UK Power Networks launches the Constellation project, which includes the installation of powerful computers in a series of substations.

Infrastructure

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1. Australian Gas Networks opens its first hydrogen production facility, Hydrogen Park South Australia.

2. Reliance Home Comfort completes two acquisitions, adding about 25,000 new rental assets primarily in Ontario, Canada.

3. HK Electric takes a major step forward in its transition from coal-to-gas generation with the successful synchronisation of a new gas-fired unit.

4. New Zealand's EnviroWaste unveils its plan to build a construction and demolition waste sorting facility in South Auckland.

Operations Review – Infrastructure

The infrastructure division comprises the Group's 75.67% [1] interest in CK Infrastructure Holdings Limited ("CKI") and 10% of the economic benefits deriving from the Group's direct holdings in six co-owned infrastructure investments with CKI, including Northumbrian Water, Park'N Fly, Australian Gas Networks, Dutch Enviro Energy, Wales & West Utilities and UK Rails.

	2021 HK$ million	2020 HK$ million	Change	Local currencies change
Total Revenue	**56,100**	52,792	+6%	–
EBITDA [2]	**29,636**	29,066	+2%	-5%
EBIT [2]	**19,095**	18,488	+3%	-4%
CKI Reported Net Profit (under Post-IFRS 16 basis)	**7,515**	7,320	+3%	

Note 1: On 1 March 2016, CKI issued new shares in connection with an issue of perpetual capital securities and the Group's interest in CKI reduced from 75.67% to 71.93%. As these new shares were disregarded for the purpose of determining the number of shares held by the public, the Group's profit sharing in CKI remained at 75.67%. After the redemption of the above-mentioned perpetual capital securities by CKI in March 2021 and the cancellation of the related shares in December 2021, the Group's interest in CKI returns to 75.67%.

Note 2: Under Post-IFRS 16 basis, EBITDA was HK$29,938 million (2020: HK$29,367 million); EBIT was HK$19,139 million (2020: HK$18,537 million).

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, Canada and the United States.

CKI announced net profit attributable to shareholders under Post-IFRS 16 basis of HK$7,515 million, 3% higher against last year. Both 2021 and 2020 included deferred tax charges from the revision of the UK corporate tax rates. Excluding the non-cash deferred tax impact for both years, as well as the disposal gain from the sale of Portugal Renewable Energy in 2020, the adjusted net profit increased 22% in 2021 compared to 2020, reflecting good operational performance across its global portfolio of infrastructure businesses.

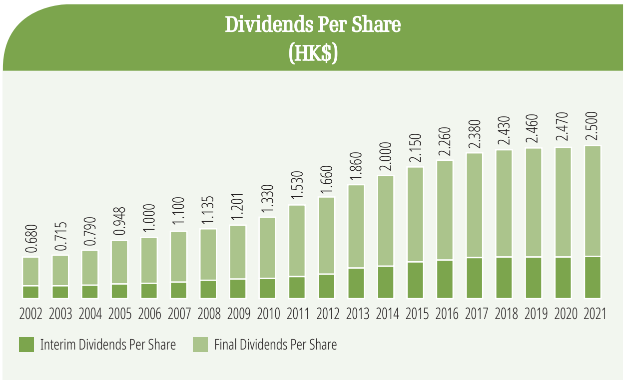
The division's EBITDA and EBIT of HK$29,636 million and HK$19,095 million were 2% and 3% higher than last year respectively in reported currency, reflecting favourable foreign currency translation impacts and good operational performance as mentioned, partly offset by gain on disposal of Portugal Renewable Energy recognised in 2020.

Profit contribution from Power Assets, a company listed on the SEHK and in which CKI holds a 35.96% interest as of 31 December 2021, was HK$2,210 million, flat as compared to HK$2,208 million in 2020. Excluding the share of non-cash deferred tax impact and disposal gain on Portugal Renewable Energy, the adjusted profit contribution from Power Assets increased by 10% as compared to last year.

In 2021, a number of CKI's regulated businesses in the UK and Australia have entered new regulatory regimes and these resulted in lower revenues and allowable returns. Appeals were made to the Competition and Markets Authority in respect of the regulatory resets by Northern Gas Networks and Wales & West Gas Networks. Upon completion of the appeal processes, improvements were achieved in a number of areas. This will benefit the revenue and asset bases of these businesses in the remaining years of the current regulatory periods. The secure business models of CKI will continue to contribute solid revenue streams and returns.

During 2021, CKI's businesses have carried out a number of acquisition activities, including ista completing four bolt-on acquisitions which expanded its market penetration in Germany, France and Czech Republic; Reliance Home Comfort completing two acquisitions during the year, adding about 25,000 new rental assets primarily in Ontario and further strengthening its market position in the region; as well as Canadian Power acquiring two wind farms in the Okanagan region of British Columbia. In addition, Dutch Enviro Energy was successfully named preferential bidder for AEB, a waste-to-energy business in the Netherlands.

CKI has always been committed to prudent financial management with the underlying financial position closely monitored. CKI's financial strength continues to be robust, with HK$8.1 billion cash on hand and a net debt to net total capital ratio of 14.7% as at 31 December 2021. Credit rating from Standard & Poor's maintained at "A/Stable". CKI has redeemed US$1.2 billion perpetual capital securities in March 2021 with subsequent issuance of US$300 million securities in each of June and July 2021, which is expected to generate meaningful savings in distributions to securities holders going forward.



Note 3: Excludes share of one-off gains arising from the spin-off of HK Electric by PAH and privatisation of Envestra.