–	3,435	4,620
Total	20,853	25,512	3,690	1,376	5,304	5,700	29,847	32,588

The average effective interest rate of the Group's bank loans is 1.09 per cent (2020: 1.33 per cent) per annum.

The Group's notes and bonds of HK\$6,581 million (2020: HK\$7,076 million) were arranged at fixed interest rate and exposed the Group to fair value interest rate risk. Other borrowings were arranged at floating rates, thus exposed the Group to cash flow interest rate risk.

Bank loans carried interest at floating rate, which was determined with reference to BBSY*, LIBOR, USD LIBOR, EURIBOR, BKBM, CDOR** or JPY LIBOR plus an average margin less than 1 per cent (2020: 1 per cent) per annum.

Fixed rate notes and bonds carried interest ranging from 1 per cent to 4 per cent (2020: interest ranging from 1 per cent to 4 per cent) per annum.

Certain assets were pledged to secure bank borrowings totalling HK\$1,442 million (2020: HK\$1,507 million) granted to the Group.

* BBSY – Australian Bank Bill Swap Bid Rate

** CDOR – Canadian Dollar Offered Rate

26. CREDITORS, ACCRUALS AND OTHERS

HK\$ million	2021	2020
Trade creditors	243	262
Other payables and accruals	5,689	4,858
Lease liabilities	31	32
Total	5,963	5,152

The aging analysis of the Group's trade creditors is as follows:

HK\$ million	2021	2020
Current	164	188
1 month	27	37
2 to 3 months	12	9
Over 3 months	40	28
Total	243	262

At 31st December, 2021, non-current lease liabilities of HK\$359 million (2020: HK\$306 million) is included under other non-current liabilities.

The aging analysis of the Group's lease liabilities is as follows:

HK\$ million	2021	2020
Within 1 year	31	32
Within a period of more than 1 year but not more than 2 years	30	32
Within a period of more than 2 years but not more than 5 years	103	86
Within a period of more than 5 years	226	188
	390	338
Less: Amount due for settlement within 12 months shown under current liabilities	(31)	(32)
Amount due for settlement after 12 months shown under non-current liabilities (included in other non-current liabilities)	359	306

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. DEFERRED TAX ASSETS/LIABILITIES

HK\$ million	2021	2020
Deferred tax assets	(6)	(6)
Deferred tax liabilities	476	476
Total	470	470

The followings are the major deferred tax (assets)/liabilities recognised by the Group and movements thereon during the current and prior years:

HK\$ million	Accelerated tax depreciation	Tax losses	Fair value arising from business combination	Others	Total
At 1st January, 2020	150	(67)	388	(24)	447
(Credit)/Charge to profit for the year	(8)	1	(3)	20	10
Exchange translation differences	3	–	29	(3)	29
Others	–	–	–	(16)	(16)
At 31st December, 2020	145	(66)	414	(23)	470
(Credit)/Charge to profit for the year	(9)	2	(2)	34	25
Exchange translation differences	(7)	–	(13)	1	(19)
Others	–	–	–	(6)	(6)
At 31st December, 2021	129	(64)	399	6	470

27. DEFERRED TAX ASSETS/LIABILITIES (CONT'D)

Apart from the unused tax losses of which the deferred tax assets were recognised as presented above, the Group had unused tax losses and other unused tax credits totalling HK\$1,901 million (2020: HK\$1,764 million) at 31st December, 2021. No deferred tax asset has been recognised in respect of these tax losses and tax credits due to the unpredictability of future profit streams to utilise the available tax losses and tax credits.

An analysis of the expiry dates of the tax losses and tax credits is as follows:

HK\$ million	2021	2020
Within 1 year	–	–
In the 2nd year	–	–
In the 3rd to 5th year, inclusive	–	–
No expiry date	1,901	1,764
Total	1,901	1,764

28. RETIREMENT PLANS

Defined Contribution Retirement Plans

The Group provides defined contribution retirement plans for its eligible employees.

