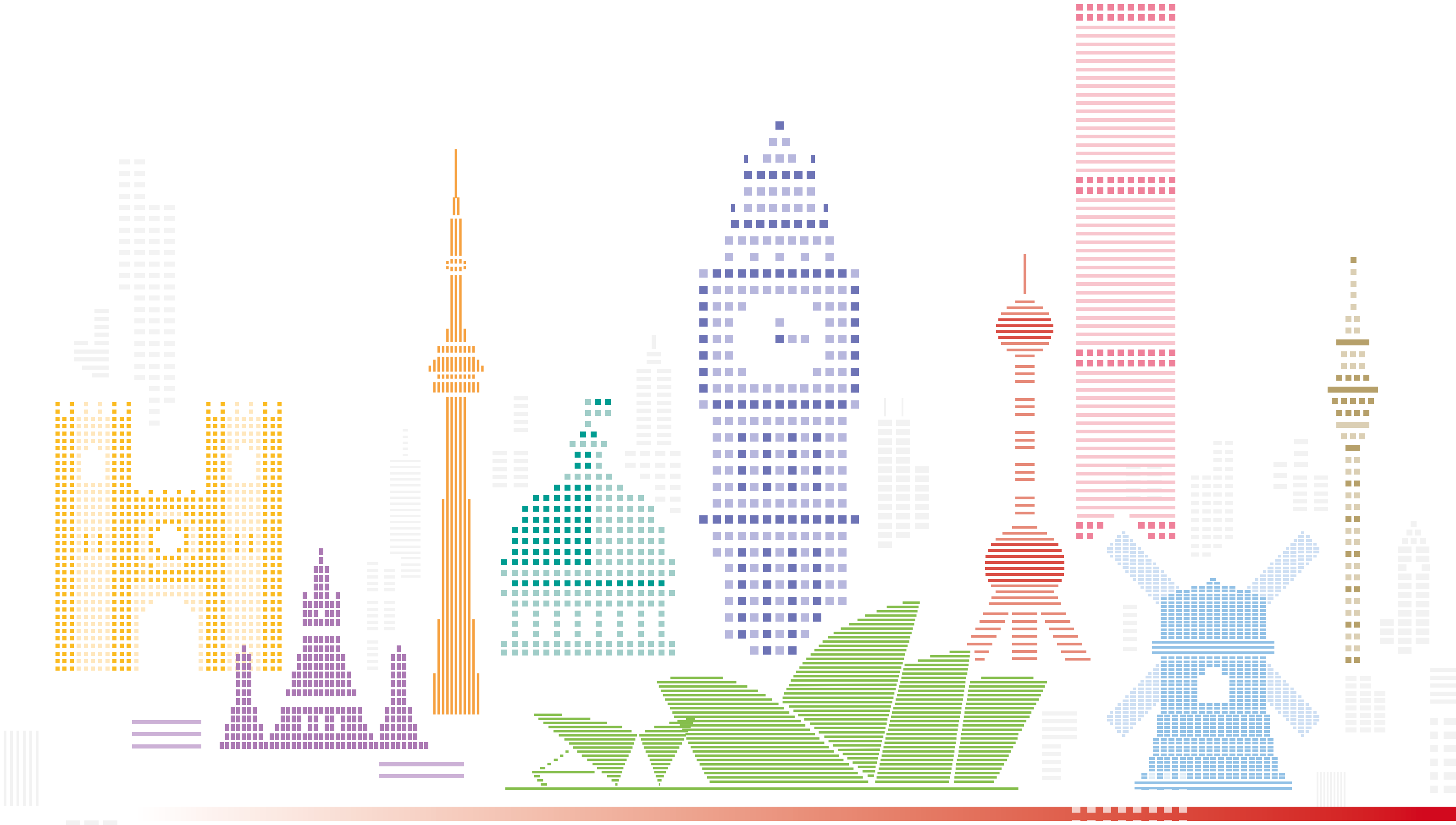
Power Assets Holdings Ltd.
電能實業有限公司
(Stock Code : 6)

Annual Report 2018



Powering up the World

Powering up the World

Our 2018 Annual Report cover conveys the simple message that the Power Assets Group helps to power markets around the world with sustainable energy. Our widespread geographic footprint and diversified asset portfolio are our core strengths, helping us contribute to the progress of the energy sector globally. We take pride in our essential role in the development of every market that we operate in, and support their transition to economies of the future.

A STRATEGIC GLOBAL INVESTOR IN THE ENERGY SECTOR

Power Assets is a global investor in energy and utility-related businesses, with interests in the generation of thermal and renewable power, the transmission of electricity, gas and oil as well as the distribution of electricity and gas.

From our origins in Hong Kong over a century ago, our operations today span global markets including the United Kingdom, Australia, New Zealand, mainland China, Thailand, the Netherlands, Portugal, Canada and the United States.

Power Assets' investments comprise primarily of acquisitions, supplemented by green-field development activities. We follow an active yet prudent strategy for sustainable growth over the long term by concentrating on companies operating in well-regulated and mature markets that are able to deliver predictable and reliable income streams. We are investing systematically in innovation and technology across our businesses to enable them to reduce emissions and be prepared for the future of energy production and consumption.

Listed on the Stock Exchange of Hong Kong as a constituent share of the Hang Seng Index, Power Assets is also one of only nine Hong Kong companies included in the Dow Jones Sustainability Index Asia Pacific and one of the constituents in the Hang Seng Corporate Sustainability Index.

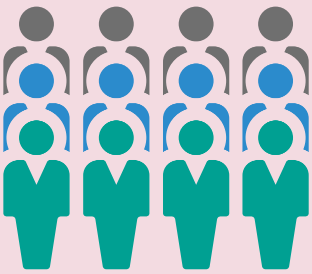
CONTENTS

PERFORMANCE HIGHLIGHTS

Financials	**2018 HK$**	2017 HK$	Change
Profit attributable to shareholders (million)	**7,636**	8,319	-8%
Earnings per share	**3.58**	3.90	-8%
Dividends per share	**2.80**	2.80	–
Special interim dividends per share	**–**	13.50	-100%

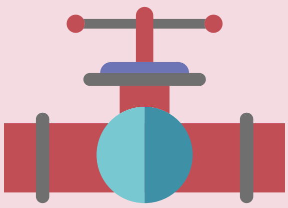
Number of Customers

18,992,000

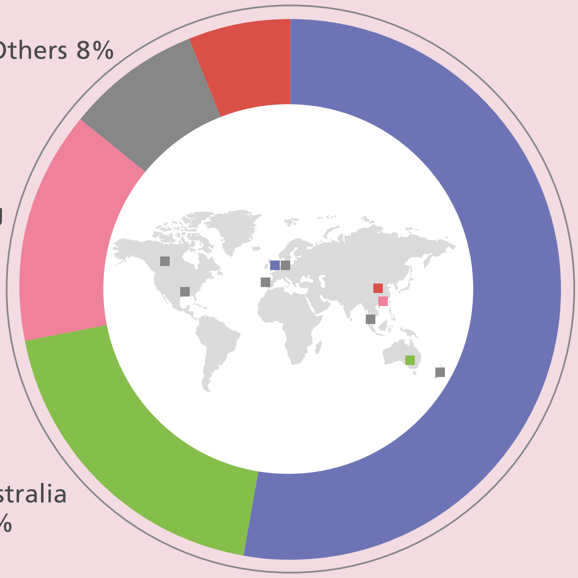


Gas/Oil Pipeline Length

111,500km

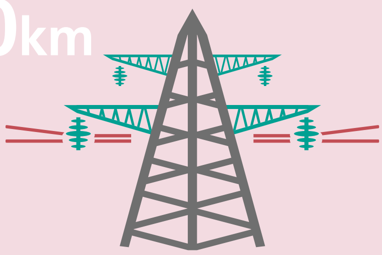


2018 Profit Contribution by Reportable Business Segment



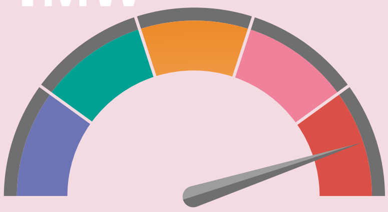
Power Network Length

397,800km



Generation Capacity

11,811MW



LONG-TERM DEVELOPMENT STRATEGY

With global investments in energy generation, transmission and distribution across four continents, Power Assets serves millions of customers with power and heating.

Underpinning our growth and future development are three key principles.

Grow shareholder value in fields of expertise

The Group aspires to deliver long-term earnings growth through investing in a portfolio of carefully selected companies. Supported by our loyal base of committed shareholders who share this ethos, Power Assets pursues this goal by addressing itself to sectors where it has a natural expertise, within stable, well-structured international markets: namely, renewables, energy-from-waste, electricity, and gas infrastructure businesses.

We actively invest in innovation to increase the value that our operating companies deliver in an evolving energy world. Our research and development focus mirrors our areas of expertise and seeks to improve our performance therein: namely decarbonisation, storage and transmission of renewable energy, support for distributed power generation, smart metering and grid technology, carbon dioxide management and energy efficiency.

Pursue global diversification while minimising risks

Power Assets' approach to expanding its portfolio is active but disciplined. First we identify and rigorously evaluate suitable opportunities that operate in stable, well-regulated energy markets around the world to deliver progress with minimal impact on investor risk. We target enterprises that yield steady revenues under government regulation, or whose income is safeguarded by long-term power purchase agreements. Our due diligence process ensures that the technologies, sources of fuel and customer base of potential investments are proven and sustainable.

The Group is active in Europe, North America, Asia and Australia to minimise exposure to the economic cycles of any one single market.

Maintain a strong balance sheet as a foundation for agility

Power Assets believes that a strong balance sheet is the foundation of sustainable growth. In 2018, Standard & Poor's raised the long term issuer credit rating to "A" from "A-" to recognise our prudent financial management. Our A credit rating and strong cash position give us sufficient financial power to be agile while pursuing appropriate opportunities.

CHAIRMAN'S STATEMENT

Underlying Business Profit Increased by 11%

Full year results and dividends

The Group's 2018 audited profits attributable to shareholders amounted to HK$7,636 million (2017: HK$8,319 million), a decrease of 8.2% as compared to 2017 due primarily to a one-off gain on disposal of properties recorded in 2017. The profit contribution of our underlying business, if adjusted for the one-off gain, lower deposit interest income and exchange difference on deposits, would increase by 11% over 2017. Earnings per share was HK$3.58 (2017: HK$3.90).

The Directors will recommend a final dividend of HK$2.03 per share, payable on 30 May 2019 to those persons registered as shareholders on 21 May 2019. This, together with the interim dividend of HK$0.77 per share, takes the total dividend for the year to HK$2.8 per share (2017: HK$16.3 per share including special interim dividends of HK$13.5 per share).

Operating performance

Our businesses around the world are diversified across multiple parameters: we operate in the generation, transmission and distribution sectors in ten major markets, across multiple types of fuel including coal, natural gas, renewables and waste. This robust model enabled us to drive positive results over the year.

While the UK saw continued movement in consumer confidence throughout the year, the performance of all of our regulated businesses was in line with expectation, despite ongoing Brexit negotiations. Our UK businesses once again delivered excellence in customer service, improving on their own outstanding performance records. UK Power Networks and Northern Gas Networks maintained their position in safety, reliability and customer service, while Seabank continued to exceed operational targets. Wales & West Utilities continued its initiatives to connect biomethane to the networks as well as offering smart hybrid heating solution for domestic customers in selected regions which combines gas with electricity to deliver material savings on heating costs and carbon footprint.

In Hong Kong, HK Electric moved into the final year of the existing regulatory regime, the Scheme of Control Agreement (SCA). In preparation for the new SCA period, the company launched a series of initiatives to cut the city's carbon footprint, improve the energy efficiency of Hong Kong's buildings and help underprivileged households save money on their electricity bills.

In Australia, the focus was on improving the agility and flexibility of our distribution networks so that we can adapt the grid for bi-directional energy flow. This will improve the management of electricity generated by consumers with rooftop solar panels, for instance. The CK William acquisition has proved extremely positive for the Group and the full-year contribution has been strong. Australian Gas Networks and Victoria Power Networks secured and completed a number of major capital projects designed to enhance reliability and flexibility. Both SA Power Networks and Victoria Power Networks continued preparations for a regulatory reset.

Our businesses in mainland China, Thailand, Canada, the Netherlands, Portugal and New Zealand are all performing in line with expectations.

In August 2018, the Group entered into an economic benefits agreement with CK Hutchison Holdings Limited. Under the agreement, the Group is entitled to the distributions from a group of mature assets including Australian Gas Networks, Wales & West Gas Networks and Dutch Enviro Energy as well as other complementary infrastructure companies. At a consideration of approximately US$611.46 million (approximately HK$4,800 million), the agreement represents a long-term investment which is poised to generate stable investment income for the Group in the coming years.

Fighting climate change

In December 2018, 196 governments around the world agreed on another milestone towards a sustainable global climate policy, which defines the path to be followed by each of them on climate protection. As a player in an essential utilities sector in so many markets around the world, we are fully committed to supporting local governments to achieve this goal.

By investing in innovation and collaborating with other industry leaders, many of our businesses made encouraging progress with numerous innovations and research projects that will help combat climate change by cutting carbon emissions.

In Hong Kong, HK Electric secured government approval to invest HK$26.6 billion in the next five years to build the infrastructure that will enable the company to increase the proportion of gas-fired generation. Three new gas-fired units will be commissioned before 2023 to replace retiring coal-fired units, bringing gas-fired generation to about 70% of total generation.

Outlook

Moving into 2019 preparations for regulatory resets in the UK gas sector and the Australian electricity sector will continue, including stakeholder engagement and other initiatives.

As the new SCA regulating HK Electric's business came into effect on 1 January 2019, there is a material drop of approximately 20% in the rate of permitted return. HK Electric is also undertaking a significant capital investment programme of HK$26.6 billion under the 2019-2023 Development Plan. As such, barring unforeseen circumstances it is envisaged that there will be an approximately 20% reduction in future distributions from HK Electric Investments in the next few years.

The 1,400MW Zhuhai coal-fired power plant and 200MW Siping cogeneration plant will be transferred to the mainland Chinese joint venture partners in 2019, pursuant to co-operative joint venture agreements signed in 1995 and 1997 respectively. Together with the increase of gas-fired generating facilities under construction in Hong Kong and the planned coal-to-gas conversion of Sheerness Power Plant in Canada, Power Assets' coal-fired facilities will be substantially and steadily reduced.

Power Assets' goal is to deliver sustainable long-term value increase for our shareholders. We will continue to look for appropriate opportunities to expand our presence in stable, well-regulated markets through investment in low-risk assets with assured revenue streams.

I would like to express gratitude of the board to our shareholders for their support over the years, and in the years to come. I would also like to acknowledge our dedicated and skilled colleagues across all of our operating businesses all over the world.

Fok Kin Ning, Canning
Chairman
Hong Kong, 20 March 2019

YEAR AT A GLANCE

JAN-JUN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- The CitiPower and Powercor control room, one of the largest in Australia, completes an unprecedented year in operations and control performance, recording zero switching incidents – a record for the entire industry. 1

- UKPN achieves the prestigious Level 4 accreditation from the Cabinet Office Emergency Planning College's assessment for Organisational Resilience.

- CitiPower announces a new partnership with Cricket Victoria in Australia. As part of the partnership, the newly redeveloped Victorian Cricket and Community Centre at Junction Oval in St Kilda will be known as the CitiPower Centre. 2

- In the Netherlands, AVR makes the final investment decision and enters into a purchase and supply agreement with Air Liquide, to build Europe's first commercial-scale carbon capture and liquefication system. 3

- The Hong Kong Government approves HK Electric's 2019-2023 Development Plan. In the coming 5 years, HK Electric will invest HK$26.6 billion in capital projects, out of which 61% will be for renewing its generation portfolio from coal to gas.

- In Portugal, Iberwind initiates the Escusa windfarm repowering project, which will potentially increase the yield of this wind farm by 60%. It is set to be implemented during 2019.

- HMLP's LLB Direct pipeline project is successfully completed on budget and on schedule. This pipeline has an initial capacity of 100 mbbls/day and will transport Alberta heavy oil production to HMLP's Hardisty, Alberta terminal for blending and distribution to third-party export pipelines.

- In Australia, United Energy's company-wide zone substation lead assessment programme is completed with 26 substations assessed in total. The assessment involves a site visit to visually inspect paint surfaces, lead swab testing, paint chip sampling, surface wipe sampling and air monitoring for lead. A plan for managing lead risks has been developed. 6

- NGN launches its vision to hydrogenise the gas infrastructure of Northern England as part of the H21 North of England project. Once implemented, the project will see more than 3.7 million homes and 40,000 businesses and industries in the north of England being heated with hydrogen instead of natural gas. 7


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- AEO receives Notice to Proceed to build, own and operate the transmission connections for 2 new wind farms in Australia: the 385 MW Moorabool Wind Farm and the 80 MW Elaine Wind Farm, which will be energised in the first half of 2019. 4

- In the UK, WWU wins the Company of the Year award at the Institute of Gas Engineers and Managers awards. 5

- Multinet Gas completes the construction work involved in relocating a major gas supply hub, that serves 100,000 customers, from contaminated land to an adjacent site in Highett. The work is fully funded by the Victorian Government.

- WELL receives approval from New Zealand's Commerce Commission to invest NZ$31 million in earthquake readiness activities. WELL's 3-year delivery programme aims to reduce outage times after a large earthquake and involves seismic strengthening of buildings, the construction of 2 portable substations and 3 data centres, upgrades to the phone and radio system, and an increase in spares stock.

- AGN completes the Melbourne Metropolitan Rail project, which involves the relocation of gas infrastructure to facilitate the construction of a twin rail tunnel in the Melbourne metropolitan area. The total project cost of A$14 million is fully funded by the Victorian Government.

JUL-DEC

- EDL is recognised at the South Australian Premier's 2018 Awards in Energy & Mining, taking the energy sector's top award for Excellence in Innovation: Productivity Improvement for its Coober Pedy Renewable Hybrid Project. 8

- DBP progresses the 440km Tanami Gas Pipeline Project in the Northern Territory in Australia, with the pipelines now structurally complete along the whole length and scheduled for commissioning during the first half of 2019.

- SAPN's new submarine cable connecting Kangaroo Island to the South Australian mainland is installed. The cable will remain in hot standby until final works to allow for automatic switching between the new and existing cable are completed.

- HK Electric's Feed-in Tariff Scheme opens for application. From 1 January 2019, anybody operating a renewable energy power system in HK Electric's supply area and connected to its power grid will be entitled to receive an advantageous feed-in tariff from the company. 9

- A record number of 9 new primary substations are commissioned by UKPN in London which have increased both network resilience and system capacity. 10

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CEO'S REPORT

Tsai Chao Chung, Charles
Chief Executive Officer

I am delighted to present the 2018 operating results and activities of the Power Assets Group.

As a global investor in companies that operate in the energy generation, transmission and distribution sectors across coal, gas, renewables and oil, we have a diversified portfolio of assets that offers predictable revenue streams in reliable and well-regulated markets. This enables us to offer stable return with long-term growth to our investors in all market conditions.

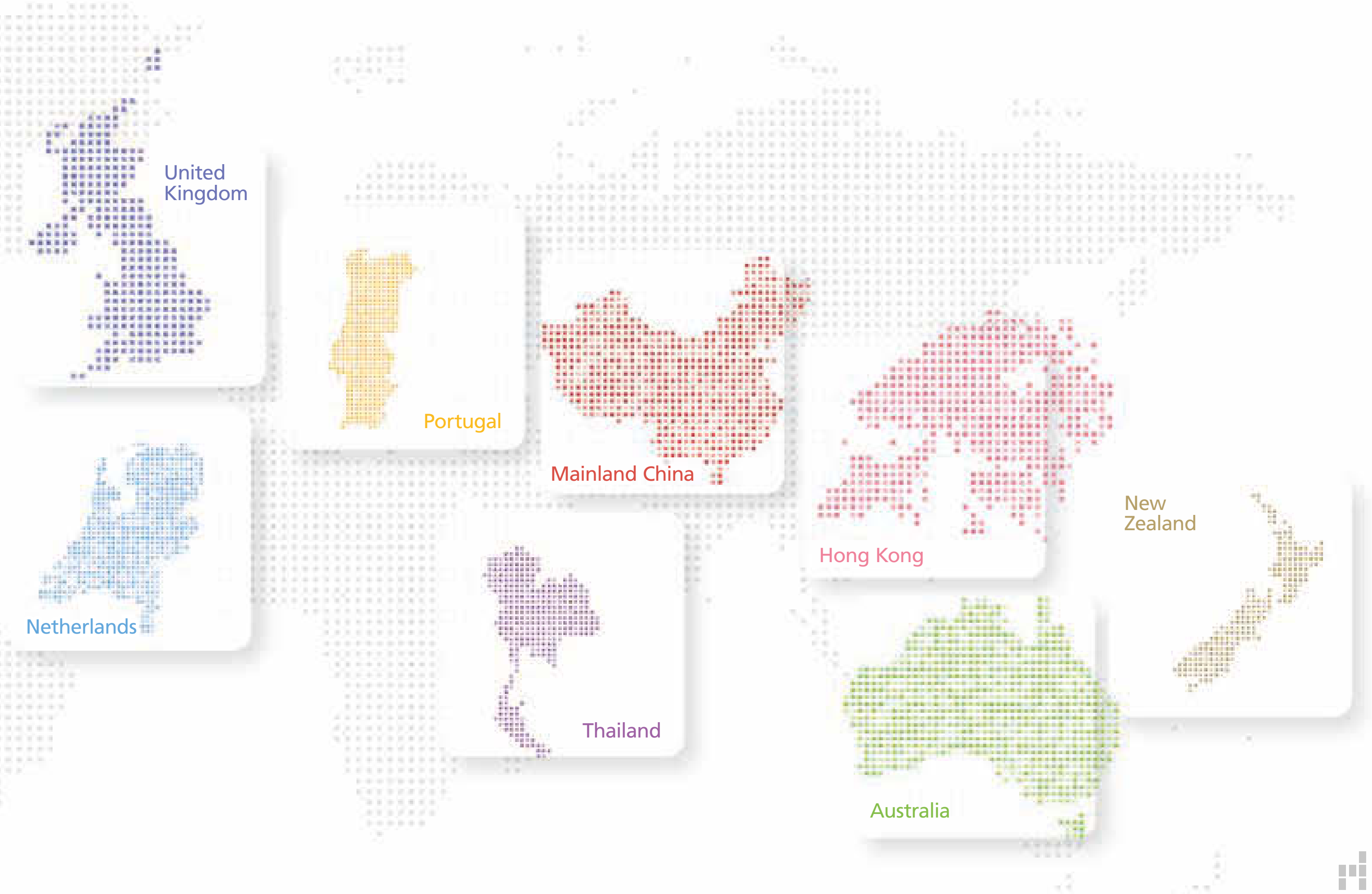
With more than 24 assets worldwide, our operations span Asia, Australia, North America and Europe. Each of our operating companies is dedicated to their own strategies, and leverage their unique strengths to succeed, but they are all united by a common purpose: to improve shareholder value through operational excellence. In 2018, this passion was effectively demonstrated in a few key areas: namely, excellence in customer service, efficiencies in operations and management of the impact on our environment.

During 2018, the Power Assets Group delivered solid results across the board, demonstrating the quality of our portfolio. We saw solid macro economic performance in all of our key markets.

During the year we focussed on the smooth integration of our recent acquisition, CK William*, an owner and operator of energy assets in Australia and other markets. While we continued to seek out growth opportunities, we maintained our prudent approach to new investments, seeking fair valuation in mature, well-regulated markets.

Governments across the world are establishing stringent new carbon emission targets in order to achieve the goals of the Paris UN Climate Change Conference (COP 24) agreement. The Group as a whole is making significant investment in research, innovation and the adoption of the latest technologies to support the move to a low-carbon future, another focus area of the period under review. In the power generation sector, our power plants in Hong Kong and Canada are progressively switching fuel source from coal to gas to substantially reduce carbon emission. In the gas distribution sector, our overseas companies in the UK and Australia are actively promoting the blending of hydrogen in the existing gas grids as a pathway towards a near-zero emission hydrogen network – a hydrogen economy of the future. In the electricity distribution sector, all our distribution networks are undergoing various upgrade and automation to accommodate the distributed and interruptable renewable generation.

As regulated businesses in critical infrastructural sectors, many of our companies operate under government-set regimes that specify rates of return, tariffs and performance targets like supply reliability and customer satisfaction. Key markets such as the UK, Australia, New Zealand and Hong Kong have different regulatory reset periods and our companies are working diligently to fulfil their regulatory obligations and in most cases, exceed the requisite quality standards.



Canada

- TransAlta Cogeneration
- Meridian
- Husky Midstream Limited Partnership
- Energy Developments†

United States of America

- Energy Developments†

United Kingdom

- UK Power Networks
- Northern Gas Networks
- Wales & West Utilities
- Seabank Power
- Energy Developments†

Netherlands

- Dutch Enviro Energy Holdings B.V.

