

Operations Review



Dutch Enviro Energy-owned AVR operates five waste treatment plants in Netherlands. Total energy-from-waste capacity reaches 2,300 kilotonnes per year.

Infrastructure



Operations Review – Infrastructure





1. Recognised as a safety and efficiency leader in Australia's National Electricity Market, SA Power Networks is ranked as the most efficient distributor on a state-wide basis in Australia.
2. Northumbrian Water is named "Water Company of the Year" at the Water Industry Achievement Awards in the UK.
3. HK Electric completes the steam drum lifting for one of its new gas-fired units at Lamma Power Station in Hong Kong.
4. CitiPower, a company under Victoria Power Networks, is ranked as the most efficient electricity distribution network national wide by the Australian Energy Regulator.
5. UK Rails' rolling stock portfolio includes 22 different passenger fleets of trains comprising around 3,500 passenger vehicles.

Operations Review – Infrastructure

The infrastructure division comprises the Group's 75.67%⁽¹⁾ interest in CK Infrastructure Holdings Limited ("CKI") and the Group's additional interests in six co-owned infrastructure assets.

	2018 HK\$ million	2017 HK\$ million	Change	Change in Local Currencies
Total Revenue ⁽²⁾	64,724	57,369	+13%	+11%
- CKI	53,274	46,597	+14%	+13%
- Co-owned infrastructure assets	11,450	10,772	+6%	+1%
EBITDA ⁽²⁾	35,422	33,033	+7%	+5%
- CKI	29,406	26,416	+11%	+10%
- Co-owned infrastructure assets	6,016	6,617	-9%	-13%
EBIT ⁽²⁾	24,038	23,449	+3%	—
- CKI	20,076	18,836	+7%	+5%
- Co-owned infrastructure assets	3,962	4,613	-14%	-18%
CKI Reported Net Profit	10,443	10,256	+2%	

Note 1: In January 2015, CKI completed a share placement and share subscription transaction that resulted in the Group's interest in CKI reducing from 78.16% to 75.67%. On 1 March 2016, CKI issued new shares in connection with an issue of perpetual capital securities. Subsequent to this transaction, the Group holds a 71.93% interest. As these new shares are disregarded for the purpose of determining the number of shares held by the public, the Group's profit sharing in CKI continues to be 75.67%.

Note 2: Total revenue, EBITDA and EBIT reflect the Group's share of results on the remaining 10% direct interest in the co-owned infrastructure assets with CKI after the divestment of 90% of the direct economic benefits in October 2018.

CKI

CKI is the largest publicly listed infrastructure company on the SEHK, with diversified investments in energy, transportation and water infrastructure, waste management, waste-to-energy, household infrastructure and infrastructure-related businesses. CKI operates in Hong Kong, the Mainland, the UK, Continental Europe, Australia, New Zealand and Canada.

CKI recorded net profit attributable to shareholders of HK\$ 10,443 million, an increase of 2% from last year. Excluding the one-off items recorded in 2017, the increase in underlying business profit contribution was 13%, mainly due to the full year contribution from the businesses acquired during 2017.

Profit contribution from Power Assets, a company listed on the SEHK and in which CKI holds a 38.01% interest as of 31 December 2018, was HK\$2,903 million as compared to HK\$3,214 million in 2017. Taking out the one-off disposal gains recorded in 2017 and adjusting for certain treasury items, profit contribution increased by 9% as compared with last year. Hongkong Electric, in which Power Assets holds a 33.37% stake, has entered into a new Scheme of Control in Hong Kong for a 15-year period with effect from 1 January 2019. This framework is set to provide stability and predictability of profit contribution in the coming years.

In January 2019, CKI completed the disposal of 2.05% interest in Power Assets for approximately HK\$2.3 billion with the shareholding reduced to 35.96%.

Co-owned infrastructure assets

The Group's direct interests in six co-owned infrastructure assets include Northumbrian Water, Park'N Fly, Australian Gas Networks, Dutch Enviro Energy, Wales & West Utilities and UK Rails and have contributed revenue, EBITDA and EBIT of HK\$11,450 million, HK\$6,016 million and HK\$3,962 million respectively in the year.

In October 2018, the Group completed the divestiture of an aggregated 90% economic benefits in its direct interest in the six co-owned infrastructure assets for a cash consideration of HK\$21.6 billion under the Economic Benefits Agreements entered with CK Asset Holdings Limited, CKI and Power Assets, and resulted in a lower profit contribution when compared against 2017. The divestiture has resulted in a loss on disposal of approximately HK\$3,626 million at EBITDA and EBIT level and has been included under the Finance & Investments and Others segment.

The Group has approved a plan to streamline the direct ownership in the six co-owned infrastructure assets. As such, these six co-owned infrastructure assets were reclassified for accounting purposes as disposal group held for sale as at 31 December 2018. The plan is subject to obtaining relevant regulatory approvals.