Contributions to the defined contribution plans in Hong Kong are made by either the employer only at 10 per cent of the employees' monthly basic salaries or by both the employer and the employees each at 10 or 15 per cent of the employees' monthly basic salaries. The Company and its Hong Kong subsidiaries also participate in master trust Mandatory Provident Fund ("MPF") schemes operated by independent service providers. Mandatory contributions to these MPF schemes are made by both the employers and employees at 5 per cent of the employees' monthly relevant income each capped at HK\$30,000.

Contribution to the defined contribution plans in New Zealand are made by either the employer only at 9 per cent of the employees' monthly basic salaries or by both the employer and employees each at 4 to 9 per cent of the employees' monthly basic salaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. RETIREMENT PLANS (CONT'D)

Defined Contribution Retirement Plans (Cont'd)

As the Group's retirement plans in Hong Kong, are all MPF-exempted recognised occupational retirement schemes ("ORSO schemes"), except for certain subsidiaries of which the new Hong Kong employees have to join the MPF schemes, the Group offers an option to its new Hong Kong employees to elect between the ORSO schemes and the MPF schemes.

The Group's costs in respect of defined contribution plans for the year amounted to HK\$28 million (2020: HK\$24 million). Forfeited contributions and earnings for the year under the defined contribution plans amounting to HK\$1 million were used to reduce the existing level of contributions (2020: nil). At 31st December, 2021, there were no forfeited contributions and earnings available to the Group to reduce its contributions to the defined contribution plans in future years (2020: nil).

29. SHARE CAPITAL

	Number of Shares		Amount	
	2021	2020	2021 HK\$ million	2020 HK\$ million
Authorised:				
Ordinary shares of HK\$1 each	4,000,000,000	4,000,000,000	4,000	4,000
Issued and fully paid:				
Ordinary shares of HK\$1 each At 1st January	2,650,676,042	2,650,676,042	2,651	2,651
Cancellation of shares in connection with the redemption of perpetual capital securities (note 30)	(131,065,097)	–	(131)	–
At 31st December	2,519,610,945	2,650,676,042	2,520	2,651

30. PERPETUAL CAPITAL SECURITIES

On 1st March, 2016, OVPH Limited (the “Issuer”) issued US\$1,200 million perpetual capital securities (the “Securities”) which are guaranteed by the Company and listed on Hong Kong Stock Exchange at an issue price of 100 per cent. Distribution is payable semi-annually in arrear based on a fixed rate, which is 5.875 per cent per annum. On 2nd March, 2016, the Company issued 131,065,097 new ordinary shares to the Issuer for a consideration of approximately US\$1,200 million (equivalent to approximately HK\$9,360 million). The net proceeds for the shares issued were approximately HK\$9,245 million. The shares were issued in connection with the issue of the Securities. A swap agreement dated 1st March, 2016 was entered into between the Company and the Issuer under which the Issuer is obliged to act in accordance with directions from the Company on certain matters. As a result, these shares were accounted for as treasury shares. On 1st March, 2021, all outstanding 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, and the treasury shares were subsequently cancelled on 29th December, 2021.

On 23rd August, 2017, the Group issued US\$500 million 4.85 per cent guaranteed perpetual capital securities at an issue price of 100 per cent. These perpetual capital securities were issued for general corporate funding purposes. Distributions on these perpetual capital securities are paid semi-annually in arrears from 23rd August, 2017 and may be deferred at the discretion of the Group. These perpetual capital securities have no fixed maturity and are redeemable at the Group’s option on or after 23rd August, 2022 at their principal amounts together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company will not declare, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank.

On 3rd November, 2017, the Group issued US\$150 million 4.85 per cent guaranteed perpetual capital securities at an issue price of 100 per cent plus an amount corresponding to accrued distribution from and including 23rd August, 2017 to, but excluding 3rd November, 2017. The perpetual capital securities were issued for general corporate funding purposes. Distributions on these perpetual capital securities are paid from 23rd August, 2017 and may be deferred at the discretion of the Group. These perpetual capital securities have no fixed maturity and are redeemable at the Group’s option on or after 23rd August, 2022 at their principal amounts together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company will not declare, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank.