Portugal

- Iberwind

Mainland China

- Zhuhai Power
- Jinwan Power
- Siping Cogeneration
- Dali Wind Power
- Laoting Wind Power

Hong Kong

- HK Electric

Thailand

- Ratchaburi Power

Australia

- Australian Gas Networks
- SA Power Networks
- Victoria Power Networks
- Australian Energy Operations
- United Energy†
- Dampier Bunbury Pipeline & DBP Development Group†
- Multinet Gas†
- Energy Developments†

New Zealand

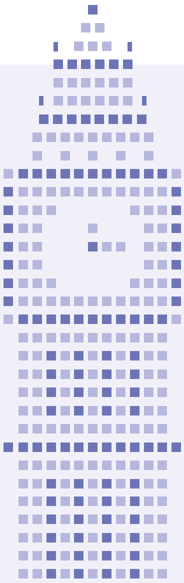
- Wellington Electricity Lines

Legends

- Generation
- Energy-from-waste
- Electricity Transmission & Distribution
- Oil Pipelines & Storage Facilities
- Gas Transmission & Distribution
- Renewables

* CK William UK Holdings Limited ("CK William") privatised DUET Group in 2017 and now holds the assets† above.

CEO'S REPORT



UNITED KINGDOM

UK Power Networks

Power Assets share: **40%**
Joined since: **Oct 2010**
Network length: **188,000 km**
No. of customers: **8,300,000**

Northern Gas Networks

Power Assets share: **41.29%**
Joined since: **Jun 2005**
Gas pipeline length: **36,100 km**
No. of customers: **2,700,000**

Wales & West Utilities

Power Assets share: **30%**
Joined since: **Oct 2012**
Gas pipeline length: **35,000 km**
No. of customers: **2,540,000**

Seabank Power

Power Assets share: **25%**
Joined since: **Jun 2010**
Gas-fired combined cycle gas turbine: **1,149 MW**

The UK has been a key market for the Group since 2005 and is currently our largest operational platform where we have four companies across the electricity generation, electricity and gas distribution sectors. The four businesses combined have electricity network length of 188,000 km plus gas pipeline length of 71,100 km and a generation capacity of 1,149 MW serving a domestic, commercial and industrial customer base of over 13.5 million.

All four companies achieved very strong operating performance during the year. Weak consumer confidence and the prevailing uncertainty over the terms of Britain's exit from the European Union have had no visible impact on their operating results as their output is mostly regulated with tariffs pegged to the retail price index, or reliable offtake contracts.

With an ongoing focus on customer service, we remained at the top of the UK regulator, Ofgem's league tables across essential performance parameters such as supply reliability and customer satisfaction.

Our operating companies pursued our mission to test and implement innovative projects to reduce our carbon footprint and that of the community as a whole, to help achieve the UK's goal of cutting greenhouse gas emissions by 37% by 2020 compared to 1990 levels.

A UKPN engineer conducts maintenance on an overhead line, contributing to the company's industry-leading reliability record.

NGN's modern network is critical to its service performance.

Reducing roadside pollution by supporting electric vehicles

London aspires to transit to a more electric vehicle friendly city, thereby curbing roadside pollution, as part of the UK's overall initiative to cut carbon emissions. One of UKPN's priorities in 2018 was to contribute to the development of the infrastructure needed to accelerate this change.

The company worked with The Greater London Authority to help roll out 100 rapid charge points for EVs across the city, making it easier for drivers to use and charge their vehicles. UKPN also engaged with Transport for London (TfL) to roll out their public charging programme and the electrification of their bus fleet. Thanks to the company's technical advice on the most efficient charging profiles, TfL achieved savings of nearly £600 million.

UK Power Networks

UK Power Networks (UKPN) is one of the largest electricity distribution network owners (DNOs) in the UK covering an area of approximately 30,000 km². In addition to regulated networks, UKPN operates a number of private networks on behalf of clients including the British Airports Authority and the Ministry of Defence.

In 2018, UKPN distributed 79,639 GWh of power, a 0.7% increase compared to 2017 levels. The company maintained its position as both the safest and most reliable network operator in the country whilst continuing to provide excellent customer service, at the same time ensuring its customers enjoyed the lowest charges for the use of the electricity system of any DNO in the UK.

Network reliability remained extremely high, thanks to the network-wide implementation of an industry-leading Automatic Power Restoration System. As a result, customers enjoyed reliable power supply despite challenging weather conditions that prevailed during the year.

To maintain reliability standards, UKPN progressed its planned programme of investment and in 2018 invested around £620 million in the regulated networks.

CEO'S REPORT

A record number of nine new primary substations were commissioned in London, which have increased both network resilience and system capacity by over 700 MVA.

UKPN expanded its work on major infrastructural projects under the ED1SON Alliance, an arrangement with four partners. The Alliance has approximately 170 projects in construction including a high-profile programme to regenerate the iconic Battersea power station into mixed commercial and residential properties. In June 2018 UKPN won a major industry award for its work on this programme.

Northern Gas Networks

Northern Gas Networks (NGN) transports about 13% of the UK's gas. It also conducts maintenance of mains and provides essential connections as well as emergency services related to gas supply.

NGN's total gas throughput for 2018 was 69,727 GWh (2017: 68,974 GWh). The company achieved its goal of being a consistent leader in safety, efficiency and customer service. NGN met, and in many cases exceeded, all of its operational targets and standards of service, including scoring highly in surveys conducted by the regulator Ofgem on customer satisfaction.

WWU colleagues at a roadside worksite. A calendar of emergency and scheduled works operates throughout the year.

The company kept up its strategy of ongoing investment in network improvement and replacement, and IT infrastructure. Initiatives included a network extension programme launched in 2009 to assist in the alleviation of fuel poverty in the areas it serves, as well as in a large-scale mains replacement programme to improve the future reliability and safety of the network.

The H21 project is a major initiative conceptualised by NGN to obtain the critical evidence needed to advance hydrogen as a replacement for natural gas in the UK gas infrastructure. Following extensive research and preparation in 2018, two facilities built in the year are ready to commence testing throughout 2019 to understand the behaviours of hydrogen in existing gas assets, bringing the vision of a full-hydrogen network closer to reality.

NGN workers carry out routine works in Leeds, Northern England.

Decarbonisation of household heating

WWU is committed to the decarbonisation of the UK's heat demand, and during the year conducted a test project for hybrid household heating. Under the test, households were fitted with hybrid 'smart' heating systems that switched between an air source heat pump and a gas boiler, depending on each device's efficiency and the applicable tariff at that moment.

The results are a breakthrough and have demonstrated that by optimising the use of renewable electricity when it is available, with a back-up of renewable gas stored and flexibly available for peak demand, a complete decarbonisation of domestic heat is possible. Moving forward, this technology has the potential to deliver lower cost, lower carbon and more secure energy for those most in need.

Wales & West Utilities

Wales and West Utilities (WWU) is one of the UK's eight regulated gas distribution networks, covering an area of 42,000 km² and serving a population of 7.5 million. The company also provides gas emergency services, responding to more than 90,000 calls per year, primarily domestic faults.

In 2018, WWU distributed 64,981 GWh of gas compared to 62,009 GWh in 2017. The company achieved or exceeded all of its regulatory target outputs and met all of its guaranteed standards of performance during the year which included improving customer satisfaction, safety and operating performance and reducing tariffs. To keep its networks functioning at optimum efficiency and minimise leaks, WWU laid 368 km of mains during the year, and abandoned 386 km of obsolete mains from service.

An innovative scheme to reduce emissions by connecting bio-methane plants to WWU's gas distribution network saw increased momentum, with four new plants connected in 2018.

Smart metering remains a major industry-wide initiative in the UK, with accelerated rollout across the gas and electricity sectors in the past two years. WWU, the only independent gas distribution network to be contracted to install smart meters, has installed around 22,000 meters to date.

Seabank Power

Located in South Western England, Seabank Power (SPL) is the Group's UK generation business, operating two combined-cycle gas turbine units with a combined capacity of approximately 1,150 MW. SPL's output is governed by a multi-year Power Purchase Agreement based on plant availability, which provides an assured revenue stream insulated from demand variability.

SPL delivered operational improvements during the year under review, exceeding budgets for availability, thermal efficiency, forced outage, starting performance and plant trips. The plant generated 3,430 GWh of electricity – revenue remained stable as SPL is paid for by or through availability rather than output.

The performance of Seabank Power Station surpasses all operating parameters.

CEO’S REPORT

The Hongkong Electric Company

Power Assets share: **33.37%**
Year established: **1889**
Total installed capacity: **3,237 MW**
Network length: **6,500 km**
No. of customers: **579,000**

HONG KONG

The Hongkong Electric Company

Established in 1889, The Hongkong Electric Company (HK Electric) is the Group’s flagship company. It generates and supplies power to Hong Kong and Lamma Islands and is one of the world’s most reliable electricity suppliers.

In 2018, HK Electric achieved electricity sales of 10,537 GWh (2017: 10,615 GWh) to a customer base of 579,000. While the net tariff went up from 110.4 cents per unit of electricity in 2017 to 112.5 cents in 2018 due to a smaller rebate, 2018 net tariff is still 16.6% lower than that of 2013. Emissions of Lamma Power Station in 2018 met statutory caps.

Extreme weather events including super typhoon Mangkhut, hit Hong Kong during the year and caused extensive damage and disruption to the city. Apart from flooding in low-lying substations, HK Electric’s infrastructure remained mostly intact. By virtue of contingency measures in place and additional manpower on standby, the vast majority of HK Electric’s customers had uninterrupted power supply throughout the typhoon. In fact, despite the challenging weather conditions throughout the year, the company achieved a reliability rating of more than 99.999% for the 22nd year in a row.

HK Electric’s data centre is the nerve centre of its IT system to support non-stop operations.

2018 marked the final year of the 2009-2018 Scheme of Control Agreement (SCA), the regulatory regime governing HK Electric’s business. A new SCA period has commenced from 2019, with a longer duration of 15 years and increased focus on reliability, promotion of energy efficiency and the development of renewable energy (RE).

HK Electric's Lamma Power Station is undertaking a large-scale capital investment programme to increase gas-fired generation.

Preparing for extreme weather

Super typhoon Mangkhut battered Hong Kong in September 2018. While we were able to minimise power disruption to our customers, we took the opportunity to conduct a comprehensive anti-flooding review across our entire transmission and distribution network to identify equipment and substations at risk.

HK Electric helps remove fallen trees on Lamma Island in the aftermath of Super Typhoon Mangkhut.

Thanks to the longer term of the SCA, HK Electric has the stable environment it needs to progress with a range of investments to reduce emissions by increasing the proportion of natural gas generation.

These long-term investments were laid out in HK Electric's five-year Development Plan, which was approved by the Hong Kong Government during the year. Under the plan, the company is implementing an extensive series of capital works projects, including the construction of three new gas-fired combined cycle generating units, L10, L11, and L12. These units will replace six ageing generating units including five coal-fired units (two of which were retired in 2017 and 2018 respectively) and one converted gas-fired unit to be retired by 2023. The three new gas-fired units, when operating progressively by 2023, will raise HK Electric's proportion of gas-fired generation from over 30% in 2018 to about 70% of total output in 2023. Construction on units L10 and L11 was progressing in tandem during the year and preparation works for L12 construction were initiated.

HK Electric also advanced with the development of an offshore liquefied natural gas terminal based on floating storage and regasification unit technology, in partnership with CLP Power, with the goal to commission by 2022. The terminal will allow the company to secure from a wider range of gas sources and at more competitive prices.

CEO'S REPORT

HK Electric's new L10 combined cycle gas-fired generating unit will be commissioned in 2020.

Energy efficiency and conservation is an important focus for HK Electric under the new SCA. The company launched a suite of 'Smart Power Services' in 2018 to foster energy efficiency in the community. These include the provision of subsidies for buildings to implement energy saving works and for the underprivileged to purchase energy-efficient appliances as well as tariff relief to eligible tenants of sub-divided flats.

Another of the company's new initiatives in 2018 was the enhanced support for renewable energy. During the year, HK Electric launched a Feed-in Tariff Scheme. Customers with their own RE installations can feed power to the grid and receive a feed-in tariff in exchange. The scheme was warmly received by customers, both residential and organisations alike, with more than 300 enquiries and 60 applications received as of 31 December 2018.

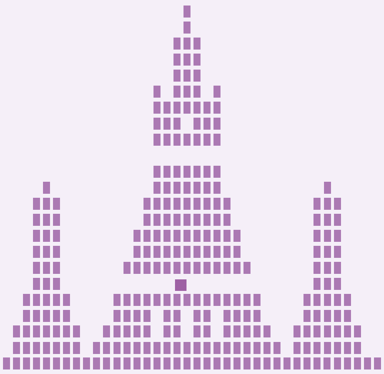
Renewable Energy Certificates, introduced in January 2019, enable HK Electric customers to purchase electricity that is guaranteed to be from renewable sources and locally produced, as a way to further support the development of RE in Hong Kong.

A Smart Meter Pilot Project was successfully deployed during the year. The learnings help prepare for a full rollout of smart meters and advanced metering infrastructure in support of Hong Kong's transformation into a smart city.

The first phase of the review was focussed on flood-proofing substations. 75 strategic distribution substations, primarily in low-lying areas, were identified with less immunity against flooding and anti-flood systems are being retrofitted at these locations. Equipment was also replaced to enhance supply reliability, including four 11-kV air-insulated switchgear units at Heng Fa Chuen Complex.

HK Electric also put in place new tactical extreme weather plans including contingency measures and staff deployment strategies to handle extreme weather incidents in the future.

THAILAND



Ratchaburi Power Company

Ratchaburi Power Company (RPCL) has been a strong-performing Group asset for more than 11 years. It is a generation company situated in the Ratchaburi province in southern Thailand. All power generated is sold to the Electricity Generating Authority of Thailand under a 25-year take-or-pay Power Purchase Agreement.

Ratchaburi Power

Power Assets share: **25%**

Joined since: **Oct 2001**

Gas-fired combined cycle gas turbine: **1,400 MW**

Ratchaburi Power Plant achieves outstanding performance in availability.

RPCL generated 7,669 GWh of electricity in 2018 (2017: 8,749 GWh). Outstanding operational performance across the plant enabled them to outperform their production plan in terms of availability and plant performance and operation, thereby securing incentive payments from the Government.

Operations in progress at RPCL.

CEO'S REPORT

AUSTRALIA

CK William

Power Assets share: **20%**
Joined since: **May 2017**
Gas pipeline length: **12,400 km**
Network length: **13,400 km**
No. of customers: **1,390,000**
Total installed capacity: **991 MW**

Australian Energy Operations

Power Assets share: **50%**
Joined since: **Jul 2012**
Network length: **42 km**

SA Power Networks

Power Assets share: **27.93%**
Joined since: **Jan 2000**
Network length: **89,300 km**
No. of customers: **877,000**

Australian Gas Networks

Power Assets share: **27.51%**
Joined since: **Aug 2014**
Gas pipeline length: **25,800 km**
No. of customers: **1,298,000**

Power Assets first entered Australia in 2000, and the market has since grown steadily in importance to the Group. Today, our nine operating companies serve more than 4.7 million residential and business customers via a diversified portfolio of operations including generation, transmission and distribution, covering electricity, natural gas, renewables and energy-from-waste.

Australia is seeing a significant change in the way energy is generated and distributed, driven by residential consumers' uptake of distributed solar power. Australia leads the world in solar rooftop penetration per capita, with more than 1.95 million systems installed, and over 450,000 energy storage systems projected by 2020, many of which are feeding surplus electricity back into the grid. The need to incorporate this two-way flow of electricity, and to provide distributed electricity storage solutions for consumers is reshaping the way our transmission and distribution businesses must behave and function.

Integrating these disruptive new paradigms while maintaining reliability of supply, tariff affordability and excellent customer service was the priority for our Australian transmission and distribution businesses during the year.

VPN is awarded the contract for expansion of Elaine Terminal Station to connect the Moorabool Wind Farm to the grid.

The Kwinana Junction of Dampier Bunbuey Pipeline in Western Australia.

Victoria Power Networks

Power Assets share: **27.93%**

CitiPower
Joined since: **Jul 2002**
Network length: **7,500 km**
No. of customers: **330,000**

Powercor
Joined since: **Sep 2000**
Network length: **88,400 km**
No. of customers: **810,000**

Australian Gas Networks

Australian Gas Networks (AGN) is one of Australia's leading distributors of natural gas, transporting over 25% of the natural gas used by residential and commercial customers annually. AGN also implements major infrastructural projects to connect new points to the gas network, as well as mains replacement works.

In 2018, AGN delivered 102.0 million GJ of gas to 1.298 million customers, which represented a slight decrease from the 2017 performance of 103.6 million GJ.

AGN outperformed its key customer service performance targets, responding to 98.6% of public leak reports within two hours and exceeding targets for class 1 and 2 leak repairs. Response times for both emergency and customer calls were ahead of target at 91% within 10 seconds and 86% within 30 seconds respectively.

A number of major capital relocation projects reached completion during the year. This included the relocation of gas infrastructure to facilitate the construction of a twin Melbourne Metropolitan rail tunnel, funded by the Victorian Government; and the Bowden redevelopment project in South Australia, which was partly funded by the State Government. In Queensland, the construction of the first stage of the fully funded Kingsford Smith Drive high pressure steel relocation project was also completed. Construction on the remaining two stages is progressing well with completion planned for June 2019.

AGN's significant mains replacement programme continued with 298 kilometres of pipeline upgraded.

Research into decarbonising household heating

Using hydrogen instead of natural gas for heating is a carbon-friendly solution as the only by-product of hydrogen is water vapour. Several Group companies, including AGN, are acting as trailblazers by conducting research into practical ways to integrate hydrogen into heating systems.

During the year, AGN won a grant from the South Australian Government to construct a 1.25-MW electrolysis plant at the Tonsley Innovation District. The electrolyser will be used to understand and develop business models for the use of hydrogen to decarbonise electricity and gas supply in AGN's markets of operation, a model that is also under development in the Group's UK business, NGN. The project is on track and the electrolysis plant is expected to be operational in late 2019 or early 2020.

CEO'S REPORT

Transformation to a network with greater intelligence and automation

SAPN has implemented an Advanced Distribution Management System (ADMS) to replace legacy systems that monitor, control and manage the network. The system allows advanced network analysis, planning, optimisation and automation while improving safety.

Power restoration following a high voltage interruption can now be carried out in just minutes, resulting in a significant improvement in reliability performance, and consequently the system will be extended to serve more customers. ADMS will provide a critical foundation to a new network as customers become responsible for more and more distributed energy resources in South Australia.

SA Power Networks

SA Power Networks (SAPN) operates the primary electricity distribution business in the state of South Australia, serving all major population centres. It also derives a portion of its revenues from unregulated projects with private organisations.

In 2018 SAPN distributed 10,100 GWh of electricity compared to 10,205 GWh in 2017. The nature of South Australia's electricity landscape is evolving significantly and SAPN is steadily making the business and network transformations essential to support this evolution. Generation through residential photovoltaic panels is experiencing significant growth in the region and today, nearly 25% of SAPN's customers (more than 216,000) have connected 950 MW of solar capacity to the network. The trend for commercial-scale embedded generation is gaining momentum with an increase of 20% in inquiries for connections to the grid over 2018.

While adapting its network to address these inputs, the company was able to achieve or outperform all of its service targets, achieving an increased result from the regulator under the Service Target Performance Incentive Scheme.

The Australian Energy Regulator (AER) published a draft of revised Rate of Return Guidelines in July 2018. SAPN worked in partnership with the industry association, Energy Networks Australia, to engage with the AER Board, presenting our expert evidence prior to the final revised guideline being released in December 2018.

In preparation for the next regulatory reset, which will cover the period 2020 - 2025, SAPN completed an extensive stakeholder engagement programme and published a Draft Plan in August 2018. Feedback to the plan is being analysed and will inform the company's final proposal to the regulator, which will be submitted in early 2019.

SAPN employees work on a cable from South Australia mainland to Kangaroo Island.

Victoria Power Networks

Victoria Power Networks (VPN), comprises the CitiPower and Powercor electricity distribution businesses, which distribute energy to around 1.14 million customers across 145,808 km² in the state of Victoria.

VPN distributed 16,550 GWh of electricity during the year, compared to 16,689 GWh in 2017. Following systematic and proactive investment in the network, CitiPower and Powercor customers benefited from network availability of 99.99% & 99.97% respectively. A continued focus on cost optimisation led to a reduction in operating costs.

The company upheld the Group's high standards in customer service performance during the year. Call centre and reliability metrics were both higher than target, resulting in a financial incentive from the regulator.

Powercor announced a new trial residential network tariff for residents living in the central Victorian town of Newstead. This was a significant step in support of the township's goal of being 100% supplied by RE.

Beon Energy Solutions, a VPN undertaking, secured more major renewables projects across the region, including the contract for the design, planning, procurement and recruitment activities to construct a 112-MW installation at Karadoc Solar, and a contract for two solar installations which will utilise infrastructure installed on rooftops and carparks in South Australia. Another major project was the development of 840 kW of solar capacity across two sites in Tasmania. When completed, they will be the first large-scale solar installations in Tasmania.

An outstanding year of operational performance

In February 2018, the VPN control room achieved a milestone of recording zero switching incidents during the preceding 12-month period. This is unprecedented, not just for the company, but for the entire industry and points to exceptional operations and control performance. This achievement is especially noteworthy given that VPN operates one of the largest control rooms in Australia. The team directed and managed safe access to the network for over 37,000 jobs executed by field crews for network maintenance, repair or fault rectification in 2017, running 24/7 throughout the year.

VPN's Beon Energy Solutions installing Melbourne's largest rooftop solar system at Crown Melbourne, with a capacity of 300 kW.

CK William

CK William owns and operates four energy companies – Dampier Bunbury Pipeline and DBP Development Group (collectively known as "DBP"), Energy Developments Pty Ltd (EDL), Multinet Gas (MG) and United Energy (UE).

DBP achieved a total gas throughput of 351 million GJ on the 2,279 km Dampier to Bunbury Natural Gas Pipeline, compared to 339 million GJ in 2017. Planned maintenance achieved a compliance of 96.8%, which was above the set target of 90%. Capital expenditure was A$179 million, primarily on the Tanami and Tubridgi Projects that extend and enlarge the pipeline and storage network in Western Australia and the Northern Territory.

CEO'S REPORT

EDL's global generation output increased by 11% to 4,679 GWh, compared to 2017. The increase is a result of synergistic acquisitions in Australia, the US and Canada, expansion of existing sites, and an operational excellence programme. In March 2018, the company further expanded its solar footprint by acquiring a 1.6-MW solar farm in Weipa, Queensland. EDL also executed the first stage of the Agnew hybrid renewables project in Western Australia and is well into the second stage, which upon completion will result in a total installed capacity of 52 MW of which over 50% will be renewables. EDL's output eliminates around 14 million tonnes of greenhouse gas emissions per annum, equivalent to removing around 4.1 million cars from the road.

MG is a gas distributor in Victoria with a network of 10,200 km, serving 705,000 customers. Total gas deliveries in 2018 stood at 56.9 million GJ, compared to 56.4 million GJ in 2017. A number of major capital relocation projects reached completion in the year. This included the Melbourne Metro Rail Tunnel project, the relocation of a major gas supply hub from contaminated land to an adjacent site in Highett, and the relocation of gas infrastructure as a result of the Victorian Government's removal of 26 railway level crossings within MG's network. In addition, MG's mains replacement programme upgraded 128 km of cast iron and unprotected steel pipelines with polyethylene pipes during the year.

UE, an electricity distribution business in Victoria with a customer base of 685,025 sold 7,663 GWh of electricity over the course of the year. In preparation for the next regulatory reset (2021 - 2025), an extensive stakeholder engagement programme was rolled out including customer deliberative forums, in-depth interviews with commercial and industrial customers, as well as online surveys and engagement.

The Moorabool transmission line connecting Moorabool Wind Farm, operated by AEO.

Australian Energy Operations

Australian Energy Operations (AEO) builds, owns and operates electricity transmission lines and terminal stations that connect renewable energy resources to the national power grid.

AEO delivered a stable income stream for the Group based on a fixed monthly remuneration from the two connected wind farms irrespective of the volume of units transmitted. During the year AEO began work on transmission connections to two new wind farms on a build, own and operate basis: the 385-MW Moorabool Wind Farm and the 80-MW Elaine Wind Farm. These two wind farms will be energised in 2019, increasing the total renewable energy generation capacity connected by AEO to the grid to 777 MW.

Wellington Electricity Lines

Power Assets share: **50%**
Joined since: **Jul 2008**
Network length: **4,700 km**
No. of customers: **168,000**

NEW ZEALAND

WELL office in New Zealand. The company implemented a number of reliability improvement initiatives in 2018.

Wellington Electricity Lines

Wellington Electricity Lines (WELL) operates electricity distribution services in New Zealand's capital city, Wellington, serving customers across the domestic, commercial and industrial sectors.

WELL distributed 2,303 GWh of electricity (2017: over 2,326 GWh) during the year. Following the implementation of a range of reliability improvement initiatives across the network, operational performance was extremely strong with the company outperforming its regulatory targets for frequency and duration of power supply interruptions during the year.

In March 2018, WELL embarked upon an earthquake readiness project to prepare the network for maintaining power supply during extreme events. The project aims to reduce outage times after a large earthquake and includes seismic strengthening of 91 buildings, the construction of two portable substations and three data centres. Five substation buildings have already been reinforced and work on another 15 buildings is underway.

WELL continued to support EV adoption in New Zealand, working with the Wellington City Council. A study and trial to understand the impact EVs would have on the network and the role tariffs could play in influencing EV charging behaviour to manage reduction of peak network loads was completed. A new cost reflective tariff was rolled out in July 2018.

Apart from running a fleet of electric vehicles, WELL works with the Wellington City Council to facilitate increased EV adoption.