On 2nd June, 2021, the Group issued US\$300 million 4.20 per cent guaranteed perpetual capital securities at an issue price of 100 per cent. Distribution is payable semi-annually in arrear from 2nd December, 2021 and may be deferred at the sole discretion of the Group. These perpetual capital securities have no fixed maturity and are redeemable at the Group’s option on 2nd June, 2026, or any day thereafter at their principal amounts together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company will not declare, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. PERPETUAL CAPITAL SECURITIES (CONT'D)

On 29th July, 2021, the Group issued US\$300 million 4.00 per cent guaranteed perpetual capital securities at an issue price of 100 per cent. Distribution is payable semi-annually in arrear from 29th January, 2022 and may be deferred at the sole discretion of the Group. These perpetual capital securities have no fixed maturity and are redeemable at the Group's option on 29th July, 2026, or any day thereafter at their principal amounts together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company will not declare, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank.

31. CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can expand and generate attractive and predictable returns for shareholders and benefits for other stakeholders, by establishing and maintaining a quality investment portfolio with stable earnings and appropriate level of risks that the management are comfortable with.

The capital structure of the Group consists of debts, which includes bank borrowings, notes, bonds as detailed in note 25, lease liabilities, bank balances and deposits, equity attributable to shareholders of the Company, comprising issued share capital and reserves, and perpetual capital securities as detailed in the consolidated statement of changes in equity.

The management actively and regularly reviews and manages the Group's capital structure to maintain a balance between high shareholders' returns and strong capital position, and makes adjustments to the capital structure in light of changes in the global market conditions.

The Group maintained a low net debt to net total capital ratio of 14.7 per cent (2020: 13.1 per cent) as at 31st December, 2021. The management targets to maintain a solid capital position to pursue more new investment opportunities. The Group's overall strategy remains unchanged from 2020.

The net debt to net total capital ratios at 31st December, 2021 and 2020 were as follows:

HK\$ million	2021	2020
Total debts	29,847	32,588
Bank balances and deposits	(8,085)	(13,477)
Net debt	21,762	19,111
Net total capital	147,609	145,373
Net debt to net total capital ratio	14.7%	13.1%

During the current year, the Company acted as the guarantor in respect of certain loan facilities granted to its subsidiaries, and fully complied with the capital requirements under the loan facility agreements.

32. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation between profit before taxation and cash generated from operating activities before finance costs and income taxes paid

HK\$ million	2021	2020
Profit before taxation	8,115	8,347
Share of results of associates	(2,590)	(2,666)
Share of results of joint ventures	(2,886)	(2,767)
Interest income from loans granted to associates	(311)	(285)
Interest income from loans granted to joint ventures	(2,466)	(3,028)
Bank interest income	(45)	(165)
Finance costs	383	301
Depreciation of property, plant and equipment	324	325
Amortisation of intangible assets	45	70
Change in fair values of investment properties	(12)	2
(Gain)/Loss on disposal of property, plant and equipment	(5)	28
Gain on disposal of joint ventures	–	(57)
Change in fair value of other financial assets	329	–
Change in fair value of derivative financial instruments	(156)	130
Unrealised exchange (gain)/loss	(199)	93
Returns received from joint ventures	158	2
Interest received from associates	314	285
Interest received from joint ventures	2,606	1,818
Bank interest received	47	172
Operating cash flows before changes in working capital	3,651	2,605
Increase in inventories	(25)	(9)
Increase in debtors and prepayments	(133)	(24)
Increase in creditors and accruals	87	487
Exchange translation differences	15	99
Cash generated from operating activities before finance costs and income taxes paid	3,595	3,158

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

(b) Reconciliation of liabilities arising from financial activities

HK\$ million	Unsecured bank loans	Secured bank loans	Lease liabilities	Unsecured notes and bonds	Total
At 1st January, 2020	23,938	1,272	214	6,532	31,956
Financing cash flows	(1,506)	117	(36)	–	(1,425)
New lease entered/lease modified	–	–	125	–	125
Interest expenses	–	–	9	–	9
Exchange loss	1,573	118	26	544	2,261
At 31st December, 2020	24,005	1,507	338	7,076	32,926
Financing cash flows	(3,590)	–	(50)	2,413	(1,227)
New lease entered/lease modified	–	–	108	–	108
Interest expenses	–	–	12	–	12
Exchange gain	(1,004)	(65)	(18)	(495)	(1,582)
At 31st December, 2021	19,411	1,442	390	8,994	30,237