CEO'S REPORT

MAINLAND CHINA

Zhuhai Power

Power Assets share: **45%**

Joined since: **Apr 2009**

Coal-fired: **1,400 MW**

Siping Cogeneration

Power Assets share: **45%**

Joined since: **Apr 2009**

Coal-fired cogeneration: **200 MW**

Jinwan Power

Power Assets share: **45%**

Joined since: **Apr 2009**

Coal-fired: **1,200 MW**

Dali Wind Power

Power Assets share: **45%**

Joined since: **Dec 2007**

Wind turbine: **48 MW**

Since 2007, the Power Assets Group has had a presence in mainland China. Today, the Group has five power plants that have a combined capacity of 2,898 MW: two wind farms in Dali (Yunnan province) and Laoting (Hebei province), two coal-fired plants in Zhuhai and Jinwan (Guangdong province), and a cogeneration plant in Siping (Jilin province).

The electricity market in mainland China witnessed further reform and changes in environmental regulations, moving away from fossil fuels and supporting green energy with tradeable green certificates.

Operations in progress at Zhuhai power plant, which meet all its environmental targets.

Zhuhai, Jinwan and Siping power plants

The Zhuhai, Jinwan and Siping thermal generation power plants together have seven coal-fired generating units and a combined capacity of 2,800 MW. The plants operate under co-operative joint venture agreements with the Chinese joint venture partners.

Despite power sector reform and increased competition from green energy in 2018, the three plants delivered satisfactory results. Total electricity sold stood at 12.21 billion kWh (2017: 11.99 billion kWh) while total heat sold was 5.34 million GJ (2017: 4.99 million GJ).

The Zhuhai plant produced 6.23 billion kWh of power in 2018. Operations were smooth and the plant met all of its environmental targets during the year, following the completion of its environmental upgrade programme.

Laoting Wind Power

Power Assets share: **45%**

Joined since: **Jun 2008**

Wind turbine: **49.5 MW**

An aerial view of Jinwan power plant in China's Guangdong province.

The Jinwan power plant produced 5.18 billion kWh of electricity (2017: 4.65 billion kWh), thanks to a number of factors, including extra power sent out through a direct sales scheme, competitive bidding exercises and sales through a power trading platform. The plant capitalised on the increase in demand for steam in the district to sell 759,812 tonnes of steam (2017: 644,811 tonnes). A technical project to increase capacity to address demand is underway. The Jinwan plant secured awards for the third consecutive year from the provincial and regional governments for its performance in environmental protection and sustainable growth.

The Siping power plant achieved stable turnover under a long-term offtake contract. The plant's three generating units performed smoothly with 810 million kWh of electricity sold during the year (2017: 808.77 million kWh). Heat sold amounted to 3.01 million GJ, which was on par with 2017. The plant completed an enhancement programme of its equipment and systems to maintain efficiency, including an environmental retrofit. A major upgrade of unit 3 was initiated and completed in 2018.

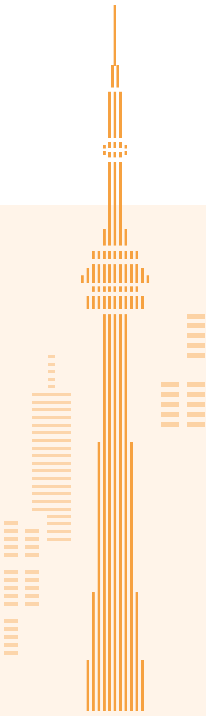
Dali and Laoting wind farms

The Dali and Laoting wind farms give the Group a presence in the growing RE market in China and have a combined capacity of 97.5 MW.

The two wind farms continued to perform reliably in 2018, generating 210 GWh of electricity over the year (2017: 192 GWh). The RE generated during the year has cumulatively reduced 214,680 tonnes of carbon emissions within their respective provinces.

Wind farm operations in Dali, Yunnan province help reduce carbon emissions in the region.

CEO'S REPORT



CANADA

TransAlta Cogeneration

Power Assets share: **25%**

Joined since: **Dec 2007**

Total installed capacity: **1,045 MW**

Meridian

Power Assets share: **50%**

Joined since: **Dec 2007**

Gas-fired combined cycle cogeneration: **220 MW**

Husky Midstream Limited Partnership

Power Assets share: **48.75%**

Joined since: **Jul 2016**

Oil pipeline length: **2,200 km**

Oil storage capacity: **4.4 million barrels**

Pipeline gathering system capacity: **409,000 bbls/day**

The Power Assets Group has been present in Canada for over a decade with two operating companies in the power generation and oil transmission/storage sectors. Both companies have delivered ahead of budget on all operating parameters with improved operating efficiencies compared to the previous year.

The importance of low or non-carbon emitting forms of energy is growing in significance in Canada's overall electricity mix, as a result of a planned programme of decarbonisation that has cut emissions by 39% from 2000 to 2016. Our generation business too is migrating towards lower-emissions fuel source in support of the Government's vision.

One of the gas-fired power plants owned by Canadian Power in Mississauga, Canada.

Canadian Power Holdings

Canadian Power Holdings (Canadian Power), an electricity generation business, operates the Meridian Cogeneration gas-fired plant (Meridian) in Saskatchewan. It also owns a 49.99% share of TransAlta Cogeneration, which operates five power plants in Ontario and Alberta.

The Meridian cogeneration plant generated 1,790 GWh of electricity (2017: 1,664 GWh) and 1,534 kT of steam (2017: 1,490 kT) in 2018. Steady operations were achieved with high availability and efficiency across the year. Plant availability, reliability and production all met or exceeded targets during the year.

TransAlta Cogeneration's five plants produced 3,025 GWh of electricity (2017: 3,192 GWh) during the year, delivering consistent operations and achieving all parameters. TransAlta's Sheerness plant is gradually migrating from coal-fired to gas-fired generation and is on track to complete the transition before 2022, well ahead of the mandatory 2029 date for retirement of coal-fired generation.

A view of Hardisty terminal in Alberta, Canada, operated by HMLP.

Husky Midstream Limited Partnership

Husky Midstream Limited Partnership (HMLP) operates oil pipelines and the Hardisty terminal (oil storage) in Alberta and Saskatchewan. Husky Midstream pipelines transport crude oil from producing fields to processing facilities, for blending and distribution to third-party export pipelines, and serve oil companies and crude oil producers.

HMLP maintained positive relationships with its customers. With a blended crude of approximately 409,000 barrels per day, and storage capacity of approximately 4.4 million barrels split between the processing terminals at Lloydminster and Hardisty, HMLP is a reliable and major business for the Group in North America.

The company has continued to expand its pipeline and terminal assets business in Alberta and Saskatchewan with some key infrastructural projects. One of the most significant was the commencement of construction of its first natural gas processing plant. Located in the Ansell region of Alberta, the plant will have an initial processing capacity of 120 million ft^3/day at launch.

A major pipeline expansion project offering customers increased flexibility for crude oil transportation, called the LLB Direct pipeline, was completed in the year.

A field operator at work at Lloydminster meter bank, operated by HMLP.

PORTUGAL

Iberwind

Power Assets share: **50%**

Joined since: **Nov 2015**

Wind turbine: **726 MW**

Malhadizes Wind Farm, operated by Iberwind in Portugal.

Iberwind

Iberwind is a wind energy company based in Oeiras, Portugal, operating 323 wind turbines in 31 wind farms. Generating enough power for 550,000 households annually (approximately 15% of Portugal's renewable energy), Iberwind has an important role in integrating wind energy into the Group's portfolio.

Iberwind achieved an overall availability of 97.6% across its portfolio in 2018, producing 1,783 GWh of electricity during the year, and avoided approximately 630,000 tonnes of CO_2 emissions. In order to maintain efficiency and improve output, Iberwind runs an ongoing repowering programme across its entire portfolio. Under this, the Escusa windfarm is presently being repowered, when completed this will increase output by nearly 60%.

To modernise its systems and bring functionalities up to date with modern standards, Iberwind progressed an ongoing upgrade of its IT systems, installing new modules that expand its functionality.

Pipes for the transportation of steam and hot water from AVR to its neighbouring districts.

NETHERLANDS

Dutch Enviro Energy Holdings B.V.

Power Assets share: **20%**	Energy-from-waste: **1,681 kT/yr**
Joined since: **Aug 2013**	Biomass energy: **136 kT/yr**
Waste-to-energy units: **115 MW**	Liquid waste treatment: **312 kT/yr**
Biomass-fired units: **30 MW**	Paper residue incineration: **169 kT/yr**

Dutch Enviro Energy Holdings B.V.

Dutch Enviro Energy Holdings B.V., which owns AVR-Afvalverwerking B.V.(AVR), is an energy-from-waste producer based in Rotterdam. AVR provides a valuable presence and experience in the growing energy-from-waste sector. It has a total installed electricity generation capacity of 145 MW and thermal capacity of 700 MWth (heat and steam), of which approximately 60% is classified as RE. Their heating pipeline length is 43 km.

AVR maintained its high standards throughout 2018, achieving 365-day operations during the year. 1.7 million tonnes of combustible household and commercial waste was processed across its two locations, generating 478 GWh of electricity, 418 kT of steam and 5,414 TJ of heat, powering about 190,000 and heating 150,000 households equivalents respectively. This energy output in the form of steam, heat and electricity is transferred to industries, households, and the national grid.

The company has steadily been increasing its own capabilities as well as the volume of solid and liquid hazardous waste it processes every year. During 2018, AVR incinerated about 20 - 24% of the total household and commercial residual waste created in the Netherlands to generate energy. To expand its environmental services, it launched one of the largest plastic separation facilities in the Netherlands, with a capacity of 430,000 tonnes. At its Rozenburg facility, the company extended its biomass processing capabilities to provide, apart from electricity, heat and steam to key customers, while at the same time investigating the feasibility of increasing the amount of hazardous waste processed.

The system produces liquid CO_2, which is transported to greenhouse horticulture areas in the Netherlands and used as fertilizer in the cultivation of vegetables, soft fruit, flowers and plants. AVR is also studying the feasibility of implementing the same process at the Rozenburg plant, increasing the scope of this pioneering project even further.

Pioneering CO_2 capture and liquefication

AVR has continued work on a large-scale carbon capture and liquefication system at its Duiven plant, becoming the first waste-to-energy company in Europe to capture and use CO_2 on a commercial scale. They will capture and recycle nearly 60 kT of CO_2 every year – about 15% of the plant's total emissions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This report provides an update of the environmental, social and governance (ESG) achievements and progress of Power Assets Holdings Limited ("Power Assets" or together with its subsidiaries, associates and joint ventures, the "Group") during the year ended 31 December 2018. It is prepared based on the ESG Reporting Guide under Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

It covers the key businesses of the Group, including the generation of thermal and renewable power, the transmission of electricity, oil and gas, as well as the distribution of electricity and gas in the United Kingdom, Hong Kong, Australia, New Zealand, mainland China, the Netherlands, Canada, Thailand, and Portugal. The report summarises the key initiatives of our businesses focusing on strategies to improve on sustainability performance and combat climate change and showcases how we deliver value to our stakeholders. The examples and initiatives selected have been presented in four chapters: environment, employment and labour practices, operating practices, and community investment.

Our Approach to ESG

Our strong belief in responsible and sustainable growth is embedded in the way we run our operations. Providing reliable infrastructure services and impeccable customer experience top our ESG priorities. We aspire to strike a balance between managing key ESG risks and unlocking opportunities to create long-term value for our stakeholders and our businesses.

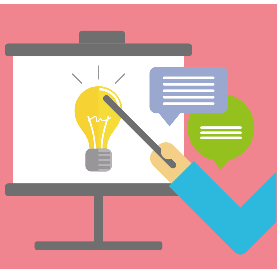
The Board oversees the overall direction of our ESG strategies and practices in this regard and we manage our ESG performance with transparency and accountability. We manage ESG challenges and opportunities at the Group as well as at the business levels in a way that best suits the nature, scale, and geography of the specific company concerned.

UE's mascots Max and Pippa are highly visible at "UE Around the Bay" event, roaming both the start and finish lines.

Stakeholder Engagement and Materiality Assessment

As a business with diverse operations, we interact daily with a wide range of stakeholders, including employees, customers, suppliers, investors, regulators, non-governmental organisations and the community. We engage our stakeholders in on-going dialogues through various channels such as meetings and interviews. Listening to our stakeholders helps us identify their most pressing concerns, as well as their expectations on how we should address them. We have prioritised the material ESG issues based on inputs from our stakeholders in this report.

We engage our stakeholders through various channels such as meetings and interviews.



Environment

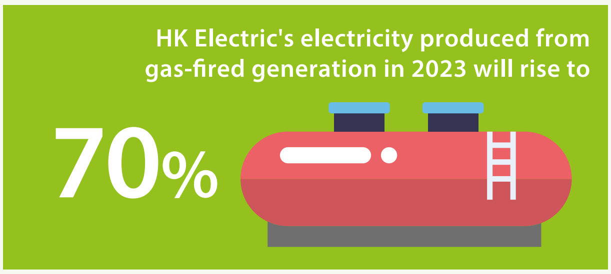
We place great importance on our responsibility to the environment. Each of the Group's operating businesses strives to lower its environmental footprint continuously, through emissions reduction initiatives and the efficient use of resources.

Emissions

We have a range of rigorous measures in place to minimise emissions as well as waste discharge.

Air and Greenhouse Gas (GHG) Emissions

Power generation is considered one of the key contributors to air and GHG emissions. HK Electric's strategy is to adjust its fuel mix to improve air quality and combat climate change whilst meeting the tightening emissions allowances set by the Hong Kong Special Administrative Region Government. The company continued to meet stipulated emissions allowances in all categories, and is working with the Government to formulate new and more stringent emissions allowances for 2024 and onwards. In 2018, two new gas-fired generating units (L10 and L11) equipped with Selective Catalytic Reduction (SCR) systems were under construction at HK Electric's Lamma Power Station, scheduled for commissioning in early 2020 and early 2022 respectively. The new systems will greatly reduce nitrogen oxide ("NOx") emissions during power generation. Furthermore, under the HK Electric 2019-2023 Development Plan, one more gas-fired generating unit (L12) equipped with a SCR system is scheduled for construction in 2019 and expected to be commissioned in 2023. With the three additional units, the electricity produced from gas-fired generation will rise from over 30% in 2018 to about 70% in 2023, which will greatly reduce carbon dioxide emissions.



Fugitive emissions produced during the gas distribution process are another major source of the Group's GHG emissions. Northern Gas Networks (NGN) has implemented a reduction programme aiming to reduce such emissions by replacing old, leak prone metallic pipes with robust plastic pipes on a timely basis, effectively managing gas pipe pressure, and applying monoethylene glycol on metallic joints to prevent gas leakage. This has proved effective, with fugitive emissions decreasing year on year from 360 GWh in 2016, to 332 GWh in 2017, and 329 GWh in 2018.

AGN showcasing the use of zero-carbon hydrogen gas for household use.

To demonstrate the Group's commitment to decarbonising natural gas networks, Australian Gas Networks (AGN) is currently working with Siemens to establish Australia's first hydrogen park. Supported by the South Australian Government, the hydrogen park pilot project aims to provide carbon-free hydrogen produced on-site. Hydrogen will be produced from renewable electricity and water using Polymer Electrolyte Membrane electrolysis, which would then be injected into the local gas distribution network in the award-winning innovative Tonsley Innovation District. By leveraging AGN's expertise, the Group aims to showcase an innovative method for delivering zero-carbon hydrogen gas to households. The park is currently in construction, scheduled for completion in 2020.

Waste

We are extremely careful about managing waste generated from our operations, including the by-products of energy

generation. Our collective efforts to reduce waste involve our employees, contractors, suppliers, regulators and other third parties. We advocate waste reduction from source and encourage the reuse and recycling of waste for other projects.

HK Electric has applied 4R-principle (reduce, reuse, recover and recycle) for more efficient use of resources and waste minimisation, and managed its wastes and effluents in a responsible manner. Waste management plans have been formulated and implemented to enable recycling and reusing, and proper storage, collection, treatment and disposal of waste during the construction of the L10 and L11 units. Temporary waste water storage and treatment facilities have been installed on site to recycle waste water generated from bore piling work to reduce waste water discharge. Furthermore, HK Electric has been collecting generation by-products such as ash and gypsum for industrial use, such as manufacturing of cement. In 2018, about 237,000 tonnes of ash and 69,000 tonnes of gypsum were collected for reuse by third parties, compared to 235,000 tonnes and 61,000 tonnes respectively in 2017.

HK Electric collects and reuses recovered waste water and rain water as part of its 4R philosophy.

NGN has implemented an excavation spoil recycling programme which aims to limit the amount of excavated spoil sent to landfill – from between 170,000 and 180,000 tonnes of excavation spoil each year to no more than 13,000 tonnes each year. The programme raises awareness amongst employees and contractors about this target and educates them about methods to recycle spoil and the benefits of doing so. Furthermore, spoil disposal to landfill has been incorporated as a key KPI for contractors and is measured and reported on a monthly basis. This data is subject to investigation and is discussed during contract performance review meetings. Through effective execution and alignment amongst employees and contractors, NGN and its supply chain reduced excavation spoils to landfill to only 308 tonnes in 2018, or 0.2% of total excavation spoils.

Seabank Power (SPL) has successfully maintained an increased concentration factor of its cooling water and lowered the need for chemical treatment. This has increased cooling water efficiency by reducing the use of makeup water and lowering the amount of water purged from the cooling water system. Furthermore, SPL has monitored the pH, temperature, biochemical oxygen demand and heavy metals to ensure that the treated effluents meet discharge standards. This was supplemented by providing information, instruction, training and supervision to SPL personnel on how to effectively minimise and manage waste discharge.

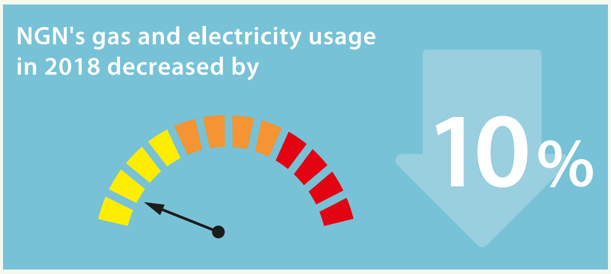
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Use of Resources

Energy

The Group endeavours to reduce its resource consumption by striving for optimal resource use across its operations.

A wide range of energy efficiency programmes have been launched by Group businesses to this end. In 2018, NGN conducted an office and depot refurbishment programme to incorporate energy saving measures such as lighting sensors, energy efficient monitors and refrigerators. One notable example is the design for the refurbishment of its head office at Thorpe Park in Leeds, UK which aims to reduce the office energy consumption. Compared to 2017, gas and electricity usage decreased by 10% in 2018, with reductions in associated carbon emissions.



Energy Developments Pty Ltd (EDL) has also conducted an investigation into utilising turbo-compressor technology retrofitted to gas engines to improve energy efficiency. In 2018, EDL successfully implemented a single engine trial that yielded a 7.5% increase in efficiency and is currently proceeding with further rollout of the technology.

In addition, Ratchaburi Power Company (RPCL) has upgraded its cooling towers fan blades with energy saving blades to increase energy efficiency with a 25% decrease of cooling tower energy usage.

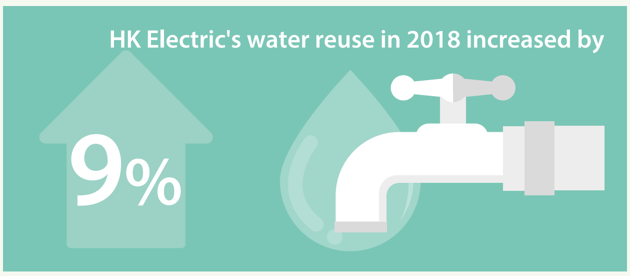
The Group has been working to optimise energy mix and hence there is shifting among various energy consumptions.

Solar power facilities at HK Electric's Lamma Power Station.

The Group is committed to investing in sustainable energy as part of our long-term development strategy. The Group's renewable energy operations include the Iberwind wind energy business in Portugal, wind farms at Dali (Yunnan province) and Laoting (Hebei province) in mainland China, and wind and solar power facilities in Hong Kong. In 2018, Iberwind generated around 1,783 GWh of renewable energy, compared to 1,756 GWh in 2017, while the two wind farms in China generated around 210 GWh of sustainable energy, up from 192 GWh in 2017.

Water

Water is one of the key resources used for power generation. Our water saving measures focus on reuse and recycling. HK Electric has been conserving water and minimising its effluent discharge through collecting rain water and plant effluent for reuse at the Lamma Power Station. In 2018, more than 122,000 m^3 of rain water and plant processing water were collected for reuse compared to 112,000 m^3 in 2017, representing an increase in water reuse of around 9%.



RPCL also implements cooling effectiveness by integrating a heat recovery steam generator blowdown to reduce water usage. As a result, water usage during cooling dropped from 6,448,000 m^3 in 2017 to 5,812,000 m^3 in 2018, or approximately 10% decrease.

Materials

NGN has promoted the use of recycled aggregates rather than virgin aggregates with a programme to inform and advise employees and contractors on the usage of recycled aggregates. Furthermore, virgin aggregates usage in tonnes is a KPI that is recorded internally by employees monthly and externally on an annual basis. In 2018, virgin aggregates usage was reduced to 14,300 tonnes, or 10.5% of aggregate materials used in reinstatement works during the year. This marks a 16.4% decrease from the 2017 usage levels of 17,100 tonnes and a 62% decrease since 2014.

Environment and Natural Resources

The Group is mindful about the impact of its actions on bio-diversity and local ecosystems. A range of environmental initiatives are carried out at its sites to protect the same.

Iberwind wind farms are normally located in environmentally sensitive areas and are obliged to implement monitoring and minimisation plans for environment and natural resources. For these issues Iberwind works with an experienced environmental team with experience of implementing programmes for different types of wildlife, landscape and flora. Currently the most important programmes being implemented are bird-of-prey mitigation action plan in Candeeiros wind farm and wolf monitoring in Vila Lobos wind farm. Iberwind received the ISO 14001:2015 Environmental Management System certification in December 2018.

During land reclamation, Husky Midstream Limited Partnership in Canada manages, monitors, and takes concrete steps to protect biodiversity, land productivity and genetic resources. During operations, workers observe and record the movements of local wildlife to assess the wildlife habitat, referring to wildlife trail cameras, winter tracking studies, point counts and nest surveys. In addition, land reclamation activities are timed and local disturbance is mitigated through the use of containment systems to prevent soil erosion.

NGN receiving an award for an innovative land remediation project at the 2018 Brownfield Briefing Awards in the UK.

NGN currently has an innovative land remediation project underway at Redheugh Gas Holder Station, where they use only solar power to recover coal tar from nine meters deep below the surface. To date the project has recovered over 5,100 litres of hazardous coal tar for safe offsite disposal, thereby reducing environmental risks associated with the site. This project won the 'Best in situ treatment' category at the 2018 national land remediation awards (Brownfield Briefing Awards) in the UK.

Regulatory Compliance

During the reporting period, we were not aware of any non-compliance with laws and regulations having a significant impact on the Group relating to air and GHG emissions, discharge into water and land, and generation of hazardous and non-hazardous wastes.

Employment and Labour Practices

Our philosophy is that a happy and motivated workforce is the driving factor for sustained success. We give top priority to employee management. Not only are we dedicated to cultivating a healthy and safe working culture, we have also invested in securing and nurturing talent through training and development programmes that help our employees achieve their potential.

Employment

Much of the Group's success is attributable to its highly qualified and dedicated team. Our businesses have been working actively to attract the best people and motivate them with a rewarding career, equipping them with the necessary skills and knowledge.

Our businesses recognise employees' contributions fairly and objectively by implementing equitable remuneration policies. To incentivise staff, our remuneration mechanisms are reviewed and re-adjusted regularly to remain competitive.

Iberwind engaged an expert consultant for the Iberwind's Employee Satisfaction Survey to track employees' engagement and satisfaction. Wales & West Utilities continued to provide a flexible benefits scheme that allows employees to choose alternative benefits alongside the standard benefits package.

Employees receiving training at a VPN facility.

We believe in the vast benefits and positivity that diversity brings to our corporate culture. A Diversity Committee comprising representatives from different business units has been established in United Energy in Australia to raise awareness on diversity among the workforce.

We strictly enforce an anti-discrimination policy and have zero tolerance for harassment in any form. All employees, irrespective of race, gender or religious beliefs, receive equal opportunities and our recruitment and promotion processes are based purely on performance.

A Diwali celebration held at the UE offices, organised by the Diversity Committee.

Employees have numerous channels to express their concerns and communicate with the management. We regularly conduct surveys and hold seminars, workshops and forums to collect views from our people with the aim of improving our operational practices. These events also help accumulate innovative ideas that can stimulate business growth.

UK Power Networks (UKPN) has increased its employee engagement level through its "Everybody Matters" framework developed internally. Monthly polling and an annual survey are carried out to assess the success of the programme. UKPN was named one of the top large companies to work for in the UK for the fourth successive year in 2018 by the Sunday Times.

UKPN 'Be Bright Stay Safe' campaign has halved the number of serious public safety incidents.

Development and Training

We invest heavily in training to keep our people abreast of the latest developments in the industry and to help enhance their knowledge and performance. Our training programmes are developed by the respective business units so as to be most relevant to their specific needs. EDL has created a training portal that can be accessed by all employees at their convenience, enabling consistent and efficient delivery of a range of training and development modules.

Subsidies are provided for eligible external training courses to encourage all employees to further refine their skills and abilities, to help us achieve our goal of delivering excellent customer service. HK Electric has been sponsoring employees to pursue undergraduate degrees since 2011. In 2018, 24 employees have benefited from the Bachelor Degree Sponsorship Programme. In addition, 22 young professionals were selected to go through a one-year Young Talent Development Programme to accelerate their growth and developing them into successful first-line leaders. The programme comprises talent assessments and formulation of personal development plans, with senior managers serving as mentors and programme supervisors.

Health and Safety

The Group believes that the safety of its employees is paramount. Many of our businesses have their safety management systems certified in accordance with local and international standards. Furthermore, effective occupational hazard controls have been implemented to safeguard our employees.

Wellington Electricity Lines have engaged a nurse on a monthly basis, to review employees' health and perform work site assessments, to ensure we discharge our responsibilities for occupational health and safety.

One of our priorities in promoting health and safety in the workplace is to encourage our employees to take ownership of improving safety awareness and practices. AVR's efforts included raising awareness about safety hazards and safety lessons learned. This extended to external parties also, through Safety Days organised for schools and contractors.

In 2018 UKPN saw the lowest number of reportable employee and contractor injuries since 2010, when it became a part of the Group. The company ran a "Be Bright Stay Safe" campaign which successfully halved the number of serious public safety incidents through clear messaging, targeting particular groups at risk, including young people, construction industry workers and farmers.

We seek to protect the well-being of our staff by encouraging a healthy work-life balance. To ease work-related stress, we offer a range of generous paid-leave entitlements and flexible work arrangements. HK Electric made "Drive your own purpose" its theme for 2018, through which it aimed to motivate employees to set their own goals for improving physical and emotional wellness, as well as maintaining work-life balance through a wide range of initiatives including interest classes, seminars, health talks, training courses and fitness activities.

HK Electric's 'Runners' Club' encourages employees to embark on their own fitness journeys by providing a social, fun setting for staff to train together throughout the year at some of Hong Kong's favourite running routes.

In 2018, Power Assets organised an in-house Group Health & Safety Conference with executives from all our businesses to reinforce our health and safety values and standards and share best practice across Group companies.

Labour Standards

Stringent measures are taken to ensure adherence to international and local labour standards. Internal controls have been implemented to detect any use of child or forced labour in our operations along with procedures to respond to any unethical practices that may arise.

Regulatory Compliance

During the reporting period, we were not aware of any non-compliance with laws and regulations having a significant impact on the Group relating to employment and labour practices, and occupational health and safety. Nor did we identify any incidents relating to the use of child or forced labour.

Operating Practices

The Group understands it is imperative to manage our relationships with our suppliers and customers in a responsible and sustainable manner. We are dedicated to delivering consistent and quality services to our customers and collaborating with our suppliers to create win-win outcomes. We actively seek customer feedback and adopt their suggestions wherever applicable, in order to upgrade our services and improve customer satisfaction.

Supply Chain Management

We are well aware of the environmental and social impacts that may ensue along the supply chain, and are committed to minimising such risks in collaboration with our suppliers. ESG-related factors form an important part of the assessment process and have due weighting in our consideration of potential suppliers and contractors.

Regular monitoring, audits and evaluations are carried out to assess the performance of our suppliers. In addition, we work closely with our suppliers to ensure that our requirements and shared goals are understood. Through these regular conversations, we are able to maintain a mutually beneficial relationship.

Product Responsibility

We take pride in providing reliable services. Throughout our businesses, we utilise complex monitoring systems that can detect potential disturbances in near real-time, allowing us to prepare in advance and take precautionary measures. Our systems also allow us to pinpoint disruptions in our processes, where we can take swift, precise actions to resolve the problem and restore services to our customers. These controls help us maintain high service quality and reliability. For instance, HK Electric has maintained a world-class supply reliability of over 99.999% since 1997.

A VPN employee talking to a customer about smart meters.

At Zhuhai, Jinwan and Siping power plants, air emissions are monitored on a daily basis. Jinwan power plant outperformed 2018's tightened regulatory emissions requirements. It is among the first few coal-fired generation units in mainland China to achieve 'Close to Zero' emission levels for air pollutants.

Customer Satisfaction

Regular communication with customers is essential to delivering a high level of customer satisfaction. We frequently interact with our customers through various means including telephone, SMS alerts and other modern technology platforms.

Additionally, our businesses conduct regular surveys to assess customer satisfaction with respect to different aspects of our services. Prompt follow up is ensured to address relevant issues. Many Group companies, including Victoria Power Networks and HK Electric, follow the ISO 9001 quality standard for customer services to ensure that products and services consistently exceed customer expectations.

Customer Data Privacy

We believe that protecting customer data is critical to building a trusting relationship between our companies and our customers. Data privacy policies implemented at the business level guide how we collect and use personal information. Access to customer data is restricted to authorised personnel strictly on a need-to-know, need-to-use basis. Systems and controls are in place and updated as required to assist in the prevention and detection of customer data loss. We emphasise the importance of protecting customer data privacy to all our employees through internal communication and training.

We are committed to safeguarding customer privacy in compliance with the Personal Data (Privacy) Ordinance and other relevant codes of practice, guided by its Group Personal Data Privacy Policy. Its commitment to personal data privacy is set out in its Privacy Policy Statement, and guidelines are in place for employees on handling customer data. HK Electric has a Data Loss Prevention System implemented to guard against unauthorised use of confidential and sensitive personal information. Its Customer Information System received the ISO 27001 certification for information security management and the company participated in Privacy Awareness Week 2018, hosting an in-house seminar to raise employees' awareness about the importance of protecting personal data.

Anti-corruption

Power Assets has high expectations of its staff's integrity and honesty. Our management has zero-tolerance for corruption and fraud. Anti-bribery and anti-corruption standards have been incorporated in our policies and operating practices and these are communicated to our employees as well as external stakeholders. The Group has established a whistle-blowing mechanism to allow stakeholders to report suspected activities in a confidential manner. Reported cases are subject to independent investigations and proper follow up is ensured. Cases are reported by the internal audit to the Audit Committee and senior management.

Regulatory Compliance

We were not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group concerning health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress during the year; nor were we aware of any breach of laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Riders participating in the UE Around the Bay event, wearing a specially designed event jersey voted for by the public.

Community Investment

Our philosophy is that running a successful business is about achieving economic viability and fulfilling social responsibility. Our businesses have made significant contributions to the socio-economic health of their communities by providing aid and education to the disadvantaged and taking on major roles in promoting environmental conservation and healthy living.

Supporting the Disadvantaged

As a business that provides essential support to many communities, we believe that businesses should play their part in tackling societal challenges. In line with the United Nations Sustainable Development Goals, our community efforts assist those in need.

To support the rapidly ageing population in Hong Kong, HK Electric continues to run the "CAREnJOY" programme to show care and concern to the single elderly. Under this programme, company volunteers team up with elderly ambassadors to visit senior citizens living on their own and help them buy bulky necessities. In 2018, the programme reached out to about 2,100 elderly with home visits and gatherings promoting the safe use of electricity.

Education and Lifelong Learning

The Group believes that education is the foundation of a knowledge-based, inclusive society. Our businesses collaborate with various organisations to promote lifelong learning.

HK Electric continued to operate the U3A ("University of 3rd Age") Network in Hong Kong, providing learning opportunities for active retirees. In 2018, nearly 1,000 courses were organised for about 16,300 participants engaging elders in active ageing.

Greener Living

We leverage our business strengths for community projects. One of our goals is to mobilise and collaborate with the local communities to explore ways of providing cleaner energy and enabling greener living.

As in earlier years, HK Electric set aside HK$2.5 million in 2018 for an Education Fund to promote smart and efficient energy use. Sponsored by the Fund, the Smart Power Campaign encouraged students to become green Key Opinion Leaders, who inspire others to a green lifestyle through their low carbon initiatives. HK Electric continued to organise the Green Energy Dreams Come True programme, an annual competition that gives local secondary school students the opportunity to practise project management and presentation skills. Funding and technical advice was provided to 13 shortlisted teams for implementing projects in promoting renewable energy and energy efficiency on campus and in the community.

HK Electric's "Green Energy Come True" competition encourages secondary school students to promote energy efficiency, renewable energy and energy sustainability. In 2018, 13 teams received funding and mentorship to put their proposals into action.

Health and Well-being

A community's health is key to its prosperity. Sporting events have extraordinary socio-economic and health values that can bring communities together. RPCL has continued its Mobile Clinic programme, providing free eye clinic services to the local community in Ratchaburi, Thailand. Over 1,300 and 1,500 villagers have benefited in 2017 and 2018 respectively.

In supporting the vision to be a responsible corporate citizen, UKPN has made a commitment to allocate up to HK$3,029,430 per annum to benefit communities in the UK through the Communities Matters Programme. Through the initiatives such as Charity Matched Funding, Team Sport Awards, Give As You Earn, Donate A Day volunteering and other charity donations, UKPN donated a total of approximately HK$3,534,335 in funding for local charities and communities in 2018.

ENVIRONMENTAL KPIs

	Unit	2018	2017
NOx emissions	tonne	**6,951**	6,816
SOx emissions	tonne	**1,538**	1,292
Particulate matter emissions	tonne	**179**	181
Total GHG emissions	tonne CO_2e	**12,642,974**	12,195,081
Greenhouse gas emissions (Scope 1)	tonne CO_2e	**11,403,116**	10,642,009
Greenhouse gas emissions (Scope 2)	tonne CO_2e	**1,239,858**	1,553,072
Total hazardous waste produced	tonne	**66,541**	66,649
Total non-hazardous waste produced	tonne	**705,422**	648,508
Total energy consumption	'000 kWh	**39,917,075**	39,500,509
Total energy consumption intensity	kWh/revenue in HK$	**1.42**	1.49
Total direct energy consumption	'000 kWh	**37,384,686**	36,505,422
Total direct energy consumption intensity	kWh/revenue in HK$	**1.33**	1.38
Gasoline/Petrol	'000 kWh	**5,072**	66,100
Diesel	'000 kWh	**231,489**	265,295
Gas (exclude town gas and natural gas)	'000 kWh	**307**	68
Natural gas	'000 kWh	**11,671,794**	12,673,558
Other fuel	'000 kWh	**25,476,024**	23,500,401
Total indirect energy consumption	'000 kWh	**2,532,389**	2,995,087
Total indirect energy consumption intensity	kWh/revenue in HK$	**0.09**	0.11
Electricity	'000 kWh	**2,532,389**	2,995,087
Water consumption	'000 m^3	**7,825**	7,430
Water consumption intensity	m^3/revenue in HK$'000	**0.28**	0.28
Total paper used for finished products	tonne	**8.38**	8.48

Note: We have included the Group's share of the environmental KPIs in this report.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Board of Directors – Executive Directors

FOK Kin Ning, Canning *Chairman*

Aged 67. Appointed to the Board in 1985 and became the Chairman in 2005. He is a Director of certain subsidiaries of the Company. He is also the Chairman of HK Electric Investments Manager Limited ("HKEIML") which is the trustee-manager of HK Electric Investments ("HKEI"), HK Electric Investments Limited ("HKEIL") and its wholly-owned subsidiary, The Hongkong Electric Company, Limited ("HK Electric"). Mr. Fok is an Executive Director and Group Co-Managing Director of CK Hutchison Holdings Limited ("CK Hutchison"), and the Deputy Chairman of CK Infrastructure Holdings Limited ("CKI"). Mr. Fok is the Chairman of Hutchison Telecommunications (Australia) Limited, Hutchison Telecommunications Hong Kong Holdings Limited and Hutchison Port Holdings Management Pte. Limited ("HPHMPL") which is the trustee-manager of Hutchison Port Holdings Trust ("HPH Trust"), and the Co-Chairman of Husky Energy Inc. ("Husky Energy"). All the companies mentioned above, except HKEIML, HK Electric and HPHMPL, are listed companies, and HPH Trust and HKEI are listed business/investment trusts. Mr. Fok acts as a Director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), and a Director of certain companies controlled by certain substantial shareholders of the Company. He holds a Bachelor of Arts degree and a Diploma in Financial Management, and is a Fellow of Chartered Accountants Australia and New Zealand.

TSAI Chao Chung, Charles *Chief Executive Officer*

Aged 61. Appointed to the Board and Chief Executive Officer in January 2014. He has been with the Group since June 1987. Mr. Tsai is the General Manager of Power Assets Investments Limited, a wholly-owned subsidiary of the Company. He is also a Director or Alternate Director of most of the subsidiaries and certain joint ventures of the Company. Mr. Tsai has been responsible for the Group's investments outside Hong Kong since 1997. He holds a Bachelor of Applied Science Degree in Mechanical Engineering, and is a Registered Professional Engineer and a Chartered Engineer.

CHAN Loi Shun

Aged 56. Appointed to the Board in June 2012. Mr. Chan is a Director of all the subsidiaries and certain joint ventures of the Company. He is also an Executive Director of HKEIML which is the trustee-manager of HKEI, and HKEIL, and a Director of HK Electric. Mr. Chan is an Executive Director and Chief Financial Officer of CKI, a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Chan joined Hutchison Whampoa Limited ("HWL") in January 1992 and has been with the CK Group since May 1994. All the companies mentioned above, except HKEIML, HK Electric and HWL, are listed companies, and HKEI is a listed investment trust. He also holds directorships in certain companies controlled by certain substantial shareholders of the Company within the meaning of Part XV of the SFO. Mr. Chan is a fellow of the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Association of Chartered Certified Accountants, and is also a member of the Institute of Certified Management Accountants (Australia).

Andrew John HUNTER

Aged 60. Appointed to the Board in 1999, prior to which he was Finance Director of the Hutchison Property Group. Mr. Hunter was Group Finance Director from 1999 to January 2006, and is a Director of certain joint ventures of the Company. Mr. Hunter is currently Deputy Managing Director of CKI, a listed company and a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Hunter also holds directorships in certain companies controlled by certain substantial shareholders of the Company. Mr. Hunter holds a Master of Arts degree and a Master's degree in Business Administration and is a member of the Institute of Chartered Accountants of Scotland and of the HKICPA. He has over 36 years of experience in accounting and financial management.

Neil Douglas MCGEE

Aged 67. Appointed to the Board in 2005 as an Executive Director, and re-designated as a Non-executive Director in August 2012 and as an Executive Director in January 2014. He was Group Finance Director from February 2006 to August 2012. Mr. McGee has held various legal, corporate secretarial and finance positions with the Group and the CK Hutchison Group. He is also a Director or Alternate Director of certain subsidiaries and joint ventures of the Company. Mr. McGee is currently the Managing Director of Hutchison Whampoa Europe Investments S.à r.l. and a Director of Husky Energy, a listed company. Mr. McGee holds a Bachelor of Arts degree and a Bachelor of Laws degree.

WAN Chi Tin

Aged 68. Appointed to the Board in 2005. He was Group Managing Director from January 2013 to January 2014. Mr. Wan is a Director of most of the subsidiaries and certain joint ventures of the Company. He is also the Chief Executive Officer and an Executive Director of HKEIL, a company listed together with HKEI, an Executive Director of HKEIML which is the trustee-manager of HKEI and the Managing Director of HK Electric. He has worked for the Group since 1978, holding various positions including Director of Engineering (Planning & Development), Chief Executive Officer of Powercor Australia Limited and CitiPower Pty., associate companies of the Group in Australia. Mr. Wan holds a Bachelor of Science degree in Electrical Engineering and is also a Chartered Engineer. He is an Honorary Fellow of the Energy Institute, a Fellow of the Institution of Engineering and Technology and a Fellow of The Hong Kong Institution of Engineers. Mr. Wan is a member of the Audit Committee of The University of Hong Kong. He was previously Vice Chairman of the Engineers Registration Board of Hong Kong.

Board of Directors – Non-Executive Director

LI Tzar Kuoi, Victor

Aged 54. Appointed to the Board in 1994 and re-designated from an Executive Director to a Non-executive Director in January 2014. He is also a Director of a joint venture of the Company. He is the Chairman and Group Co-Managing Director of CK Hutchison, and the Chairman and Managing Director, and the Chairman of the Executive Committee of CK Asset Holdings Limited. Mr. Li is the Chairman of CKI and CK Life Sciences Int'l., (Holdings) Inc. and the Co-Chairman of Husky Energy. Mr. Li is also a Non-executive Director of HKEIML which is the trustee-manager of HKEI, a Non-executive Director and the Deputy Chairman of HKEIL and a Director of HK Electric. All the companies mentioned above, except HKEIML and HK Electric, are listed companies, and HKEI is a listed investment trust. Mr. Li is also the Deputy Chairman of Li Ka Shing Foundation Limited, Li Ka Shing (Overseas) Foundation and Li Ka Shing (Canada) Foundation, and a Director of The Hongkong and Shanghai Banking Corporation Limited. He serves as a member of the Standing Committee of the 13th National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He is also a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development of the Hong Kong Special Administrative Region, and Vice Chairman of the Hong Kong General Chamber of Commerce (the "Chamber"). Mr. Li is the Honorary Consul of Barbados in Hong Kong. He acts as a Director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO, and a Director of certain companies controlled by certain substantial shareholders of the Company. He holds a Bachelor of Science degree in Civil Engineering, a Master of Science degree in Civil Engineering and an honorary degree, Doctor of Laws, honoris causa (LL.D.).

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Board of Directors – Independent Non-Executive Directors

IP Yuk-keung, Albert

Aged 66. Appointed to the Board in January 2014. Mr. Ip is an international banking and real estate professional with over 30 years of banking experience in United States, Asia and Hong Kong. He was formerly Managing Director of Citigroup and Managing Director of Investments at Merrill Lynch (Asia Pacific). Mr. Ip is Adjunct Professor of and advisor to a number of universities in Hong Kong, United States and Macau. He is a Council Member of The Hong Kong University of Science and Technology and a Trustee of the Board of Trustees of Washington University in St. Louis. Mr. Ip is an Honorary Fellow of Vocational Training Council and a Beta Gamma Sigma Honoree at City University of Hong Kong and The Hong Kong University of Science and Technology. Mr. Ip is a Non-executive Director of Eagle Asset Management (CP) Limited which is the manager of Champion Real Estate Investment Trust, and an Independent Non-executive Director of Hopewell Holdings Limited, TOM Group Limited, Lifestyle International Holdings Limited and New World Development Company Limited. All the companies mentioned above except for Eagle Asset Management (CP) Limited are listed companies, and Champion Real Estate Investment Trust is a listed real estate investment trust. Mr. Ip was formerly an Executive Director and the Chief Executive Officer of LHIL Manager Limited which is the trustee-manager of Langham Hospitality Investments, and Langham Hospitality Investments Limited, and an Independent Non-executive Director of New World China Land Limited, AEON Credit Service (Asia) Company Limited and Hopewell Highway Infrastructure Limited. Mr. Ip holds a Bachelor of Science degree in Applied Mathematics and Computer Science, a Master of Science in Applied Mathematics and a Master of Science in Accounting and Finance.

Ralph Raymond SHEA

Aged 85. Appointed to the Board in 1985. Mr. Shea has been an Independent Non-executive Director of HKEIML which is the trustee-manager of HKEI, and HKEIL which is a company listed together with HKEI, and a Director of HK Electric, since October 2015. Mr. Shea is a solicitor of England and Wales and of Hong Kong.

WONG Chung Hin

Aged 85. Appointed to the Board in 1985. He is an Independent Non-executive Director of CK Hutchison, a listed company and a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Wong was previously a Director of HWL and an independent non-executive director of The Bank of East Asia, Limited (a listed company). Mr. Wong is a solicitor.

WU Ting Yuk, Anthony

Aged 64. Appointed to the Board in June 2014. He is a member of Standing Committee of the Chinese People's Political Consultative Conference National Committee. Mr. Wu was formerly the chairman of the Hong Kong Hospital Authority, the chairman of the Bauhinia Foundation Research Centre, a member of the Task Force on Land Supply of the Hong Kong Special Administrative Region, the Deputy Chairman and an executive director of Sincere Watch (Hong Kong) Limited, and an independent non-executive director of Fidelity Funds and Agricultural Bank of China Limited. He also served as the chairman, and is currently a member of the Chamber Council, of the Chamber. Mr. Wu is a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development of the Hong Kong Special Administrative Region. Mr. Wu is a member of the People's Republic of China State Council's Medical Reform Leadership Advisory Committee, a member of the Public Policy Advisory Committee and an advisor of the National Health Commission of the People's Republic of China, the Principal Advisor to the State Administration of Traditional Chinese Medicine of the People's Republic of China and a member of the Chinese Medicine Reform and Development Advisory Committee of the People's Republic of China. He is also the Chief Advisor to MUFG Bank, Ltd. (formerly known as The Bank of Tokyo-Mitsubishi UFJ, Ltd.), the Chairman of the China Oxford Scholarship Fund and an Honorary Professor of Faculty of Medicine of the Chinese University of Hong Kong and Peking Union Medical College Hospital. Mr. Wu is an independent non-executive director and the Chairman of China Resources Medical Holdings Company Limited (formerly known as China Resources Phoenix Healthcare Holdings Company Limited), and an independent non-executive director of Guangdong Investment Limited, China Taiping Insurance Holdings Company Limited and CStone Pharmaceuticals, all of which are listed companies. Mr. Wu is an Honorary Fellow of Hong Kong College of Community Medicine. He is a Fellow of the HKICPA and the Institute of Chartered Accountants in England and Wales, and an Honorary Chairman of The Institute of Certified Management Accountants (Australia) Hong Kong Branch.

Senior Management

CHAN Kee Ham, Ivan

Aged 56. Chief Financial Officer, has been with the Group since May 2012. He is also the Chief Planning and Investment Officer of CK Infrastructure Holdings Limited. He has over 30 years of experience in investment, banking and finance. He holds a Bachelor's degree in Science, a Bachelor's degree in Chinese Law and a Master's degree in Business Administration.

FUNG Siu Tong, Thomas

Aged 50. Assistant General Manager (Business Development), has been with the Group since September 1990. He is responsible for business development activities which include both acquisition and greenfield development globally. He holds a Bachelor of Science degree in Mechanical Engineering.

Jeffrey KWOK

Aged 61. Senior Manager (Business Development), has been with the Group since September 1981. He is responsible for both greenfield development and acquisition activities in various countries and assumes active management role in some of the Group's investments. He holds a Master of Science degree in Engineering and is a Chartered Engineer in the United Kingdom, a member of The Hong Kong Institution of Engineers and the Institution of Mechanical Engineers in the United Kingdom.

NG Wai Cheong, Alex

Aged 49. Group Legal Counsel and Company Secretary, has been with the Group since November 2008. Mr. Ng is also the Group Legal Counsel and Company Secretary of HK Electric Investments Manager Limited (the trustee-manager of HK Electric Investments) and HK Electric Investments Limited. He has over 20 years of experience in legal, regulatory and compliance fields. Mr. Ng holds a Bachelor's degree in Science and a Bachelor's degree in Laws. He was admitted as a solicitor in Hong Kong and in England and Wales.

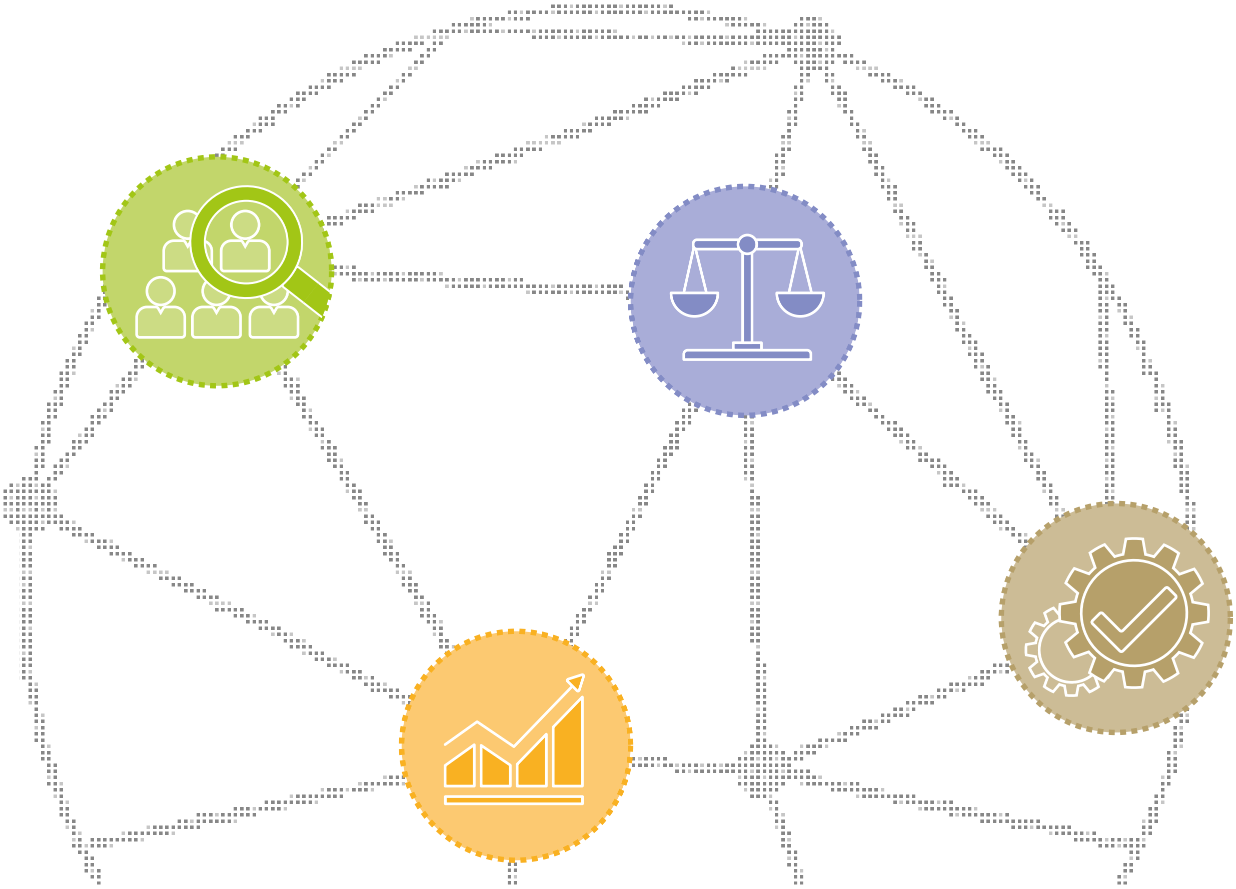
PAK Tak Kei, Keith

Aged 54. Senior Manager (Business Development), has been with the Group since December 1993. He is responsible for initiation of the Group's investments globally. He holds a Bachelor of Engineering degree in Mechanical Engineering, a Master of Science degree in Building Services Engineering and a Master of Business Administration degree. He is a Chartered Engineer in the United Kingdom, a member of The Hong Kong Institution of Engineers and the Institution of Mechanical Engineers in the United Kingdom.