(c) Funds from Operations*

HK\$ million	2021	2020
Net cash from operating activities	3,055	2,825
Dividends received from associates	2,592	2,460
Dividends received from joint ventures	2,757	2,488
	8,404	7,773

* Funds from operations represent net cash from operating activities and dividends received from associates and joint ventures.

33. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' emoluments comprise payments to the Company's directors by the Group in connection with the management of the affairs of the Group. The independent non-executive directors ("INED") receive an annual director's fee of HK\$75,000 each; and for those acting as the audit committee members ("ACM"), additional annual fee of HK\$100,000 each is paid. For those INED acting as remuneration committee members ("RCM"), nomination committee members ("NCM") and sustainability committee members ("SCM"), additional annual fee of HK\$25,000 each is paid. The emoluments of each of the Company's directors for the current year, excluding emoluments received from the Group's associates, are as follows:

HK\$ million	Fees	Basic Salaries, Allowances and Other Benefits	Bonuses	Provident Fund Contributions	Inducement or Compensation Fees	Total Emoluments 2021	Total Emoluments 2020
Victor T K Li ^(1 and 3)	0.125	–	29.553	–	–	29.678	26.026
Kam Hing Lam	0.075	4.200	10.735	–	–	15.010	13.691
Ip Tak Chuen, Edmond	0.100	1.800	11.698	–	–	13.598	12.138
Fok Kin Ning, Canning ⁽¹⁾	0.075	–	–	–	–	0.075	0.075
Frank John Sixt	0.075	–	–	–	–	0.075	0.075
Andrew John Hunter ⁽¹⁾	0.075	12.661	15.100	1.265	–	29.101	27.859
Chan Loi Shun ^(1, 2 and 3)	0.075	7.108	2.953	0.709	–	10.845	10.741
Chen Tsien Hua	0.075	5.745	2.384	0.572	–	8.776	8.677
Cheong Ying Chew, Henry ⁽⁴⁾	0.200	–	–	–	–	0.200	0.180
Kwok Eva Lee ⁽⁴⁾	0.100	–	–	–	–	0.100	0.077
Sng Sow-Mei ⁽⁴⁾	0.175	–	–	–	–	0.175	0.155
Colin Stevens Russel ⁽⁴⁾	0.100	–	–	–	–	0.100	0.143
Lan Hong Tsung, David ⁽⁴⁾	0.175	–	–	–	–	0.175	0.155
Barrie Cook ⁽⁴⁾	0.100	–	–	–	–	0.100	0.077
Paul Joseph Tighe ⁽⁴⁾	0.200	–	–	–	–	0.200	0.157
Lee Pui Ling, Angelina	0.075	–	–	–	–	0.075	0.075
George Colin Magnus	0.075	–	–	–	–	0.075	0.075
Total for the year 2021	1.875	31.514	72.423	2.546	–	108.358	
Total for the year 2020	1.723	31.516	64.591	2.546	–		100.376

Notes:

- (1) During the year, Mr. Victor T K Li, Mr. Andrew John Hunter and Mr. Chan Loi Shun each received directors' fees of HK\$70,000 (2020: HK\$70,000), Mr. Fok Kin Ning, Canning received director's fees of HK\$120,000 (2020: HK\$120,000) from Power Assets. The directors' fees totalling HK\$330,000 (2020: HK\$330,000) were then paid back to the Company.
- (2) During the year, the directors' emoluments in the sum of HK\$5,502,100 (2020: HK\$5,502,100) received by Mr. Chan Loi Shun from Power Assets were paid back to the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (CONT'D)

Notes (Cont'd):