YU Ka Man, Jenny

Aged 46. Senior Manager (International Business), joined the Group in September 2016 and has over 15 years of experience in energy industry with international business exposure. She is responsible for asset management of the Group's investments globally, and assumes active role in new energy development projects. Miss Yu holds a Master of Business Administration degree. She is a fellow of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a member of The Hong Kong Institute of Directors.

CORPORATE GOVERNANCE REPORT



Corporate Governance Practices

The Company is committed to maintaining high standards of corporate governance. The Company recognises that sound and effective corporate governance practices are fundamental to the smooth, effective and transparent operation of a company and its ability to attract investment, protect the rights of shareholders and stakeholders, and enhance shareholder value. The Group's corporate governance policy is designed to achieve these objectives and is maintained through a framework of processes, policies and guidelines.

The Board delegates its responsibility for performing corporate governance duties to the Audit Committee. At its meetings held in March and July 2018, the Audit Committee reviewed the governance structure of the Group, the records of continuous professional development activities of Directors and senior managers in 2017 and the half year to 30 June 2018, the compliance status of the Corporate Governance Code for the year 2017 and the first six months of 2018, and the corporate governance disclosure in the 2017 Corporate Governance Report and the interim report 2018. The Company has complied with the applicable code provisions in the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 December 2018, except as noted hereunder.

Board of Directors

The Board, led by the Chairman, is responsible for the approval and monitoring of Group-wide strategies and policies, approval of annual budgets and business plans, evaluation of the performance of the Group, and oversight of management. Management is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer.

During 2018, the Board comprised the following Directors and the record of attendance of meetings in 2018 of each Director is as follows:

Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Meetings between Chairman and Non-executive Directors	Annual General Meeting held on 9 May 2018	General Meeting held on 30 October 2018
Executive Director						
Fok Kin Ning, Canning (Chairman)	4/4	–	1/1	2/2	✓	X
Tsai Chao Chung, Charles (Chief Executive Officer)	4/4	–	–	–	✓	✓
Chan Loi Shun	4/4	–	–	–	✓	✓
Andrew John Hunter	4/4	–	–	–	✓	✓
Neil Douglas McGee	4/4	–	–	–	✓	X
Wan Chi Tin	4/4	–	–	–	✓	✓
Non-executive Director						
Victor T K Li	4/4	–	–	2/2	✓	✓
Independent Non-executive Directors						
Ip Yuk-keung, Albert	4/4	3/3	–	2/2	✓	✓
Ralph Raymond Shea	4/4	3/3	1/1	2/2	✓	✓
Wong Chung Hin	4/4	3/3	1/1	2/2	✓	X
Wu Ting Yuk, Anthony	4/4	–	–	2/2	✓	✓

Biographical details of the current Directors are set out in the "Board of Directors and Senior Management" section on pages 42 to 45 of the Annual Report. An updated list of Directors containing biographical information and identifying the Independent Non-executive Directors is maintained on the website of the Company. The names of all Directors and their role and function are posted on the website of Hong Kong Exchanges and Clearing Limited ("HKEX").

The Board meets at least four times a year. Additional board meetings will be held when warranted. Regular meetings of a year are scheduled during the last quarter of the preceding year providing Directors with adequate time to plan their schedules to attend. The Directors may attend meetings in person, by telephone or other electronic means in accordance with the Company's articles of association. Throughout the year, the Directors also participate in the consideration and approval of matters by way of written resolutions, which are circulated to Directors together with supporting explanatory write-up and coupled with briefings from the Chief Executive Officer or the Company Secretary as required. Directors are required to declare their interests, if any, in the matters to be considered by them during board meetings and in the circular resolutions. During the year, the Board held four meetings, and the Chairman had two meetings with the Non-executive Directors without the presence of the Executive Directors.

Directors at all times have full and timely access to information of the Group. A financial summary outlining the Group's financial position and performance and containing the actual and budgeted results from different operations, with major variances explained, is sent to Directors each month for their information. Directors also have independent access to senior management for information on the Group and unrestricted access to the services of the Company Secretary. The Company Secretary advises the Board on governance matters and board procedures. There is a procedure for Directors to seek independent professional advice whenever deemed necessary by them at the expense of the Company, as appropriate.

CORPORATE GOVERNANCE REPORT

Directors receive at least fourteen days prior written notice of a regular meeting and may propose matters for discussion to be included in the agenda. An agenda with supporting board papers is sent to Directors no less than three days prior to a regular meeting. The Company Secretary assists the Chairman in seeing that Directors receive adequate information on each matter set out in the agenda and acts as co-ordinator for management in providing clarification sought by Directors. The minutes of Board meetings are prepared by the Company Secretary with details of the decisions reached, any concerns raised and dissenting views expressed. The draft minutes are sent to all Directors within a reasonable time after each meeting for their comments before being formally signed by the chairman of the meeting. Copies of the final versions of Board minutes are sent to Directors for their information and records. The signed minutes are kept in safe custody by the Company Secretary and are available for inspection by Directors.

All Directors have been appointed on annual twelve-month basis, subject to retirement from office by rotation and re-election by shareholders at the annual general meeting once every three years pursuant to the articles of association of the Company. Directors retiring by rotation and offering themselves for re-election at the forthcoming annual general meeting are Mr. Fok Kin Ning, Canning and Mr. Chan Loi Shun. Information relating to the Directors offering themselves for re-election which is required to be disclosed under the Listing Rules is contained in the circular to shareholders dated 8 April 2019. None of the said Directors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Insurance coverage in respect of Directors' liability has been arranged by the Company.

On or prior to 31 December 2018, the Company did not have a nomination committee as provided for in the Corporate Governance Code. The Company did not consider it necessary to have a nomination committee as the full Board was responsible for reviewing the structure, size and composition of the Board, appointment of new Directors and succession plan of Directors in accordance with the Group's board diversity policy which sets out the approach in achieving a diversified Board. Credentials of candidates are put forward to the Board for consideration in respect of any appointment of new director or appointment of director to an executive office, and the appointment is subject to the approval of the Board. Under the board diversity policy, appointment to the Board should be based on merit that the selected candidate will bring to the Board with an aim to build an effective and complementary board with the skills, experience, expertise and diversity of perspectives appropriate for the Group's businesses. The Board would also take into consideration the benefits of various aspects of diversity, including gender, age, cultural and educational background, professional experience and qualifications and other factors that may be relevant from time to time. Additional considerations would be taken into account when reviewing potential candidates for Independent Non-executive Directors, which include their independence according to the requirements of the Listing Rules, and whether they are able to devote sufficient time to Board and committee meetings. The board diversity policy was revised on 1 January 2019 (which is available on the Company's website) to enhance the approach in achieving and maintaining the Board diversity.

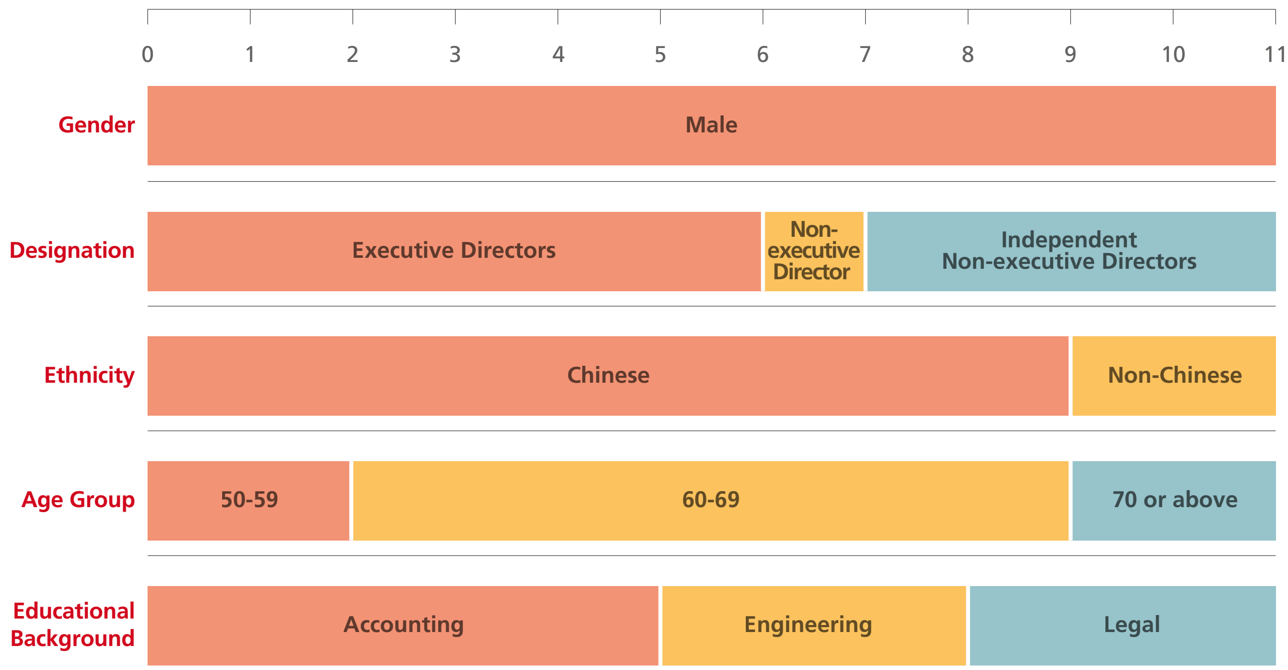
On 1 January 2019, the Company established its Nomination Committee which comprises all Directors and chaired by the Chairman of the Board. The Nomination Committee's responsibilities are to review the structure, size, diversity profile and skills matrix of the Board, to facilitate the Board in conduct of the selection and nomination process, to assess the independence of Independent Non-executive Directors having regard to the criteria under the Listing Rules, and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors. The terms of reference of the Nomination Committee of the Company are published on the Company's website and HKEX's website. The procedures for the selection and nomination of Directors are set out in the Director Nomination Policy adopted by the Company on 1 January 2019, which is also published on the Company's website.

Any newly appointed director will be subject to retirement and re-election pursuant to the articles of association of the Company at the next general meeting (in the case of filling a casual vacancy) and at the next annual general meeting (in the case of an addition to the Board).

The diversity profile of the Board as at 31 December 2018 is as follows:

Board Diversity

No. of Directors



Newly appointed Directors receive briefings and a package of orientation materials on the operations and businesses of the Group, together with information relating to duties and responsibilities of directors under statutory regulations and the Listing Rules. The Company Secretary updates Directors on the latest developments and changes to the Listing Rules and the applicable legal and regulatory requirements regarding subjects necessary in the discharge of their duties.

Directors' Training and Commitment

The Company arranges and provides continuous professional development training and relevant materials to Directors to help ensure they are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its business and to refresh their knowledge and skills on the roles, functions and duties of a listed company director. In addition, attendances at external forums or briefing sessions on the relevant topics also count towards continuous professional development training. The Directors have provided to the Company their records of continuous professional development training during 2018, and they have participated in training activities in the following manner:

1. Reading materials and seminars on directors' duties, compliance issues for listed companies and/or legal and regulatory requirements
2. Reading materials and seminars on corporate governance and financial reporting
3. Reading materials and seminars on risk management, internal control and sustainable growth

	1	2	3
Executive Directors			
Fok Kin Ning, Canning	✓	✓	✓
Tsai Chao Chung, Charles	✓	✓	✓
Chan Loi Shun	✓	✓	✓
Andrew John Hunter	✓	✓	✓
Neil Douglas McGee	✓	✓	✓
Wan Chi Tin	✓	✓	✓
Non-executive Director			
Victor T K Li	✓	✓	✓
Independent Non-executive Directors			
Ip Yuk-keung, Albert	✓	✓	✓
Ralph Raymond Shea	✓	✓	✓
Wong Chung Hin	✓	✓	✓
Wu Ting Yuk, Anthony	✓	✓	✓

The Directors have each confirmed that he has allocated sufficient time and attention to the affairs of the Group, and have also disclosed their offices held in other public companies and organisations and updated the Company on any subsequent changes in a timely manner.

Directors' Securities Transactions

The Board of Directors of the Company has adopted the Model Code for Securities Transactions by Directors ("Model Code") set out in Appendix 10 of the Listing Rules as the Group's code of conduct regulating directors' securities transactions. All Directors have confirmed following specific enquiry that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2018.

Senior managers, and other nominated managers and staff who, because of their respective positions in the Company, are likely to possess inside information regarding the Company and its securities are also required to comply with the Model Code.

Reminders are sent during each year to Directors, senior managers and other nominated managers and staff that they should not deal in the securities of the Company during the "black-out period" specified in the Model Code.

The Company has established a policy relating to inside information and securities dealing which is applicable to all its staff. The policy explains the meaning of inside information and the illegality of insider dealing, and sets out restrictions, controls and reporting mechanism for dealing with securities of the Company.

Directors' Responsibility for Financial Reporting and Disclosure

Annual and Interim Reports and Financial Statements

The Directors acknowledge their responsibility to prepare financial statements for each half and full financial year which give a true and fair view of the state of affairs of the Company and the Group. The annual and interim results of the Company are published in a timely manner within the limits of three months and two months respectively after the end of the relevant periods.

Accounting Policies

The Directors consider that in preparing financial statements, the Group ensures statutory requirements are met and applies appropriate accounting policies that are consistently adopted and makes judgments and estimates that are reasonable and prudent in accordance with the applicable accounting standards.

Accounting Records

The Directors are responsible for ensuring the Group keeps proper accounting records which disclose at any time the financial position of the Group from which, the financial statements of the Group could be prepared in accordance with statutory requirements and the Group's accounting policies.

Safeguarding Assets

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities within the Group.

Going Concern

The Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future and are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Group's financial statements have accordingly been prepared on a going concern basis.

Disclosure

The Board is aware of the requirements under the applicable Listing Rules and statutory regulations with regard to the timely and proper disclosure of inside information, announcements and financial disclosures and authorises their publication as and when required.

Chairman and Chief Executive Officer

The positions of the Chairman and the Chief Executive Officer are held by separate individuals. During 2018, the Chairman of the Board was Mr. Fok Kin Ning, Canning and the Chief Executive Officer was Mr. Tsai Chao Chung, Charles.

The Chairman is elected by members of the Board for a term of one year until the conclusion of each annual general meeting whereupon the Chairman is subject to re-election. Both the Chairman and the Chief Executive Officer are subject to retirement from their directorship by rotation and re-election by shareholders every three years at the annual general meeting.

The Chairman is responsible for providing leadership to, and overseeing the functioning and effective running of, the Board to ensure that the Board acts in the best interests of the Group. The Chairman approves board meeting agendas and ensures that meetings of the Board are planned and conducted effectively and that all Directors are properly briefed on issues arising at board meetings. In addition to board meetings, the Chairman schedules meeting(s) annually with Non-executive Directors (and starting from the year 2019, with Independent Non-executive Directors only) without the presence of Executive Directors. The Chairman also acts in an advisory capacity to the Chief Executive Officer in all matters covering the interests and management of the Group.

The Chief Executive Officer, working with the executive management team, is responsible for managing the businesses of the Group, attending to the formulation and successful implementation of Group policies and assuming full accountability to the Board for all Group operations. The Chief Executive Officer attends to developing strategic operating plans and is directly responsible for maintaining the operational performance of the Group. Working with other Executive Directors and the general managers, he ensures that the funding requirements of the businesses are met and closely monitors the operating and financial results of the businesses against plans and budgets, taking remedial action when necessary. He maintains an ongoing dialogue with the Chairman and all other Directors to keep them informed of all major business development and issues. He is also responsible for building and maintaining an effective team to support him in his role.

Independent Non-executive Directors

The Board must be satisfied itself that an Independent Non-executive Director does not have any material relationship with the Group. The Board is guided by the criteria of independence as set out in the Listing Rules in determining the independence of Directors.

Mr. Ip Yuk-keung, Albert, Mr. Ralph Raymond Shea, Mr. Wong Chung Hin and Mr. Wu Ting Yuk, Anthony, Independent Non-executive Directors of the Company, have each provided a confirmation of his independence to the Company pursuant to Rule 3.13 of the Listing Rules. The Board continues to consider these Directors to be independent.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2018, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long Positions in Shares of the Company

Name of Director	Capacity	Nature of Interests	Number of Shares Held	Approximate % of Shareholding
Tsai Chao Chung, Charles	Beneficial owner	Personal	4,022	≃ 0%

Long Positions in Shares of Associated Corporation

HK Electric Investments and HK Electric Investments Limited

Name of Director	Capacity	Nature of Interests	Number of Share Stapled Units Held	Approximate % of Issued Share Stapled Units
Li Tzar Kuoi, Victor	Interest of controlled corporations	Corporate	7,870,000 *(Note 1)*	0.08%
Fok Kin Ning, Canning	Interest of controlled corporation	Corporate	2,000,000 *(Note 2)*	0.02%
Tsai Chao Chung, Charles	Beneficial owner	Personal	880	≃ 0%

Notes:

(1) Such share stapled units of HK Electric Investments and HK Electric Investments Limited ("HKEI") comprise:
  - (a) 2,700,000 share stapled units of HKEI held by Lankford Profits Limited, a wholly-owned subsidiary of Li Ka Shing (Overseas) Foundation ("LKSOF"). By virtue of the terms of the constituent documents of LKSOF, Mr. Victor T K Li may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSOF; and
  - (b) 5,170,000 share stapled units of HKEI held by Li Ka Shing Foundation Limited ("LKSF"). By virtue of the terms of the constituent documents of LKSF, Mr. Victor T K Li may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSF.

(2) Such share stapled units of HKEI are held by a company which is equally owned by Mr. Fok Kin Ning, Canning and his wife.

Save as disclosed above, as at 31 December 2018, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Interests in Competing Business

In 2018, the interests of Directors in businesses which may compete with the Group's business of development, investment and operation of power generation, transmission and distribution and other energy related infrastructure facilities ("Business") were as follows:

Name of Director	Name of Company	Nature of Interests
Fok Kin Ning, Canning	CK Hutchison Holdings Limited CK Infrastructure Holdings Limited Husky Energy Inc.	Group Co-Managing Director Deputy Chairman Co-Chairman
Chan Loi Shun	CK Infrastructure Holdings Limited	Executive Director and Chief Financial Officer
Andrew John Hunter	CK Infrastructure Holdings Limited	Deputy Managing Director
Victor T K Li	CK Asset Holdings Limited CK Hutchison Holdings Limited CK Infrastructure Holdings Limited Husky Energy Inc.	Chairman and Managing Director Chairman and Group Co-Managing Director Chairman Co-Chairman
Neil Douglas McGee	Husky Energy Inc.	Director

The Board is of the view that the Group is capable of carrying on the Business independent of, and at arm's length from the businesses of the above companies. When making decisions on the Business, the above Directors, in the performance of their duties as Directors of the Company, have acted and will continue to act in the commercial best interest of the Group and all its shareholders.

Remuneration Committee

The Remuneration Committee is chaired by Mr. Wong Chung Hin (an Independent Non-executive Director), and the other members are Mr. Fok Kin Ning, Canning (the Chairman) and Mr. Ralph Raymond Shea (an Independent Non-executive Director).

The Remuneration Committee's principal responsibilities include the review and consideration of the Company's policy for remuneration of Directors and senior management, and the determination of their individual remuneration packages. It reports to the Board at the next board meeting after decisions and recommendations have been made. Committee members may seek independent professional advice at the expense of the Company to discharge their duties as members of the Committee. The terms of reference of the Remuneration Committee are published on the Company's website and the HKEX's website.

The Remuneration Committee receives and considers relevant remuneration data and market conditions. The remuneration of Executive Directors and senior management is determined with reference to the Company's performance and profitability, industry remuneration benchmarks and prevailing market conditions. Remuneration is performance-based and, coupled with an incentive system, is competitive to attract and retain talented employees.

The Committee held a meeting in December 2018, during which it assessed the performance of the full time Executive Directors and senior management of the Group and considered and determined the performance-based bonus payable to them in respect of the 2018 financial year and their remuneration for the next year. None of the Directors and senior management participated in the determination of their own remuneration. The Committee, authorised by the Board, also reviewed and approved the 2019 wage and salary review proposal.

The emoluments paid to each Director for the 2018 financial year are shown in note 11 to the financial statements on page 114 of the Annual Report. The remuneration paid to members of the senior management for the 2018 financial year is disclosed by bands also in note 11 on page 115 of the Annual Report.

Audit Committee

The Audit Committee is chaired by Mr. Wong Chung Hin and the other members are Mr. Ip Yuk-keung, Albert and Mr. Ralph Raymond Shea. All the three Committee members are Independent Non-executive Directors, and none of them is a partner or former partner of KPMG, the Group's external auditor. The Company Secretary acts as secretary to the Audit Committee.

The Audit Committee reports directly to the Board of Directors and its principal responsibilities include the review of the Group's financial reporting, risk management and internal control systems, the interim and annual financial statements, and corporate and compliance issues. The Committee also acts as the key representative body for overseeing the Company's relations with the external auditor, reviewing the whistle-blowing procedure under which employees and external parties can use in confidence to raise concerns about improprieties in financial reporting, internal control and other matters, and undertaking duties relating to the corporate governance function delegated by the Board. The Committee also meets regularly with KPMG to discuss the audit process and accounting issues. The chairman of the Committee summarises the subjects discussed and decisions or recommendations made in a written report to the Board after each meeting. Committee members may seek independent professional advice at the expense of the Company to discharge their duties as members of the Committee.

The terms of reference of the Audit Committee were amended on 1 January 2019 to incorporate the amendment to the code provision C.3.2 in the Corporate Governance Code to extend the cooling off period for former partner of the listed issuer's existing audit firm before he acts as a member of its audit committee effective on 1 January 2019. The revised terms of reference of the Audit Committee are published on the Company's website and the HKEX's website.

The Audit Committee held three meetings in 2018. During the meetings, the Audit Committee reviewed and considered matters including the Group financial statements and Annual Report for the year ended 31 December 2017, the audit fee and auditor engagement letter for the 2017 Group financial statements, the re-appointment of auditor, the report of the auditor to the Audit Committee in relation to the audit of the 2017 Group financial statements, the non-audit services provided by KPMG in the year 2017, the Group's risk management report as of December 2017 and June 2018, the assessment and declaration in respect of the effectiveness of risk management and internal control systems of the Group for the year 2017 and for the half year to 30 June 2018, the internal audit plan for 2018, the 3-year cycle internal audit plan for 2018 to 2020, the financial statements for the six months ended 30 June 2018, the statistics on bribery activities and illegal or unethical behaviour of the Group and its major associates for the year 2017 and for the half year to 30 June 2018, the Group's outstanding litigation and claims as at 31 December 2017 and 30 June 2018, the Group's corporate governance structure, the compliance of the Corporate Governance Code by the Company, the disclosure in the 2017 Corporate Governance Report, the corporate governance disclosure in the interim report 2018, the compliance review of the Deed of Non-competition with HK Electric Investments Limited, the environmental, social and governance reporting in the annual report 2017, the continuous professional development activities undertaken by Directors and senior managers during 2017 and the six months ended 30 June 2018, KPMG's audit plan for the 2018 Group results and all internal audit reports compiled during the year. Representatives from KPMG were invited to attend two of the meetings and they discussed the 2017 audited financial statements, the 2018 audit plan and various accounting issues with the members of the Audit Committee.

Company Secretary

The Company Secretary of the Company supports the Board by ensuring good information flow within the Board and that board policy and procedures are followed. The Company Secretary is responsible for advising the Board through the Chairman and/or the Chief Executive Officer on governance matters and also facilitates induction and professional development of Directors.

The appointment and removal of the Company Secretary is subject to approval of the Board. Although the Company Secretary reports to the Chairman and the Chief Executive Officer, all Directors have access for advice and service of the Company Secretary. Mr. Alex Ng has been appointed as the Company Secretary of the Company since May 2013 and has day-to-day knowledge of the Group's affairs. During the year ended 31 December 2018, Mr. Ng has received no less than fifteen hours of relevant professional training to refresh his skills and knowledge.

Risk Management and Internal Control

Introduction

The Board has overall responsibility for evaluating and determining the nature and extent of the risks they are willing to take in achieving the Group's strategic objectives, overseeing the risk management and internal control systems including reviewing their effectiveness through the Audit Committee to ensure appropriate and effective risk management and internal control systems are in place.

The Audit Committee assists the Board in meeting its responsibility for maintaining effective systems of risk management and internal control. The Audit Committee reviews all significant aspects of risk management and internal control, including financial, operational and compliance controls; the adequacy of resources, qualifications and experience, training programmes and budgets of the staff of the Group's accounting, internal audit, and financial reporting functions. It reviews the process by which the Group evaluates its control environment and its risk assessment process, and the way in which business and control risks are managed. The Audit Committee reviews the effectiveness of the internal audit function and its annual work plans, and considers the reports of the Chief Executive Officer and an Executive Director on the effectiveness of the systems of risk management and internal control. These reviews and reports are considered by the Audit Committee before it makes its recommendation to the Board for approval of the annual consolidated financial statements.

At the meetings held in March and July 2018, the Audit Committee has reviewed the effectiveness of the risk management and internal control systems of the Group for the year 2017 and for the half year ended 30 June 2018 respectively and considered the systems are effective and adequate.

Pursuant to an agreement dated 14 January 2014 between the Company and HK Electric Investments Limited for sharing of support services, HK Electric Investments Limited provides the relevant financial and accounting, treasury and internal audit services to the Company and to support its internal control functions.

Risk Management and Internal Control Environment

Effective risk management is fundamental to the achievement of the Group's strategic objectives, and an enterprise risk management framework is in place to provide top-down and bottom-up approaches to identify, assess, mitigate and monitor key risks at corporate and business unit levels in a pro-active and structured manner. More details are given in the Risk Management and Risk Factors on pages 70 to 74 of the Annual Report.

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The Company's management encourages a risk aware and control conscious environment, setting objectives, performance targets or policies for the management of key risks including strategic planning, business operations, acquisitions, investments, legal and regulatory compliance, expenditure control, treasury, environment, health and safety, and customer service. The Company has a well-established organisational structure with defined levels of responsibility and authority and reporting procedures. There are inherent limitations in any systems of risk management and internal control and accordingly the Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Executive Directors review operational and financial reports and key operating statistics and hold regular meetings with general managers to review their reports.

Executive Directors and senior executives are appointed to the boards and board committees of all major operating subsidiaries, associates and joint ventures for monitoring the operations of those companies. There is a comprehensive system for reporting information by those companies to the Company's management.

Budgets are prepared annually by the management and are subject to review and approval firstly by the Chief Executive Officer and then by the Board. Re-forecasts of operating results for the current year are prepared on a quarterly basis, reviewed for differences to the budget and for approval by the Executive Directors.

The Group has established guidelines and procedures for the approval and control of expenditure. Operating expenditure is subject to overall budget control, with approval levels being set by reference to the level of authority of each executive and officer. Capital expenditure is also subject to overall control within the approved budget of individual projects with more specific control and approval being required for overspending, unbudgeted expenditure and material expenditure within the approved budget. Monthly reports of actual versus budgeted and approved expenditure are also reviewed.

The treasury function, overseeing the Group's investment and funding activities, regularly reports to an Executive Director on the Group's cash and liquid investments, borrowings, outstanding contingent liabilities and financial derivatives commitments. The Board has approved and adopted a treasury policy governing the management of the financial risks of the Group (including interest rate risk, foreign exchange risk and liquidity risk) and the operational risks associated with such risk management activities. The treasury policy is reviewed by the Audit Committee from time to time.

The legal and company secretarial function reports to the Chief Executive Officer, and oversees, among other things, the Group's compliance of the Listing Rules and other legal and regulatory requirements.

The internal audit function reports to an Executive Director and the Audit Committee, and provides independent assurance as to the existence and effectiveness of the risk management activities and internal controls in the operations of the Group's business units. Staff members are from a wide range of disciplines including accounting, engineering and information technology. Using risk assessment methodology and taking into account the scope and nature of the Group's activities and changes in operating environment, Internal Audit prepares its yearly audit plan which is reviewed and approved by the Audit Committee. Internal Audit's reports on the Group's operations are also reviewed and considered by the Audit Committee. The scope of work on the Group's business units performed by Internal Audit includes financial and operations review, recurring and unscheduled audits, fraud investigation, productivity efficiency review and laws and regulations compliance review. Internal Audit follows up audit recommendations on implementation by the business units and the progress is reported to the Audit Committee.

With the assistance of Internal Audit, the Chief Executive Officer and an Executive Director review, among other things, the profile of the significant risks and how these risks have been identified, evaluated and managed, the changes since the last annual assessment in the nature and extent of significant risks, and the Group's ability to respond to changes in its business and the external environment, the scope and quality of management's ongoing monitoring of the risk management and internal control systems. In addition, they review the work of internal audit function and other assurance providers, the extent and frequency of communication of monitoring results to the Audit Committee which enables it to assess control of the Group and the effectiveness of risk management, any significant failing or weaknesses in internal control that have been reported, the necessary actions that are being taken promptly to remedy any significant failings or weaknesses, and the effectiveness of the Group's processes for financial reporting and Listing Rules compliance. They also review the results of the self-assessment on internal controls. The assessment of the effectiveness of entity-level controls is the first tier of the internal control self-assessment. Management of each business unit conduct surveys on entity-level controls self-assessment with reference to five components of internal control, namely, Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring Activities. The second tier of internal control self-assessment at key business process level is also conducted to assess the effectiveness of controls over the operations within their areas of accountability and compliance with applicable laws and regulations. These assessments form part of the bases on which the Chief Executive Officer and an Executive Director formulate their opinion on risk management and internal control systems and report their findings to the Audit Committee and the Board.

The Chief Executive Officer and other Executive Directors also have the responsibility of developing and implementing risk mitigation strategies including the deployment of insurance to transfer the financial impact of risk. The insurance function of HK Electric Investments Limited supports the Group with appropriate insurance coverage.

Reports from the external auditor on material non-compliance with procedures and significant internal control weaknesses, if any, are presented to the Audit Committee. These reports are considered and reviewed and appropriate action is to be taken if required.

Established guidelines where new businesses are being acquired including detailed appraisal and review procedures and due diligence processes are in place.

There are also procedures including pre-clearance on dealing in the Group's securities by designated Directors, notification of regular blackout period and securities dealing restrictions to Directors and relevant employees, and dissemination of information for specified purpose and on a need-to-know basis have been implemented to guard against possible mishandling of inside information within the Group.

Code of Conduct

The Group recognises the need to maintain a culture of corporate ethics and places great emphasis on employees' ethical standards and integrity in all aspects of its operations. The Group's Code of Conduct, applicable to all employees, aims to give guidance in dealing with ethical issues, provides mechanisms to report unethical conduct and helps to foster a culture of honesty and accountability. Employees of the Group are required to adhere to the standards set out in the Code of Conduct.

The Group prohibits any form of bribery or corruption. Accepting or offering advantages in any manner from or to clients, suppliers, or any person in connection with the Group's business is prohibited. An anti-bribery and anti-corruption control assessment is conducted biannually to evaluate the effectiveness of controls for managing bribery risks. A monitoring mechanism has been established to review compliance with anti-corruption laws and the Code of Conduct.

It is the responsibility of each Director and employee to avoid situations that may lead to or involve a conflict of interest. They should make full disclosure in case any of their dealings may have a conflict of interest with the activities of the Group. It is the responsibility of all Directors and employees who have access to and in control of the Group's information to provide adequate safeguard to prevent any abuse or misuse of that information. The Group strictly prohibits the use of inside information to secure personal advantage.

The Group promotes fair and open competition, and procurement of supplies and services are conducted in a manner of high ethical standards. There are procurement and tendering procedures in place to ensure impartial selection of suppliers and contractors, and that the hire of services and purchase of goods are based solely upon price, quality, suitability and need.

External Auditor

Independence

KPMG, the external auditor, have confirmed that they have been, for the year ended 31 December 2018, independent of the Group in accordance with the independence requirements of the Hong Kong Institute of Certified Public Accountants.

Rotation of Engagement Partner

KPMG adopt a policy of rotating every seven years the engagement partner servicing their client companies. The last rotation in respect of the Group took place in the audit of the 2014 financial statements and the next rotation will take place in the audit of the 2021 financial statements.

Reporting Responsibility

The reporting responsibilities of KPMG are stated in the Independent Auditor's Report on pages 81 to 84 of the Annual Report.

Remuneration

An analysis of the fees of KPMG and other external auditors is shown in note 9 to the financial statements on page 112 of the Annual Report.

Re-appointment

A resolution for re-appointment of KPMG as auditor of the Company will be proposed at the forthcoming annual general meeting. There has been no change in auditor in any of the preceding three years.

Dividend Policy

The Board has adopted a dividend policy which outlines the principles of payment on dividend on 1 January 2019. The dividend policy states that the Board is committed to maintaining an optimal capital structure and investment grade credit ratings. This is pursued to deliver returns to shareholders and ensure that adequate capital resources are available for business growth and investment opportunities. Subject to business conditions, market opportunities and maintenance of the Company's strong investment grade credit ratings, the Board aims to deliver a sustainable dividend that improves over time in line with the Company's underlying earnings performance, consistent with its long-term growth prospects.

Shareholders

The Company has established a range of communication channels between itself and its shareholders and investors. These include the annual general meeting, the annual and interim reports, notices, letters, announcements and circulars, news releases, the Company's website at www.powerassets.com and meetings with investors and analysts. All shareholders have the opportunity to put questions to the Board at general meetings, and at other times by e-mailing or writing to the Company.

Shareholders may at any time notify the Company by mail or email of any change in their choice of language (English or Chinese or both) or means of receiving (printed copies or through the Company's website) corporate communications from the Company.

The Company handles share registration and related matters for shareholders through Computershare Hong Kong Investor Services Limited, the Company's share registrar, whose contact details are set out on page 163 of the Annual Report.

Pursuant to section 566 of the Companies Ordinance, shareholders representing at least 5% of the total voting rights of all the shareholders of the Company having a right to vote at general meetings may request for the convening of a general meeting. The request stating the general nature of the business to be dealt with at the meeting should be signed by the requisitionists and sent to the Company in hard copy form or in electronic form. Pursuant to sections 580 and 615 of the Companies Ordinance, shareholders qualified under sub-section (3) and sub-section (2) of the respective sections may request for the Company's circulation of statements with respect to proposed resolutions to be considered at a general meeting and the Company's giving of notice of a resolution intended to be moved at an annual general meeting. The request should be signed by the requisitionists and sent to the Company in hard copy form or in electronic form in accordance with the statutory provisions. Pursuant to article 122 of the articles of association of the Company, shareholders may propose a person other than a retiring director of the Company for election as a director of the Company at any general meeting, the procedures for which are posted on the Company's website.

The Board has adopted a communication policy which provides a framework to promote effective communication with shareholders. The policy is available on the website of the Company.

2018 Annual General Meeting

The annual general meeting is a main channel of communication between Directors and shareholders. The 2018 Annual General Meeting was held at Harbour Grand Kowloon on 9 May 2018. The notice of meeting, the annual report and the circular containing information on the proposed resolutions were sent to shareholders on 4 April 2018 which were more than 20 clear business days (as defined in the Listing Rules) and more than 21 clear days (as required by the Company's articles of association) prior to the meeting. A supplemental notice of meeting setting out an additional resolution together with a circular containing information on such proposed resolution were sent to shareholders on 11 April 2018 which were more than 10 clear business days (as defined in the Listing Rules) prior to the meeting. The chairman and members of the Audit Committee, the Remuneration Committee and the Independent Board Committee respectively were available at the meeting to answer questions from the shareholders. Representatives from KPMG, the external auditor, also attended the meeting and were available to answer questions. A separate resolution was proposed by the Chairman in respect of each substantially separate issue, and voting on each resolution was conducted by way of a poll. The poll voting procedure was explained fully to shareholders during the meeting. Computershare Hong Kong Investor Services Limited, the Company's share registrar, was appointed as scrutineer to monitor and count the poll votes cast at the meeting. The resolutions proposed were passed by shareholders (for the last resolution, passed by independent shareholders (being shareholders other than CK Infrastructure Holdings Limited ("CKI") and its associates)) at the meeting and the percentage of votes cast in favour of each of them is set out below:

Ordinary resolutions

– Audited Financial Statement, Report of the Directors and the Independent Auditor's Report for the year ended 31 December 2017 (99.9159%);

– Declaration of a final dividend of HK$2.03 per share (99.9912%);

– Election of Mr. Neil Douglas McGee (85.0085%), Mr. Ralph Raymond Shea (94.8321%), Mr. Wan Chi Tin (84.9312%), Mr. Wong Chung Hin (93.9254%) and Mr. Wu Ting Yuk, Anthony (97.8345%) as Directors;

– Re-appointment of KPMG as auditor and authorisation of Directors to fix their remuneration (98.2397%);

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– General mandates to Directors to issue and dispose of additional shares of the Company (72.3992%) and to repurchase shares of the Company (99.9261%), and extension of the general mandate to issue shares (70.2231%); and

– Revision of the existing annual caps under certain services agreements and entering into of the Midstream Services Agreement, both between Husky Midstream Limited Partnership Group (which is a material joint venture of the Company) and subsidiaries of Husky Energy Inc. (99.4857%).

General Meeting

A general meeting to consider and approve the formation of a joint venture with CKI and CK Asset Holdings Limited ("CKA") (the "Joint Venture Transaction") in connection with the proposed acquisition by CKM Australia Bidco Pty Ltd ("Bidco") by way of the trust schemes of all the stapled securities in issue of APA which are listed on the Australian Securities Exchange (the "Acquisition") was held at Harbour Grand Hong Kong on 30 October 2018. The notice of meeting and the circular containing information on the Joint Venture Transaction were sent to shareholders on 10 October 2018 which was more than 10 clear business days (as defined in the Listing Rules) and more than 14 clear days (as required by the Company's articles of association) prior to the meeting. The chairman of the Independent Board Committee was available at the meeting to answer questions from the shareholders. There was only one resolution proposed by the Chairman for the approval of the connected transaction contemplated thereunder and voting on the resolution was conducted by way of a poll. The poll voting procedure was explained fully to shareholders during the meeting. Computershare Hong Kong Investor Services Limited, the Company's share registrar, was appointed as scrutineer to monitor and count the poll votes cast at the meeting. The resolution proposed was passed by independent shareholders (being shareholders other than CKI and its associates) at the meeting, with 99.851836% of votes cast in favour of the resolution. On 20 November 2018, Bidco became aware that one of the conditions precedent would not be satisfied and such condition could not be waived. The implementation agreement according to which the Acquisition was to be implemented was terminated on 20 November 2018 and the Company did not proceed with the Joint Venture Transaction and the Acquisition.

The results of the poll, which included the number of shares voted for and against each resolution, were posted on the Company's and HKEX's websites on the same day of the meeting.

Company's Website

The Company maintains a website at www.powerassets.com. It contains a wide range of information of interest to investors and other stakeholders. For the dissemination of published information, such information including financial results, notices of meetings, announcements required under the Listing Rules, circulars to shareholders, press releases and other necessary announcements were uploaded onto the Company's website.

Articles of Association

No changes were made to the articles of association of the Company during the year ended 31 December 2018. The current version of the articles of association of the Company is available on the Company's and HKEX's websites.

Key Dates	
Announcement of 2018 interim results	26 July 2018
Payment of 2018 interim dividend (HK$0.77 per share)	5 September 2018
Announcement of annual results for the year ended 31 December 2018	20 March 2019
Closure of register of members (annual general meeting)	9 May 2019 to 15 May 2019 (both days inclusive)
2019 annual general meeting	15 May 2019
Record date for 2018 final dividend	21 May 2019
Payment of 2018 final dividend (HK$2.03 per share)	30 May 2019

Interests and Short Positions of Shareholders

As at 31 December 2018, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

Substantial Shareholders

Long Positions in Shares of the Company

Name	Capacity	Number of Shares Held		Approximate % of Shareholding	
Interman Development Inc.	Beneficial owner	186,736,842	*(Note 1)*	8.75%	
Venniton Development Inc.	Beneficial owner	197,597,511	*(Note 1)*	9.26%	
Univest Equity S.A.	Beneficial owner	279,011,102	*(Note 1)*	13.07%	
Monitor Equities S.A.	Beneficial owner & interest of controlled corporation	287,211,674	*(Note 1)*	13.46%	
Hyford Limited	Interest of controlled corporations	829,599,612	*(Notes 2 and 4)*	38.87%	*(Note 4)*
CK Infrastructure Holdings Limited	Interest of controlled corporations	829,599,612	*(Notes 2 and 4)*	38.87%	*(Note 4)*
Hutchison Infrastructure Holdings Limited	Interest of controlled corporations	829,599,612	*(Notes 3 and 4)*	38.87%	*(Note 4)*
CK Hutchison Global Investments Limited	Interest of controlled corporations	829,599,612	*(Notes 3 and 4)*	38.87%	*(Note 4)*
CK Hutchison Holdings Limited	Interest of controlled corporations	829,599,612	*(Notes 3 and 4)*	38.87%	*(Note 4)*

Notes:

(1) These are direct or indirect wholly-owned subsidiaries of Hyford Limited ("Hyford") and their interests are duplicated in the same 829,599,612 shares of the Company held by Hyford described in Note (2) below.

(2) CKI is deemed to be interested in the 829,599,612 shares of the Company as referred to in Note (1) above as it holds more than one-third of the issued share capital of Hyford indirectly. Its interests are duplicated in the interest of CK Hutchison Holdings Limited ("CK Hutchison") in the Company described in Note (3) below.

(3) CK Hutchison is deemed to be interested in the 829,599,612 shares of the Company as referred to in Note (2) above as it holds more than one-third of the issued voting shares of CK Hutchison Global Investments Limited ("CKHGI"). Certain subsidiaries of CKHGI hold more than one-third of the issued voting shares of Hutchison Infrastructure Holdings Limited ("HIH") which in turn holds more than one-third of the issued share capital of CKI.

(4) Such disclosure of interest was made in the form of notice pursuant to Part XV of the SFO submitted by CK Hutchison to the Company on 8 June 2015. Subsequently, Hyford notified the Company that as of 31 December 2018, it is deemed to be interested in 811,299,612 shares of the Company which represented approximately 38.01% of the issued shares of the Company as at 31 December 2018, and accordingly CKI, HIH, CKHGI and CK Hutchison are deemed to be interested in the same 811,299,612 shares of the Company as at 31 December 2018 as described in Notes (2) and (3) above.

Save as disclosed above, as at 31 December 2018, there was no other person (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

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Public Float

According to information that is available to the Company and within the knowledge of the Directors, the percentage of the shares which are in the hands of the public exceeds 25% of the Company's total number of issued shares.

Connected Transaction in 2018

Construction Agreement for augmentation of the Elaine Terminal Station and design and construction of connection assets for Moorabool Wind Farm

On 3 April 2018, Transmission Operations (Australia) Pty Ltd ("TOA"), an indirect wholly-owned subsidiary of Australian Energy Operations Pty Ltd ("AEO", a company indirectly held as to 50% each by the Company and CKI), and Energy Solutions Pty Ltd ("Energy Solutions", technically considered as a non wholly-owned subsidiary of the Company within the definition of "subsidiary" under the Listing Rules) entered into a construction agreement in connection with the augmentation of the Elaine Terminal Station constructed at Elaine, Victoria, Australia, and the design and construction of connection assets for the Moorabool Wind Farm to be built in Moorabool, Victoria, Australia (the "Moorabool Construction Agreement").

Pursuant to the Moorabool Construction Agreement, Energy Solutions will augment the Elaine Terminal Station and design and build the connection assets for the Moorabool Wind Farm at a consideration of AUD33 million. The consideration is payable by TOA to Energy Solutions in cash by monthly progress payments for works executed and materials, goods and equipment delivered. The consideration was determined having regard to the costs of sub-contracts, materials, manpower and overheads required for undertaking and completing the works under the agreement.

Under the Moorabool Construction Agreement, Energy Solutions will provide TOA with irrevocable unconditional undertakings from a financial institution for a total of AUD1.65 million as security for any payment and other obligations on the part of Energy Solutions.

CKI is a substantial shareholder and therefore a connected person of the Company under the Listing Rules. Energy Solutions is considered an indirect non wholly-owned subsidiary of the Company under the Listing Rules. AEO is indirectly held as to 50% by CKI and is therefore an associate of CKI and a connected person of the Company. As such, the Moorabool Construction Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but exempt from the independent shareholders' approval requirement.

Shareholders have been informed of the entering into of the Moorabool Construction Agreement in the announcement posted on the respective websites of the Company and HKEX on 3 April 2018.

Construction Agreement for augmentation of the Elaine Terminal Station and design and construction of connection assets for Elaine Wind Farm

On 8 June 2018, TOA, an indirect wholly-owned subsidiary of AEO (a company indirectly held as to 50% each by the Company and CKI), and Energy Solutions (technically considered as a non wholly-owned subsidiary of the Company within the definition of "subsidiary" under the Listing Rules) entered into a construction agreement in connection with the augmentation of the Elaine Terminal Station constructed at Elaine, Victoria, Australia, and the design and construction of connection assets for the Elaine Wind Farm to be built in Elaine, Victoria, Australia (the "Elaine Construction Agreement").

Pursuant to the Elaine Construction Agreement, Energy Solutions will augment the Elaine Terminal Station and design and build the connection assets for the Elaine Wind Farm at a consideration of AUD15 million. The consideration is payable by TOA to Energy Solutions in cash by monthly progress payments for works executed and materials, goods and equipment delivered. The consideration was determined having regard to the costs of sub-contracts, materials, manpower and overheads required for undertaking and completing the works under the agreement.

Under the Elaine Construction Agreement, Energy Solutions will provide TOA with irrevocable unconditional undertakings from a financial institution for a total of approximately AUD0.75 million as security for any payment and other obligations on the part of Energy Solutions.

CKI is a substantial shareholder and therefore a connected person of the Company under the Listing Rules. Energy Solutions is considered an indirect non wholly-owned subsidiary of the Company under the Listing Rules. AEO is indirectly held as to 50% by CKI and is therefore an associate of CKI and a connected person of the Company. As such, the Elaine Construction Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but exempt from the independent shareholders' approval requirement.

Shareholders have been informed of the entering into of the Elaine Construction Agreement in the announcement posted on the respective websites of the Company and HKEX on 8 June 2018.

Economic Benefits Agreement in respect of economic benefits from Cheung Kong (Infrastructure Investment) Limited

On 31 August 2018, Mauve Blossom Limited ("Mauve Blossom", a wholly-owned subsidiary of the Company) entered into an economic benefits agreement with a wholly-owned subsidiary of CK Hutchison Holdings Limited ("CKHH") ("CKH Sub") and CKHH (as guarantor of CKH Sub) (the "Economic Benefits Agreement"), pursuant to which CKH Sub will, with effect from the Effective Date (as defined in the announcement of the Company dated 31 August 2018), on an on-going basis, pay Mauve Blossom the sums of 20% of economic benefits CKHH receives from Cheung Kong (Infrastructure Investment) Limited ("CKII") from and including the abovementioned Effective Date (the "Economic Benefits Amounts"), in consideration for the payment of approximately US$611.46 million to CKH Sub. CKII indirectly holds shareholding interests in infrastructure businesses comprising interests in (a) Park'N Fly, the largest off-airport car park provider in Canada, of which CKII holds an indirect interest of 50%, (b) Northumbrian Water, one of the 10 regulated water and sewerage companies in England and Wales, of which CKII holds an indirect interest of 40%, (c) Australian Gas Networks, one of Australia's largest distributors of natural gas, of which CKII holds an indirect interest of 27.51%, (d) Wales & West Gas Networks, a gas distribution network that serves Wales and the South West of England, of which CKII holds an indirect interest of 30%, (e) UK Rails, one of the three major rolling stock operating companies in the United Kingdom, of which CKII holds an indirect interest of 50% and (f) Dutch Enviro Energy, the largest energy-from-waste company in the Netherlands, of which CKII holds an indirect interest of 35%.

CKHH has unconditionally and irrevocably guaranteed to Mauve Blossom as a primary and continuing obligation the due and punctual performance and observance by CKH Sub of its obligations, covenants and undertakings under the Economic Benefits Agreement.

The consideration payable by Mauve Blossom to CKH Sub on the Payment Date (as defined in the announcement of the Company dated 31 August 2018) for its Economic Benefits Amounts under the Economic Benefits Agreement is approximately US$611.46 million, which was determined by reference to, among other things, the overall financial position and performance of CKII's businesses and after arm's length negotiation between the parties to the Economic Benefits Agreement.

As CKI is a substantial shareholder of the Company and CKHH is an associate of CKI, CKHH is a connected person of the Company. Accordingly, the entering into the Economic Benefits Agreement constitutes a connected transaction for the Company under the Listing Rules and is subject to the Company's compliance with the reporting and announcement requirements but is not subject to the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Shareholders have been informed of the entering into of the Economic Benefits Agreement in the announcement posted on the respective websites of the Company and HKEX on 31 August 2018.

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Subscription of shares in Wellington Electricity Distribution Network Holdings Limited

On 16 November 2018, an indirect wholly-owned subsidiary of the Company and an indirect wholly-owned subsidiary of CKI subscribed respectively for 117,250,000 new shares of Wellington Electricity Distribution Network Holdings Limited ("WEDNHL") ("the "WEDNHL Share Subscription") at a subscription price of NZ$1 per share, which is the same as the par value of the share. WEDNHL is the sole shareholder of Wellington Electricity Distribution Network Limited ("WEDNL") which through its wholly-owned subsidiary owns and operates an electricity distribution network in Wellington, New Zealand.

The subscription price for the WEDNHL Share Subscription payable by each of the aforesaid subsidiaries of the Company and CKI will be NZ$117,250,000 (with an aggregate subscription price of NZ$234,500,000 to be received by WEDNHL). The subscription prices for the WEDNHL Share Subscription were settled on 18 December 2018 in accordance with the terms and conditions of the Payment Directions Agreement (as defined and described in the announcement of the Company dated 16 November 2018), to the effect that the subscription prices for the WEDNHL Share Subscription would indirectly be satisfied by, and funded through, the repayment of a loan to International Infrastructure Services Company Limited (which is indirectly held as to 50% by each of the Company and CKI) by WEDNL.