- (3) Mr. Victor T K Li and Mr. Chan Loi Shun have acted as NCM and SCM of Power Assets, respectively and each received fees of HK\$20,000 (2020: HK\$1,694) during the year. The fees totalling HK\$40,000 (2020: HK\$3,388) were then paid back to the Company.
- (4) INED, ACM, RCM, NCM and SCM – During the year, Mr. Cheong Ying Chew, Henry has acted as INED, ACM and RCM of the Company. Mr. Lan Hong Tsung, David and Mrs. Sng Sow-Mei have acted as INED and ACM of the Company. Mr. Colin Stevens Russel has acted as INED and RCM of the Company. Mrs. Kwok Eva Lee and Mr. Barrie Cook have acted as INED and NCM of the Company. Mr. Paul Joseph Tighe has acted as INED, ACM and SCM of the Company. The total emoluments paid to these INED, ACM, RCM, NCM and SCM during the year were HK\$1,050,000 (2020: HK\$944,193).

Of the five individuals with the highest emoluments in the Group, all (2020: all) are directors whose emoluments are disclosed above.

34. COMMITMENTS

The Group's capital commitments outstanding at 31st December and not provided for in the consolidated financial statements are as follows:

HK\$ million	Contracted but not provided for	
	2021	2020
Investments in joint ventures	11	13
Plant and machinery	310	287
Other financial assets	201	–
Total	522	300

35. CONTINGENT LIABILITIES

The contingent liabilities of the Group are as follows:

HK\$ million	2021	2020
Guarantee in respect of bank loan drawn by a joint venture	583	1,191
Other guarantees given in respect of a joint venture	363	438
Performance bond indemnities	175	173
Sub-contractor warranties	15	–
Total	1,136	1,802

36. MATERIAL RELATED PARTY TRANSACTIONS

During the year, the Group advanced HK\$29 million (2020: HK\$7 million) to its unlisted associates. The Group received repayment of HK\$53 million (2020: nil) from an unlisted associate. The total outstanding loan balances as at 31st December, 2021 amounted to HK\$2,986 million (2020: HK\$3,204 million), of which HK\$2,856 million (2020: HK\$3,043 million) at fixed rates ranging from 10.85 per cent to 11.19 per cent (2020: from 10.85 per cent to 11.19 per cent) per annum and HK\$130 million (2020: HK\$161 million) was interest-free. The average effective interest rate of the loan granted to associates is 11.05 per cent (2020: 11.08 per cent) per annum. As stated in note 6, interest income from loans granted to associates during the year amounted to HK\$311 million (2020: HK\$285 million). The loans had no fixed terms of repayment.

During the year, the Group advanced HK\$221 million (2020: HK\$50 million) to its joint ventures. The Group received repayments of HK\$317 million (2020: HK\$1,185 million) from its joint ventures. The total outstanding loan balances as at 31st December, 2021 amounted to HK\$37,761 million (2020: HK\$39,484 million), of which HK\$18,432 million (2020: HK\$19,239 million) bore interest with reference to London Interbank Offered Rate, Australian Bank Bill Swap Reference Rate and return from joint ventures, and HK\$18,418 million (2020: HK\$19,232 million) at fixed rate ranging from 4.4 per cent to 14 per cent (2020: from 4.4 per cent to 14 per cent) per annum, and HK\$911 million (2020: HK\$1,013 million) was interest-free. The average effective interest rate of the loan granted to joint ventures is 6.13 per cent (2020: 6.17 per cent) per annum. As stated in note 6, interest income from loans granted to joint ventures during the year amounted to HK\$2,466 million (2020: HK\$3,028 million). The loans had no fixed terms of repayment.

Moreover, the Group's sales and purchases of infrastructure materials to/from a joint venture for the current year amounted to HK\$354 million (2020: HK\$338 million) and HK\$2 million (2020: HK\$2 million), respectively. The Group also received income and incurred operating costs from sales of waste management services from/to its joint ventures amounted to HK\$92 million (2020: HK\$79 million) and HK\$63 million (2020: HK\$54 million), respectively for the current year.

The emoluments of key management have been presented in note 33 above.