CKI is a substantial shareholder and therefore a connected person of the Company under the Listing Rules. WEDNHL is indirectly held as to 50% by CKI and is therefore an associate of CKI and a connected person of the Company under the Listing Rules. As such, the WEDNHL Share Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but exempt from the independent shareholders' approval requirement.

Shareholders have been informed of WEDNHL Share Subscription in the announcement posted on the respective websites of the Company and HKEX on 16 November 2018.

Subscription of shares in Sino Task Limited

On 20 December 2018, an indirect wholly-owned subsidiary of the Company ("PAH Subsidiary") and an indirect wholly-owned subsidiary of CKI ("CKI Subsidiary") entered into respectively a share subscription undertaking (together, the "Share Subscription Undertakings") in favour of Sino Task Limited ("Sino Task"), pursuant to which each of PAH Subsidiary and CKI Subsidiary subscribed for 500 new shares of Sino Task (the "Sino Task Share Subscription") at a subscription price of £78,011 per share. Sino Task is the sole shareholder of Electricity First Limited ("Electricity First"), which holds a 50% stake in Seabank Power Limited, an electricity-generating company located near Bristol in the United Kingdom.

Pursuant to the Share Subscription Undertakings, on 20 December 2018 each of PAH Subsidiary and CKI Subsidiary undertook to pay to Sino Task the subscription price for the Sino Task Share Subscription of £39,005,500 (with an aggregate of £78,011,000 to be received by Sino Task). The subscription prices for the Sino Task Share Subscription were settled on the same day in accordance with the terms and conditions of the Offset Agreements (as defined and described in the announcement of the Company dated 20 December 2018), to the effect that the subscription prices for the Sino Task Share Subscription would indirectly be satisfied by, and funded through, the redemption of bonds issued by Electricity First which were held by each of PAH Subsidiary and CKI Subsidiary.

CKI is a substantial shareholder and therefore a connected person of the Company under the Listing Rules. Sino Task is indirectly held as to 50% by CKI and is therefore an associate of CKI and a connected person of the Company under the Listing Rules. As such, the Sino Task Share Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but exempt from the independent shareholders' approval requirement.

Shareholders have been informed of the Sino Task Share Subscription in the announcement posted on the respective websites of the Company and HKEX on 20 December 2018.

Continuing Connected Transactions during 2018

Services Agreements between CHED Services and CK William's affiliates

On 31 January 2018, CHED Services Pty Ltd ("CHED Services", a non wholly-owned subsidiary of the Company) entered into the following services agreements (collectively, the "CHED Services Agreements"), in each case subject to pre-agreed annual caps and with effect from 1 January 2018 to 31 December 2019:

Services Agreement *(Parties)*	Nature of Services	Payment
(1) CK William Services Agreement *(CHED Services and CK William Australia Holdings Pty Ltd ("CK William"))*	CHED Services is engaged to provide finance related services, tax related services in Australia and company secretarial services to certain members of CK William group, and to provide finance related services to CK William UK Holdings Limited (CK William's direct holding company).	The service fee payable by CK William to CHED Services for services provided in respect of the year ended 31 December 2018 of AUD1 million is payable in equal monthly instalments. For the year ending 31 December 2019, the parties to the agreement will negotiate a new fixed monthly service fee.
(2) UEM Services Agreement *(CHED Services and UE & Multinet Pty Ltd ("UEM"))*	CHED Services is engaged to provide to UEM (1) corporate services including finance, tax and company secretarial services, (2) information technology support services and (3) network operations related services.	The monthly service fee payable by UEM to CHED Services is the sum of (i) a fixed monthly charge of AUD500,000 for the year ended 31 December 2018, subject to review thereafter; (ii) fair allocation of capital and operational costs incurred by CHED Services for sole benefit of UEM; and (iii) fair allocation of shared operational costs. For the year commencing on 1 January 2019, the parties to the agreement will negotiate a new fixed monthly charge component, and may also introduce a labour fee component for some or all of the services.

CK William is indirectly held as to 40% by CKI, a substantial shareholder of the Company, and is therefore an associate of CKI and a connected person of the Company. UEM is a subsidiary of CK William and is therefore also an associate of CKI and a connected person of the Company. As such, the transactions under the CHED Services Agreements constitute continuing connected transactions (the "CHED Continuing Connected Transactions") for the Company under Chapter 14A of the Listing Rules.

For the year ended 31 December 2018, the annual caps applicable to the CK William Services Agreement and the UEM Services Agreement were AUD1.0 million and AUD10.0 million respectively, and the amount received in respect of such year subject to annual review requirements under the Listing Rules were approximately AUD1.0 million and approximately AUD8.3 million respectively.

Shareholders have been informed of the entering into of the CHED Services Agreements in the announcement posted on the respective websites of the Company and HKEX on 31 January 2018.

Services Agreements between HMGP and Husky Energy's affiliates

Pursuant to an investment agreement dated 25 April 2016 entered into between the Company, CKI and Husky Energy Inc. ("Husky Energy") and upon completion of transactions contemplated under the agreement, Husky Midstream General Partnership ("HMGP", a wholly-owned subsidiary of Husky Midstream Limited Partnership ("HMLP")) entered into the services agreements as set out in no. (1) to (5) in the below table (collectively, the "HMGP Services Agreements"), in each case subject to pre-agreed annual caps and with effect from 1 July 2016 and up to 31 December 2036.

On 16 March 2018 and following the entering into of supplemental agreements to expand the businesses and affairs of the HMLP Group to cover the management of gas processing projects and related activities, (a) HMLP and its subsidiaries HMGP, HoldCo, PipeCo and FinanceCo and its general partner GPCo entered into a revised annual cap agreement with HOOL, HEMP and Blender GP (each a wholly-owned subsidiary of Husky Energy) (the "Revised Annual Cap Agreement") to revise the existing annual caps for the continuing connected transactions under the HMGP Services Agreements; and (b) HMGP and HOOL entered into a midstream services agreement as set out in no. (6) in the below table (the "Midstream Services Agreement"). The Midstream Services Agreement shall commence on the date when the Facility (as defined below) becomes operational (expected to be in 2019) and expire on the day immediately preceding the 20th anniversary of the date of operation).

Services Agreement *(Parties)*	Nature of Services	Payment
(1) Management and Operating Services Agreement *(HMLP, HMGP, GPCo*, PipeCo*, HoldCo*, FinanceCo* and HOOL*)*	HOOL is engaged to provide operating services in respect of the pipeline and terminal system and any other assets owned by HMGP and management services to the relevant subsidiaries of HMLP, including but not limited to exercising and performing HMGP's rights and obligation under various HMGP Services Agreements, preparing and submitting various budgets, plans and proposals to GPCo and conducting businesses on its behalf.	HMLP and its relevant subsidiaries is required to pay their respective shares of all costs and expenses incurred by HOOL in the performance of its duties and responsibilities, including reasonable professional, legal, accounting and administrative costs and expenses, on at costs basis.
(2) Construction Services Agreement *(HMGP and HOOL)*	HOOL is engaged as the contractor to provide engineering, procurement and construction services and to perform necessary works to complete certain specified projects of HMGP.	HMGP is required to reimburse HOOL for all costs and expenses incurred by HOOL in performing or completing any work or otherwise under the agreement, other than any construction capital incurred by HOOL in excess of the target costs for a project. If the actual construction capital incurred is less than the target cost, HOOL is entitled to the amount equal to the target cost for the project.
(3) Blending Services Agreement *(HMGP and Blender GP*)*	Blender GP is provided with access to the HMGP system to carry out blending services on behalf of HMGP in respect of all procurement, administrative and other activities required relating to the blending of dry crude delivered by shippers with diluent to allow for transportation of blend on the HMGP system, and is granted the sole and exclusive right to conduct ancillary blending activities on the HMGP system on its sole account.	Blender GP is required to pay HMGP a pre-agreed annual fee (or a pro-rated amount for any contract year that is not an entire 12-month period).

Services Agreement *(Parties)*	Nature of Services	Payment
(4) Transportation and Terminalling Services Agreement *(HMGP and HEMP* (as shipper))*	HMGP provides transportation and terminalling services for HEMP, including the receipt, blending and commingling of products, provision of laboratory services and the facilitation of measurement of products.	HEMP is required to pay HMGP a pre-agreed annual revenue amount based on expected volume throughput and tariffs. If the revenue generated from/by HEMP's throughput and tariffs is less than such amount, HEMP is required to pay the pre-agreed amount and is entitled to receive credits to use for reducing the base tariff amount in any subsequent month where the revenue generated from HEMP's throughput is greater than the pre-agreed amount. If the amount paid by HEMP based on actual throughput and tariffs in a year less the total amount of all credits received by HEMP (due to throughput and tariffs in earlier months being less than the pre-agreed amount) exceeds the pre-agreed amount, HEMP is entitled to a rebate equal to 25% of the amount of such difference.
(5) Storage Agreement *(HMGP and HEMP)*	HMGP provides storages services to HEMP, including but not limited to the receipt, delivery and transfer of products, making available capacity in the storage facilities owned or operated by HMGP (including designated storage tanks, on a sole and exclusive basis, and additional storage capacity in the non-dedicated facilities, on a non-exclusive basis).	HEMP is required to pay HMGP a pre-agreed fee for reservation and utilisation of storage capacity in storage tanks for HEMP's use regardless of the volume of product delivered into or withdrawn in a month, and agreed tolls in respect of non-dedicated storage facilities.
(6) Midstream Services Agreement *(HMGP and HOOL)*	HMGP provides services to HOOL in connection with receiving, processing and handling petroleum, natural gas, natural gas liquids and related hydrocarbons ("Inlet Substances") in the natural gas processing facility near Edson, Alberta and the outlet residue pipelines and related ancillary facilities (the "Facility"); delivery of substances processed from the Inlet Substances to specified delivery points; and handling, transportation, disposal and delivery of all associated waste substances removed from the Inlet Substances.	HOOL is required to pay to HMGP a monthly service fee payable in the sum of the fee for processing a fixed amount of Inlet Substances which HMGP commits to process monthly for HOOL; HOOL's share of the monthly budgeted operating costs; and an additional fee for processing the Inlet Substances produced by third parties. If the fee payable for the first component is less than the monthly threshold amount prescribed under the Midstream Services Agreement, HOOL will be required to pay HMGP an amount equivalent to the shortfall.

* Husky Midstream General Partner Inc. ("GPCo") is the general partner of HMLP. LBX Pipeline Ltd. ("PipeCo"), Husky Midstream GP 1% Partner Ltd. ("HoldCo") and Husky Canada Group Finance Ltd. ("FinanceCo") are wholly-owned subsidiaries of HMLP. Husky Oil Operations Limited ("HOOL"), Husky Blend General Partnership ("Blender GP") and Husky Energy Marketing Partnership ("HEMP") are wholly owned by Husky Energy.

CORPORATE GOVERNANCE REPORT

As HMLP is considered as a material joint venture of the Company and Husky Energy is a connected person of the Company, the transactions under the HMGP Services Agreements (as amended by the Revised Annual Cap Agreement with the revised annual caps) and the Midstream Services Agreement constitute continuing connected transactions (the "HMGP Continuing Connected Transactions") for the Company under the Listing Rules.

For the year ended 31 December 2018, the annual caps (as revised) applicable to the Management and Operating Services Agreement, the Construction Services Agreement, the Blending Services Agreement, the Transportation and Terminalling Services Agreement and the Storage Agreement were CAD43.1 million, CAD71.4 million, CAD30.0 million, CAD177.0 million and CAD31.0 million respectively, and the amount paid/received in respect of such year subject to annual review requirements under the Listing Rules were approximately CAD26.5 million, approximately CAD55.5 million, CAD30.0 million, approximately CAD128.8 million and approximately CAD27.0 million respectively.

Shareholders have been informed of the continuing connected transactions contemplated under the the Revised Annual Cap Agreement and the Midstream Services Agreement in the announcements posted on the respective websites of the Company and HKEX on 16 March 2018 and 9 May 2018 and the circular to shareholders dated 11 April 2018.

Operation and Management Contract in respect of power plant investments in mainland China

Pursuant to an operation and management contract dated 2 April 2009 entered into between Outram Limited ("Outram"), an indirect wholly-owned subsidiary of the Company, and Cheung Kong China Infrastructure Limited ("CKCI"), as supplemented by notices issued by Outram to CKCI on 30 September 2011, 30 September 2014 and 29 September 2017 by which its term was extended to 1 April 2021 (the "Contract"), CKCI agreed to provide Outram with services in relation to the operation and management of Outram's power plant investments in mainland China. The fees payable to CKCI for the services are equivalent to CKCI's costs for provision of such services and are paid in cash on a monthly basis subject to a maximum of approximately HK$33.5 million for year 2018 (i.e. the pro rata amount for the maximum annual aggregate fee payable to CKCI for services in year 2018 of HK$35.0 million and HK$33.0 million as stipulated in the extension notices dated 30 September 2014 and 29 September 2017 respectively), HK$25.0 million for year 2019 and HK$20.0 million for year 2020.

CKCI is an indirect wholly-owned subsidiary of CKI, a substantial shareholder of the Company, and therefore CKCI's provision of the services to Outram constituted continuing connected transactions (the "Outram Continuing Connected Transactions") for the Company under the Listing Rules. The aggregate amount paid for the year ended 31 December 2018 attributable to the Outram Continuing Connected Transactions subject to annual review requirements under the Listing Rules was approximately HK$33.0 million.

All the Independent Non-executive Directors have reviewed the CHED Continuing Connected Transactions, the HMGP Continuing Connected Transactions (excluding the transaction contemplated under the Midstream Services Agreement which is not yet operational during the year 2018) and the Outram Continuing Connected Transactions in the 2018 financial year and confirmed that those transactions had been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance to the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the auditor of the Company have been engaged to report on the CHED Continuing Connected Transactions, the HMGP Continuing Connected Transactions (excluding the transaction contemplated under the Midstream Services Agreement which is not yet operational during the year 2018) and the Outram Continuing Connected Transactions in accordance with Hong Kong Standard of Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial

Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor have issued an unqualified letter to the Board containing their finding and conclusions in respect of the CHED Continuing Connected Transactions, the HMGP Continuing Connected Transactions (excluding the transaction contemplated under the Midstream Services Agreement which is not yet operational during the year 2018) and the Outram Continuing Connected Transactions, in which they have confirmed that nothing has come to their attention that caused them to believe that the continuing connected transactions in the 2018 financial year (i) had not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing such transactions; and (iii) had exceeded the annual cap amount for the 2018 financial year.

Other Transactions

In connection with the spin-off and separate listing of the Group's electricity business in Hong Kong in January 2014 the Company entered into the following transactions:

Non-competition Deed with HK Electric Investments Limited

The Company entered into a deed of non-competition dated 14 January 2014 (the "Non-competition Deed") with HK Electric Investments Limited, pursuant to which the Company has undertaken that save for certain exceptions the Group will not on its own account or with each other or in conjunction with or on behalf of any person, firm or company, carry on, or be engaged in or interested in, directly or indirectly, whether as a shareholder, partner, agent or otherwise (other than through its holding of share stapled units in HKEI), the business of generation, transmission, distribution and supply of electricity in Hong Kong.

The Company has complied with the Non-competition Deed during 2018 and has, in accordance with the Non-competition Deed, provided HK Electric Investments Limited with its annual written confirmation.

Deed relating to investment opportunity in power projects with CK Infrastructure Holdings Limited

The Company entered into a deed relating to investment opportunity in power projects dated 10 January 2014 (the "Investment Opportunity Deed") with CKI to further enhance the delineation between the future business focus of the Company and CKI in power projects and projects other than power projects respectively. Pursuant to the Investment Opportunity Deed, CKI has undertaken that if it is offered an opportunity to invest in any power projects it will inform the Company and offer the opportunity to the Company, and CKI may only invest in any power project if (i) the Company (with the endorsement of its independent non-executive directors or a committee thereof) invites CKI to participate as a co-investor and (ii) the investment opportunity is in respect of a power project of an enterprise value exceeding HK$4 billion. Any co-investment by the Company and CKI will be subject to compliance with the applicable requirements of the Listing Rules, including independent shareholders' approval (if required).

The Investment Opportunity Deed also requires CKI and the Company to review the deed's implementation as part of its internal audit plan and the respective audit committee of CKI and the Company to review the deed's compliance.

In accordance with the Investment Opportunity Deed, a committee comprising all its independent non-executive directors has reviewed the compliance by CKI with the terms of the deed and any decision by the Group regarding any exercise of the rights under the deed. Having considered the Company's internal control framework of ensuring the deed's compliance, Internal Audit's compliance review report, CKI's annual compliance confirmation to the Company and other relevant documents, the committee has confirmed its view that during 2018, CKI complied with the terms of the Investment Opportunity Deed and the Group's decisions regarding any exercise of the rights under the deed are made in accordance with the requirements thereof.

RISK MANAGEMENT

Effective risk management and internal control systems are fundamental to the achievement of our strategic objectives.

Risk Management Framework

The Group has in place an Enterprise Risk Management (ERM) framework to effectively identify, assess, mitigate and monitor key business, financial, operational and compliance risks. The framework enables us to adopt a proactive and structured approach to identifying and managing risks across the organisation with on-going monitoring and review in place.

Governance & Oversight

The Group is committed to fostering a risk aware and control conscious environment. Responsibility for risk management resides at all levels within the organisation. The Board, through the Audit Committee, oversees the overall management of risks. The Risk Management Committee, supported by Internal Audit, assists the Board and Audit Committee to review and monitor key risks facing the Group. Management is responsible for identifying and assessing risks of a strategic nature. Business units are responsible for the identification and management of risks in their activities. The top-down and bottom-up approaches complement each other and enable us to identify and manage the Group's key risks in an effective manner, including material emerging risks at corporate and business unit levels.

Independent Assurance from Internal and External Auditors

"Top-down"

Oversight by the Board/Audit Committee Assisted by Risk Management Committee and Management

Identify & Manage Risks at Corporate Level

"Bottom-up"

Business Units

Identify, Manage & Report Risks at Business Unit Level

Risk Management Framework Governance

THE BOARD (Through Audit Committee)	**The Board/Audit Committee Oversight** • Has overall responsibility for the Group's risk management and internal control systems • Determine and evaluate the nature and extent of the risks that the Group is willing to accept in pursuit of the Group's strategic and business objectives. • Discuss the risk management and internal control systems with management to ensure management has performed its duty to have effective systems
RISK MANAGEMENT COMMITTEE (Chaired by the Chief Executive Officer)	**Risk Review, Communication & Confirmation to Board/Audit Committee** • Oversee the Group's risk profile and assess if key risks are appropriately mitigated • Ensure that an ongoing review of the effectiveness of the risk management and internal control systems have been conducted and provide such confirmation to the Board, via the Audit Committee
MANAGEMENT	**Risk & Control Monitoring** • Responsible for designing, implementing and monitoring the risk management and internal control systems • Identify and monitor key corporate risks • Provide confirmation to the Risk Management Committee on the effectiveness of the systems
BUSINESS UNITS	**Front-Line Risk & Control Ownership** • Design, implement and monitor risks at business unit level, escalate promptly on relevant risk issues • Provide assurance to the Risk Management Committee on the effectiveness of risk management and internal control activities at business unit level • Seek continuous process improvement and re-assessment

Risk Management Process

The risk management process is integrated into our day-to-day activities and is an ongoing process involving all parts of the Group from the Board down to individual employees.

The risk identification process takes into account internal and external factors including economic, political, social, technological, environmental and new or updated Group strategy and new regulations, as well as our stakeholders' expectations in these aspects. Risks are grouped into different categories to facilitate analysis. Each risk identified is analysed on the basis of likelihood and impact in accordance with the risk appetite set by the Board. Action plans are in place to manage risks. The risk assessment process also includes a review of the control mechanisms for each risk and a rating of the effectiveness of each control. The Group compiles a risk register, which is updated and monitored on an ongoing basis, taking into account emerging risks which may have a material impact on the Group.

A risk management report that highlights key corporate and business level risks and action plans is reviewed by the Risk Management Committee half-yearly and presented to the Audit Committee for reporting to the Board. Significant changes in key risks on a day-to-day basis are handled as they arise and reported to management.

Fundamental to the achievement of our business goals is how we can effectively manage existing and emerging risks in different economic, social and political environments. A description of these risk factors is shown on pages 72 to 74 of this Annual Report. The Group works to continually improve its risk management framework in order to keep pace with the changing business environment.

RISK FACTORS

Risks and uncertainties can affect the Group's businesses, financial condition, operating results or growth prospects leading to a divergence from expected or historical results. Key risk factors affecting the Group are outlined below. In dealing with these, the Group remains in touch with its stakeholders with the aim of understanding and addressing their concerns.

These factors are not exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could become material in the future.

Global Economy and Macro-Economic Conditions

Global economic growth remains moderate. Escalating trade protectionism, heightened uncertainty over economic policy, rising geopolitical tensions and volatility in financial market movements have, however, added uncertainties to the world economy and global financial market.

The Group is a global investor in power and utility-related businesses, with interests in Hong Kong, the United Kingdom, Australia, mainland China, Thailand, Canada, New Zealand, Portugal and the Netherlands. The industries in which the Group invests are affected by the economic conditions, population growth, currency environment and interest rate cycles in these countries. Any combination of these factors or continuing adverse economic conditions in these countries may negatively affect the Group's financial position, potential income, asset value and liabilities.

To address macro-economic volatility, the Group's strategy is to pursue steady earnings growth via carefully selected investments in stable and well-regulated international markets. On this basis, the Group has built up a robust and diverse portfolio of assets that deliver predictable income streams.

Currency Markets and Interest Rates

The Group's currency exposure mainly arises from its investments outside Hong Kong.

The results of the Group are recorded in Hong Kong dollars, but its subsidiaries, associates and joint ventures may receive revenue and incur expenses in other currencies. Any currency fluctuations that occur during the process of translation of the results of these subsidiaries, associates and joint ventures, or during the repatriation of earnings, equity investments or loans, may have an impact on the Group's results.

The Group is also exposed to interest rate risk on its interest-bearing assets and liabilities. The US Federal Reserve has raised interest rates four times in 2018 and has signalled further gradual rate hikes going forward. Volatility in interest rate markets may adversely affect the Group's financial conditions and results of operations.

The Group's treasury policy guides the measures it undertakes to manage the above exposure. Details of the Group's current practices to manage currency and interest rate risks are in the Financial Review on pages 75 to 77.

Cyber Security

The Group's critical utility and information assets are exposed to attack, damage or unauthorised access in the cyber world, where cyber-attacks have become increasingly sophisticated, highly coordinated and targeted. Failure to protect the Group's critical assets from cyber-attacks can result in reputational damage, financial loss and disruptions in operations.

Each of the Group's investments has taken a risk-based and integrated approach to combating cyber security risks. They have established their own cyber security management framework or processes to proactively identify, prevent, detect, respond to and recover from cybersecurity attacks. Resources and development efforts are focused on people, processes and various cybersecurity technologies to ensure the confidentiality, integrity and availability of corporate information assets and critical infrastructure.

Health and Safety

The Group's investments, and the nature of its operations, expose it to a range of significant health and safety risks.

Major health and safety incidents resulting in fatalities or injuries to members of the public or to employees could have significant consequences. These may include widespread distress and harm or significant disruption to operations, and could result in regulatory action, legal liability, material costs and damage to the Group's reputation.

Each of the Group's investments has in place a health and safety management system to manage its exposure and protect its employees, customers, contractors and the public by conducting its business in a safe and socially responsible manner.

Mergers and Acquisitions

The Group has undertaken merger and acquisition activities in the past and may continue to look for appropriate acquisition opportunities in the market.

The Group is exposed to any hidden problems, potential liabilities and unresolved disputes that the target company may have. Valuations and analyses of the target company conducted by the Group and external professionals are based on numerous assumptions, which may become inappropriate over time due to new facts and circumstances that emerge. The inability to successfully integrate a target business into the Group may prevent synergies from the acquisition being achieved, leading to increases in cost, time and resources used.

In undertaking merger and acquisition activities, the Group may also be exposed to different and changing political, social, legal and regulatory requirements at the local, national and international level, as well as cultural issues. Some of these merger and acquisition activities are subject to complex regulatory approval processes in their respective countries.

To manage these risks, the Group undertakes a rigorous due diligence and analysis process covering operational, financial, legal and risk parameters before undertaking any merger or acquisition activity. The Group seeks growth in its areas of expertise within stable, well-structured international markets that either yield stable revenues under government regulation or are safeguarded by long-term power purchase agreements. The Group joins the management of new associate/joint venture companies to guide and oversee performance and shares best practice to ensure synergies and maximum efficiencies.

Infrastructure Market

The infrastructure investments of the Group globally are subject to local government policy, regulatory pricing and need to adhere strictly to the licence requirements or provisions of relevant legislation, as well as the codes and guidelines established by the relevant regulatory authorities. Failure to comply with the aforesaid requirements or rules and regulations may lead to penalties, or, in extreme circumstances, the amendment, suspension or cancellation of the relevant licences by the authorities. The Group closely monitors changes in regulations, government policies and markets, and conducts scenario and sensitivity studies to assess the impact of such changes.

Impact of Local, National and International Regulations

Local business risks specific to individual countries and cities where the Group's investments operate could have a material impact on its financial conditions, operating results and growth prospects. In addition, the Group's investments in different parts of the world are subject to local legal and regulatory requirements, and their activities are regulated through applicable operating licences.