The above related party transactions made during the year did not constitute connected transactions or continuing connected transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of Financial Position of the Company

as at 31st December

HK\$ million	2021	2020
Property, plant and equipment	2	2
Unlisted investments in subsidiaries	49,234	48,170
Total non-current assets	49,236	48,172
Amounts due from subsidiaries	56,565	57,866
Amount due from a joint venture	10	8
Prepayments, deposits and other receivables	15	15
Bank balances	10	16
Total current assets	56,600	57,905
Amounts due to subsidiaries	56,169	51,555
Other payables and accruals	96	276
Total current liabilities	56,265	51,831
Net current assets	335	6,074
Net assets	49,571	54,246
Representing:		
Share capital	2,520	2,651
Reserves	47,051	51,595
Total equity	49,571	54,246

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONT'D)

(b) Movements in the Company's Equity

HK\$ million	Share capital	Share premium	Retained profits	Total
At 1st January, 2020	2,651	25,267	26,288	54,206
Profit for the year	–	–	6,561	6,561
Final dividend paid for the year 2019	–	–	(4,719)	(4,719)
Interim dividend paid	–	–	(1,802)	(1,802)
At 31st December, 2020	2,651	25,267	26,328	54,246
Profit for the year	–	–	10,934	10,934
Final dividend paid for the year 2020	–	–	(4,745)	(4,745)
Interim dividend paid	–	–	(1,829)	(1,829)
Cancellation of shares	(131)	(9,082)	178	(9,035)
At 31st December, 2021	2,520	16,185	30,866	49,571

38. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

39. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements set out on pages 86 to 148 were approved by the Board of Directors on 16th March, 2022.

PRINCIPAL SUBSIDIARIES

APPENDIX 1

The table below shows the subsidiaries as at 31st December, 2021 which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of all the subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Name	Place of incorporation/ principal place of business	Issued share capital	Proportion of nominal value of issued capital held by the Group (per cent)	Principal activities
Anderson Asia (Holdings) Limited	Hong Kong	HK\$1 ordinary HK\$60,291,765 Non-voting deferred	100	Investment holding
Anderson Asphalt Limited	Hong Kong	HK\$30,300,000	100	Production and laying of asphalt and investment holding
Cheung Kong China Infrastructure Limited	Hong Kong	HK\$2	100	Mainland China infrastructure investment holding
China Cement Company (International) Limited	Hong Kong	HK\$1,000,000	70	Investment holding
Green Island Cement Company, Limited	Hong Kong	HK\$306,694,931	100	Manufacturing, sale and distribution of cement and property investment
Green Island Cement (Holdings) Limited	Hong Kong	HK\$722,027,503	100	Investment holding
Daredon Assets Limited	British Virgin Islands/ Hong Kong	US\$1	100	Investment holding
Enviro Waste Services Limited	New Zealand	NZ\$84,768,736	100	Waste management services

Note: The shares of all the above subsidiaries are indirectly held by the Company.

PRINCIPAL ASSOCIATES

APPENDIX 2

The table below shows the associates as at 31st December, 2021 which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of all the associates would, in the opinion of the Directors, result in particulars of excessive length.

Name	Place of incorporation/ principal place of business	Issued share capital	Percentage of equity attributable to the Group	Principal activities
Power Assets Holdings Limited (note 1)	Hong Kong	HK\$6,610,008,417	36	Investment in energy and utility-related businesses
SA Power Networks Partnership (note 2)	Australia	N/A	23	Electricity distribution
Victoria Power Networks Pty Limited (note 3)	Australia	A\$315,498,640	23	Electricity distribution

Notes:

1. The associate is listed on Hong Kong Stock Exchange.
2. SA Power Networks Partnership, an unincorporated body, is formed by the following companies:

CKI Utilities Development Limited
PAI Utilities Development Limited
Spark Infrastructure SA (No.1) Pty Ltd
Spark Infrastructure SA (No.2) Pty Ltd
Spark Infrastructure SA (No.3) Pty Ltd

CKI Utilities Development Limited and PAI Utilities Development Limited, both of which are associates of the Group, together own a 51 per cent interest in SA Power Networks Partnership.

The partnership operates and manages the electricity distribution business in the State of South Australia of Australia.

3. Victoria Power Networks Pty Limited owns 100 per cent interests in the following companies:

Powercor Australia Ltd
CitiPower Pty Ltd
The CitiPower Trust

Powercor Australia Ltd and The CitiPower Trust each operates and manages an electricity distribution business in the State of Victoria of Australia.

PRINCIPAL JOINT VENTURES

APPENDIX 3

The table below shows the joint ventures as at 31st December, 2021 which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of all the joint ventures would, in the opinion of the Directors, result in particulars of excessive length.

Name	Place of incorporation/ principal place of business	Issued share capital	Percentage of equity attributable to the Group	Principal activities
UK Power Networks Holdings Limited	United Kingdom	£ 610,000,000 ordinary	40	Electricity distribution
Northumbrian Water Group Limited (note 3)	United Kingdom	£ 39 A ordinary £ 142 B ordinary	52	Water supply, sewerage and waste water businesses
Northern Gas Networks Holdings Limited	United Kingdom	£ 71,670,979 ordinary £ 1 special	47	Gas distribution
Wales & West Gas Networks (Holdings) Limited (note 3)	United Kingdom	£ 29,027	39	Gas distribution
Electricity First Limited	United Kingdom	£ 1,004	50	Electricity generation
Eversholt UK Rails Limited (note 3)	United Kingdom	£ 102	65	Leasing of rolling stock
CK William UK Holdings Limited (note 1 & 2)	United Kingdom	£ 2,049,000,000	40	Investment holding
Australian Gas Networks Limited	Australia	A\$879,082,753	45	Gas distribution
Canadian Power Holdings Inc.	Canada	C\$206,645,761 ordinary	50	Electricity generation
1822604 Alberta Ltd. (note 3)	Canada	C\$280,000,002	65	Off-airport parking operation

APPENDIX 3 (CONT'D)

Name	Place of incorporation/ principal place of business	Issued share capital	Percentage of equity attributable to the Group	Principal activities
Husky Midstream Limited Partnership	Canada	C\$1,153,845,000 class A units C\$621,301,154 class B units C\$1,776,923 general partnership interest	16	Oil pipelines, storage facilities and ancillary assets operation
CKP (Canada) Holdings Limited	Canada	C\$1,143,862,831	25	Water heater and HVAC (heating, ventilation and air conditioning) rentals, sales and services
Wellington Electricity Distribution Network Limited	New Zealand	NZ\$406,500,100	50	Electricity distribution
Trionista TopCo GmbH	Germany	€25,000	35	Sub-metering and related services
AVR-Afvalverwerking B.V. (note 3)	The Netherlands	€1	46	Producing energy from waste

Notes:

1. CK William UK Holdings Limited owns 100 per cent interests in the following companies:

Energy Developments Pty Limited
Multinet Group Holdings Pty Limited
DBNGP Holdings Pty Limited

Energy Developments Pty Limited owns and operates an energy generation business mainly in Australia. Multinet Group Holdings Pty Limited and DBNGP Holdings Pty Limited operate natural gas distribution and transmission businesses in Australia respectively.

2. CK William UK Holdings Limited owns 66 per cent interests in United Energy Distribution Holdings Pty Limited, which operates an energy distribution business in Australia.
3. The percentage of equity attributable to the Group includes the additional interests under the agreements dated 30th December, 2019. Further details are set out in the Company's announcement dated 31st July, 2019.

SCHEDULE OF MAJOR PROPERTIES

APPENDIX 4

Location	Lot Number	Group's Interest (per cent)	Approximate floor/site area attributable to the Group (sq. m.)	Existing Usage	Lease Term
14-18 Tsing Tim Street, Tsing Yi	TYTL 98	100	3,355	I	Medium
TMTL 201 Tap Shek Kok	TMTL 201	100	152,855	I	Medium
Certain units of Harbour Centre Tower 2, 8 Hok Cheung Street, Hunghom	KML 113	100	5,528	C	Medium

I: Industrial C: Commercial