RISK FACTORS

With interests around the world, the Group is, and may increasingly become, exposed to different and changing political, social, legal, tax, regulatory, listing and environmental requirements at the local, national and international level. New policies or measures by governments, whether fiscal, tax, regulatory, environmental or competition-related, may lead to additional or unplanned increases in operating expenses and capital expenditures, pose a risk to the returns delivered by the Group's investments and may delay or prevent the commercial operation of an individual business, with a resulting loss in revenue and profit.

The Group follows a proactive approach to monitoring changes in government policies and legislation. Each investment maintains high awareness of the need to comply with applicable laws, regulations and licence requirements and does so through a variety of means including engaging external advisors, performing regular audits and complying with regulatory reporting obligations. Adequate risk mitigation measures are in place and are constantly reviewed for enhancement.

Reliability of Supply

The Group's power and utilities-related investments can be exposed to supply interruptions. A severe earthquake, storm, lightning, flood, landslide, fire, sabotage, terrorist attack, cyberattack, failure of critical information and control systems that operate and protect the electricity and gas networks, or any other unplanned event could lead to a prolonged and extensive supply outage.

The loss of cash flow resulting from supply interruption, and the cost of recovery from network damage could be considerable. Such an incident could damage customer goodwill and lead to claims and litigation. Substantial increases in the number or duration of supply interruptions could result in increases in the costs associated with the operation of the supply networks, which could have an adverse effect on the business, financial condition and efficiency of operations as well as the reputation of the Group.

The Group's investments conduct regular maintenance and upgrades of the power and gas supply equipment, provide comprehensive training to operational staff, undertake reliability reviews, and operate sophisticated information technology control and asset management systems. They also have fully tested contingency plans to ensure supply reliability standards are maintained.

FINANCIAL REVIEW

Financial Performance

Profit attributable to shareholders for 2018 amounted to HK$7,636 million (2017: HK$8,319 million), a decrease of 8.2% over 2017. The decrease of profit was primarily due to a one-off gain on disposal of properties recorded in 2017.

Our investments in the United Kingdom contributed earnings of HK$4,045 million (2017 restated: HK$3,786 million), an increase of 6.8% over 2017.

Our investments in Australia contributed profits of HK$1,451 million (2017 restated: HK$1,383 million). It was higher than last year mainly due to first full-year contribution from CK William, which was acquired in May 2017.

Our investments in mainland China recorded a profit of HK$469 million (2017: HK$271 million).

Our investments in Canada, Portugal, the Netherlands, New Zealand and Thailand continued to contribute stable earnings to the Group.

Our investment in HK Electric Investments recorded earnings of HK$1,018 million (2017: HK$1,115 million).

Secure earnings and a strong financial position allowed us to continue with a stable dividend policy. 2018 full year dividends of HK$2.8 per share (2017: HK$16.3 per share included a total of special interim dividends of HK$13.5 per share).

Financial Position, Liquidity and Financial Resources

The Group's financial position remained strong. Capital expenditure and investments were primarily funded by cash from operations, dividends and other repatriation from investments. Interest in joint ventures and associates at year end were HK$79,422 million (2017: HK$81,004 million). Total unsecured bank loan outstanding at the year end were HK$3,437 million (2017: HK$7,223 million). In addition, the Group had bank deposits and cash of HK$5,229 million (2017: HK$25,407 million). Due to its strong cash position, the Group did not maintain any undrawn committed bank facility at the year end (2017: HK$Nil).

Treasury Policy, Financing Activities and Debt Structure

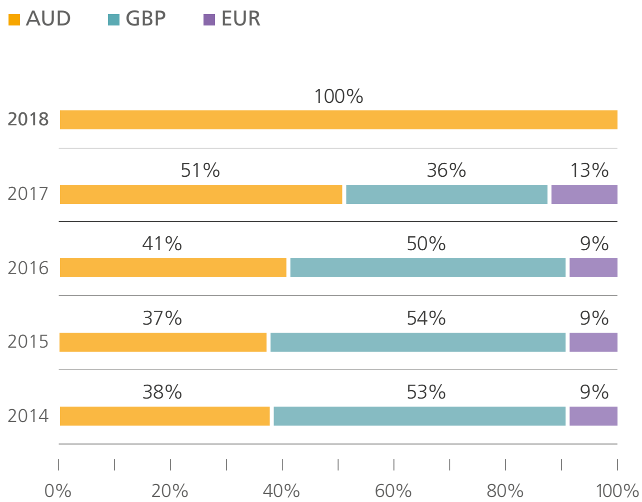
The Group manages its financial risks in accordance with guidelines laid down in its treasury policy, which is approved by the Board. The treasury policy is designed to manage the Group's currency, interest rate and counterparty risks. Surplus funds, which arise mainly from dividends and other repatriation from investments, are generally placed in short term deposits denominated primarily in Australian dollars, pounds sterling and United States dollars. The Group aims to ensure that adequate financial resources are available for refinancing and business growth, whilst maintaining a prudent capital structure.

The Group's financial profile remained strong during the year. On 21 September 2018, Standard & Poor's raised the long term issuer credit rating of the Company to "A" from "A-" while the outlook was changed to "Stable" from "Positive".

As at 31 December 2018, the net cash position of the Group was HK$1,792 million (2017: HK$18,184 million).

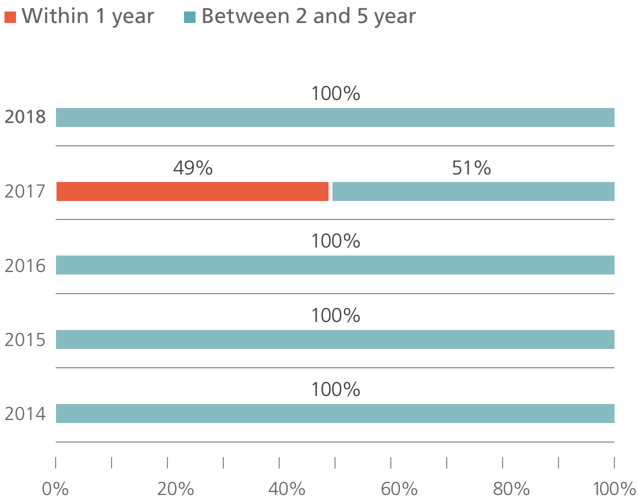
The profile of the Group's external borrowings as at 31 December 2018, after taking into account interest rate swaps, is set out in the tables below:

Debt Profile by Currency

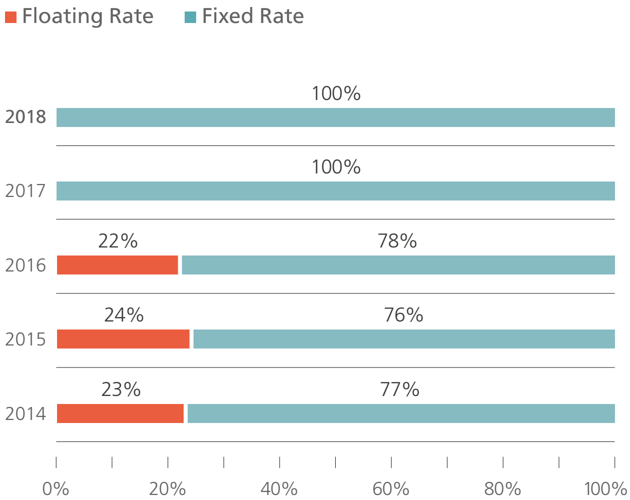


FINANCIAL REVIEW

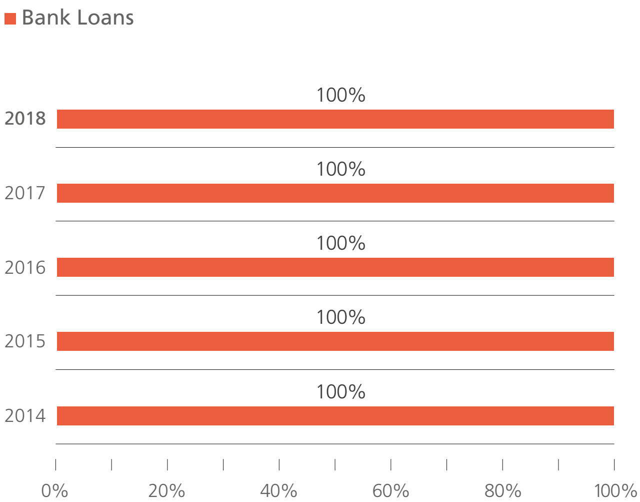
Debt Profile by Maturity



Debt Profile by Interest Rate Structure



Debt Profile by Types of Borrowings



The Group's policy is to maintain at least a significant portion of its debt at fixed interest rates. Interest rate risk is managed by either securing fixed rate borrowings or by using interest rate derivatives.

Currency and interest rate risks are actively managed in accordance with the Group's treasury policy. Derivative financial instruments are used primarily for managing interest rate and foreign currency risks and not for speculative purposes. Treasury transactions are only executed with counterparties with acceptable credit ratings to control counterparty risk exposure.

The Group's principal foreign currency exposures arise from its investments outside Hong Kong. Foreign currency transaction exposure also arises from settlement to vendors which is not material and is managed mainly through purchases in the spot market or utilisation of foreign currency receipts of the Group. Currency exposure arising from investments outside Hong Kong is, where considered appropriate, mitigated by financing those investments in local currency borrowings, or by entering into forward foreign exchange contracts or cross currency swaps. The fair value of such borrowings at 31 December 2018 was HK$3,437 million (2017: HK$7,248 million). The fair value of forward foreign exchange contracts and cross currency swaps at 31 December 2018 was an asset of HK$1,313 million (2017: liability of HK$356 million). Foreign currency fluctuations will affect the translated value of the net assets of investments outside Hong Kong and the resultant translation difference is included in the Group's reserve account. Income received from the Group's investments outside Hong Kong which is not denominated in Hong Kong dollars is, unless otherwise placed as foreign currency deposits, converted into United States dollars on receipt.

The contractual notional amounts of derivative financial instruments outstanding at 31 December 2018 amounted to HK$35,575 million (2017: HK$35,953 million).

Charges on Assets

At 31 December 2018, the Group's interest in an associate of HK$232 million (2017: HK$274 million) had been pledged as part of the security to secure financing facilities granted to the associate.

Contingent Liabilities

As at 31 December 2018, the Group had given guarantees and indemnities totalling HK$529 million (2017: HK$883 million).

Employees

The Group continues its policy of pay-for-performance and the pay levels are monitored to ensure competitiveness is maintained. The Group's total remuneration costs for the year ended 31 December 2018, excluding directors' emoluments, amounted to HK$21 million (2017: HK$22 million). As at 31 December 2018, the Group employed 11 (2017: 12) employees. No share option scheme is in operation.

REPORT OF THE DIRECTORS

(Expressed in Hong Kong dollars)

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2018.

Principal Activities and Business Review

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are investment in energy and utility-related businesses. Particulars of the Company's principal subsidiaries as at 31 December 2018 are set out in Appendix 2 on pages 156 to 157 of the financial statements. Further discussion and analysis of the Group's activities as required by Schedule 5 to the Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Chairman's Statement on pages 4 to 5, CEO's Report on pages 8 to 29, Environmental, Social and Governance Report on pages 30 to 41, Risk Management and Risk Factors on pages 70 to 74 and Financial Review on pages 75 to 77 of this Annual Report.

A discussion on the Group's relationships with its key stakeholders, and environmental policies and performance is contained in the Environmental, Social and Governance Report on pages 30 to 41, whilst its compliance with the relevant laws and regulations that have a significant impact on the Group are included in the Corporate Governance Report on pages 46 to 69 and Risk Factors on pages 72 to 74. These discussions form part of this directors' report.

Results

The results of the Group for the year ended 31 December 2018 and the financial positions of the Group as at that date are set out in the financial statements on pages 85 to 161.

Dividends

An interim dividend of $0.77 per ordinary share (2017: an interim dividend of $0.77 per ordinary share and two special interim dividends of $7.50 per ordinary share and $6.00 per ordinary share respectively) was paid to shareholders on 5 September 2018. The Directors recommend a final dividend of $2.03 (2017: $2.03) per ordinary share payable on 30 May 2019 to shareholders who are registered on the register of members on 21 May 2019.

Share Capital

Details of the share capital of the Company are set out in note 24(c) to the financial statements. There was no movement during the year.

Donations

Charitable and other donations made by the Group during the year amounted to $2 million (2017: $1 million).

Summary of Five-Year Financial Results

The summary of five-year financial results of the Group is set out on page 162.

Major Customers and Suppliers

Sales to the largest customer is 20.8% (2017: 22.0%) of the Group's total revenue, and sales to five largest customers combined is 71.6% (2017: 67.3%) of the Group's total revenue for the year ended 31 December 2018. The five largest customers for the year are the joint ventures or associates of the Company.

Purchases from the largest supplier is 32.3% (2017: 22.8%) of the Group's total purchases of revenue items, and purchases from the five largest suppliers combined is 68.5% (2017: 60.8%) of the Group's total purchases of revenue items for the year ended 31 December 2018.

Directors

The Directors in office during the year and up to the date of this report were Mr. Fok Kin Ning, Canning, Mr. Tsai Chao Chung, Charles, Mr. Chan Loi Shun, Mr. Andrew John Hunter, Mr. Ip Yuk-keung, Albert, Mr. Li Tzar Kuoi, Victor, Mr. Neil Douglas McGee, Mr. Ralph Raymond Shea, Mr. Wan Chi Tin, Mr. Wong Chung Hin and Mr. Wu Ting Yuk, Anthony.

The list of directors and alternate directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report is available under "Board of Directors" in "About Us" section on the Company's website at www.powerassets.com.

Permitted Indemnity

Pursuant to Article 182(A) of the Company's articles of association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, and no Director shall be liable for any loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto.

A Directors Liability Insurance is currently in place, and was in place during the year, to protect the Directors of the Company and its subsidiaries against potential costs and liabilities arising from claims brought against them.

Directors' Material Interests in Significant Transactions, Arrangements or Contracts

Save as otherwise disclosed under the section headed "Connected Transaction in 2018" in the Corporate Governance Report, there were no other transactions, arrangements or contracts that are significant in relation to the businesses of the Company and its subsidiaries to which the Company or any of its subsidiary was a party and in which a Director of the Company or his connected entity had a material interest, whether directly or indirectly, subsisted at any time during the year.

Management Contracts

During the year the Group shared general office administration and other support services (such as legal, company secretarial, financial, accounting, treasury, internal audit, human resources, public affairs services, information technology and administrative services) provided by HK Electric Investments Limited, an associate of the Company, pursuant to a support services agreement which was entered into on 14 January 2014 and came into effect on 29 January 2014, for an initial term of three years and thereafter automatic renewal for successive periods of three years, subject to compliance with the relevant requirements under the Listing Rules and termination at any time with six months' prior notice.

Save as disclosed above, there are no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's issued shares during the year (2017: nil).

Arrangement to Purchase Shares or Debentures

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate (2017: nil).

Equity-linked Agreements

No equity-linked agreements were entered into by the Group during the year or subsisted at the end of the year.

REPORT OF THE DIRECTORS
(Expressed in Hong Kong dollars)

Disclosure under Rule 13.22 of Chapter 13 of the Listing Rules

In relation to the provision of financial assistance by the Group to certain affiliated companies, a combined statement of financial position of the affiliated companies as at 31 December 2018 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

Combined statement of financial position of the affiliated companies as at 31 December 2018	$ million
Non-current assets	405,109
Current assets	18,330
Current liabilities	(45,208)
Non-current liabilities	(267,776)
Net assets	110,455
Share capital	46,028
Reserves	64,427
Capital and reserves	110,455

As at 31 December 2018, the consolidated attributable interest of the Group in these affiliated companies amounted to $56,171 million.

On behalf of the Board

Fok Kin Ning, Canning
Chairman
Hong Kong, 20 March 2019

KPMG

INDEPENDENT AUDITOR'S REPORT

To the members of Power Assets Holdings Limited
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Power Assets Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 85 to 161, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for interests in associates and joint ventures

Refer to notes 14 and 15 to the consolidated financial statements and the accounting policy 2(e).	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group's associates and joint ventures operate in Hong Kong and outside Hong Kong (including the United Kingdom, Australia, Thailand, the People's Republic of China, Canada, the Netherlands, Portugal, New Zealand and the United States). The Group's share of profits less losses of associates and joint ventures for the year ended 31 December 2018 and the Group's interests in associates and joint ventures at that date are significant in the context of the Group's consolidated financial statements. The financial information of associates and joint ventures with operations outside of Hong Kong is prepared in accordance with the prevailing accounting standards in each relevant jurisdiction which may differ in certain respects from HKFRSs. Converting the financial information of these entities into HKFRSs for the purpose of equity accounting involves management making a number of manual adjustments some of which are complex in nature. We identified the accounting for interests in associates and joint ventures as a key audit matter because of the material impact that these entities have on the consolidated financial statements and also because of the complex nature of certain adjustments made by management which we consider increases the inherent risk of error.	Our audit procedures to assess the accuracy of the accounting for interests in associates and joint ventures included the following: • performing an audit of the consolidated financial statements of the Hong Kong based associate, HK Electric Investments Limited, in accordance with the requirements of HKSAs; • evaluating the independence and competence of the auditors of associates and joint ventures outside Hong Kong; • participating in the risk assessment process undertaken by the auditors in respect of their audits of significant associates and joint ventures outside Hong Kong; • understanding the procedures planned to be performed by the auditors of significant associates and joint ventures outside Hong Kong to address the significant risks identified and considering whether the planned procedures were appropriate for the purpose of the audit of the Group's consolidated financial statements; • obtaining reporting from the component auditors of significant associates and joint ventures outside Hong Kong and discussing with these auditors matters of significance in their audits which could impact the Group's consolidated financial statements, the work performed thereon and their conclusions; • evaluating significant manual adjustments made in respect of associates and joint ventures outside Hong Kong to convert their financial information into HKFRSs by comparing the adjustments to underlying documentation or by re-performing the calculations on which the adjustments were based; • assessing whether the financial information of associates and joint ventures outside Hong Kong after the adjustments made by management was prepared in accordance with the Group's accounting policies.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors have delegated the oversight of the Group's financial reporting process to the Audit Committee.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

To the members of Power Assets Holdings Limited
(Incorporated in Hong Kong with limited liability)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yip Ka Ming, Alice.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

20 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018
(Expressed in Hong Kong dollars)

	Note	2018 $ million	2017* $ million
Revenue	4	**1,555**	1,420
Direct costs		**(1)**	(1)
		1,554	1,419
Other net income	5	**285**	1,663
Other operating costs	7	**(311)**	(525)
Operating profit		**1,528**	2,557
Finance costs	8	**(194)**	(295)
Share of profits less losses of joint ventures		**4,668**	4,421
Share of profits less losses of associates		**1,688**	1,733
Profit before taxation	9	**7,690**	8,416
Income tax:	10		
Current		**(62)**	(93)
Deferred		**8**	(4)
		(54)	(97)
Profit for the year attributable to equity shareholders of the Company		**7,636**	8,319
Earnings per share			
Basic and diluted	12	**$3.58**	$3.90

* The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

The notes on pages 90 to 161 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 24(b).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018
(Expressed in Hong Kong dollars)

	2018 $ million	2017* $ million
Profit for the year attributable to equity shareholders of the Company	**7,636**	8,319
Other comprehensive income for the year		
Items that will not be reclassified to profit or loss		
Remeasurement of net defined benefit asset/liability	**(20)**	29
Share of other comprehensive income of joint ventures and associates	**696**	32
Income tax relating to items that will not be reclassified to profit or loss	**(119)**	(9)
	557	52
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating operations outside Hong Kong, including joint ventures and associates	**(3,592)**	4,111
Net investment hedges	**1,971**	(2,427)
Cost of hedging	**155**	–
Cash flow hedges:		
Net movement of hedging reserve related to hedging instruments recognised during the current year	**(55)**	(34)
Share of other comprehensive income of joint ventures and associates	**(246)**	(303)
Income tax relating to items that may be reclassified subsequently to profit or loss	**97**	83
	(1,670)	1,430
	(1,113)	1,482
Total comprehensive income for the year attributable to equity shareholders of the Company	**6,523**	9,801

* The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

The notes on pages 90 to 161 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018
(Expressed in Hong Kong dollars)

	Note	2018 $ million	2017* $ million
Non-current assets			
Property, plant and equipment and leasehold land	13	**14**	14
Interest in joint ventures	14	**55,697**	56,415
Interest in associates	15	**23,725**	24,589
Other non-current financial assets	16	**5,100**	67
Derivative financial instruments	21	**1,375**	316
Deferred tax assets	23(b)	**46**	21
Employee retirement benefit assets	22(a)	**5**	5
		85,962	81,427
Current assets			
Trade and other receivables	17	**246**	167
Bank deposits and cash	18(a)	**5,229**	25,407
		5,475	25,574
Current liabilities			
Trade and other payables	19	**(4,063)**	(3,197)
Current portion of bank loans and other interest-bearing borrowings	20	**–**	(3,544)
Current tax payable	23(a)	**(9)**	(91)
		(4,072)	(6,832)
Net current assets		**1,403**	18,742
Total assets less current liabilities		**87,365**	100,169
Non-current liabilities			
Bank loans and other interest-bearing borrowings	20	**(3,437)**	(3,679)
Derivative financial instruments	21	**(228)**	(789)
Employee retirement benefit liabilities	22(a)	**(143)**	(121)
		(3,808)	(4,589)
Net assets		**83,557**	95,580
Capital and reserves			
Share capital	24(c)	**6,610**	6,610
Reserves		**76,947**	88,970
Total equity attributable to equity shareholders of the Company		**83,557**	95,580

Approved and authorised for issue by the Board of Directors on 20 March 2019.

Tsai Chao Chung, Charles
Director

Chan Loi Shun
Director

* The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

The notes on pages 90 to 161 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company					
$ million	**Share capital** (note 24(c))	**Exchange reserve** (note 24(d)(i))	**Hedging reserve** (note 24(d)(ii))	**Revenue reserve** (note 24(d)(iii))	**Proposed/ declared dividend** (note 24(b))	**Total**
Balance at 1 January 2017	6,610	(6,717)	(1,453)	104,989	14,982	118,411
Changes in equity for 2017:						
Profit for the year	–	–	–	8,319	–	8,319
Other comprehensive income	–	1,684	(254)	52	–	1,482
Total comprehensive income	–	1,684	(254)	8,371	–	9,801
Special interim dividend in respect of the previous year declared and paid (see note 24(b)(ii))	–	–	–	–	(10,671)	(10,671)
Final dividend in respect of the previous year approved and paid (see note 24(b)(ii))	–	–	–	–	(4,311)	(4,311)
Interim dividend paid (see note 24(b)(i))	–	–	–	(1,643)	–	(1,643)
Special interim dividend paid (see note 24(b)(i))	–	–	–	(16,007)	–	(16,007)
Special interim dividend declared after the end of the reporting period (see note 24(b)(i))	–	–	–	(12,806)	12,806	–
Proposed final dividend (see note 24(b)(i))	–	–	–	(4,333)	4,333	–
Balance at 31 December 2017*	**6,610**	**(5,033)**	**(1,707)**	**78,571**	**17,139**	**95,580**
Impact on initial application of HKFRS 9 (see note 3(b))	**–**	**–**	**–**	**236**	**–**	**236**
Adjusted balance at 1 January 2018	**6,610**	**(5,033)**	**(1,707)**	**78,807**	**17,139**	**95,816**
Changes in equity for 2018:						
Profit for the year	**–**	**–**	**–**	**7,636**	**–**	**7,636**
Other comprehensive income	**–**	**(1,466)**	**(204)**	**557**	**–**	**(1,113)**
Total comprehensive income	**–**	**(1,466)**	**(204)**	**8,193**	**–**	**6,523**
Special interim dividend in respect of the previous year declared and paid (see note 24(b)(ii))	**–**	**–**	**–**	**–**	**(12,806)**	**(12,806)**
Final dividend in respect of the previous year approved and paid (see note 24(b)(ii))	**–**	**–**	**–**	**–**	**(4,333)**	**(4,333)**
Interim dividend paid (see note 24(b)(i))	**–**	**–**	**–**	**(1,643)**	**–**	**(1,643)**
Proposed final dividend (see note 24(b)(i))	**–**	**–**	**–**	**(4,333)**	**4,333**	**–**
Balance at 31 December 2018	**6,610**	**(6,499)**	**(1,911)**	**81,024**	**4,333**	**83,557**

* The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

The notes on pages 90 to 161 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2018
(Expressed in Hong Kong dollars)

	Note	2018 $ million	2017* $ million
Operating activities			
Cash generated from/(used in) operations	18(b)	**1,161**	(463)
Interest paid		**(253)**	(275)
Interest received		**1,763**	1,900
Tax paid for operations outside Hong Kong		**(122)**	(60)
Tax refunded for operations outside Hong Kong		**6**	11
Net cash generated from operating activities		**2,555**	1,113
Investing activities			
Payment for purchase of property, plant and equipment		**(1)**	–
Decrease in bank deposits with more than three months to maturity when placed		**850**	45,648
Investments in joint ventures		**(1,380)**	(4,133)
Payment for purchase of financial assets		**(4,797)**	–
New loan to a joint venture		**–**	(4,682)
Repayment of loan from an associate		**318**	151
Repayments from joint ventures		**1,267**	1,233
Advance to an associate		**–**	(25)
Dividends received from joint ventures		**2,882**	2,184
Dividends received from associates		**1,405**	1,543
Dividends received from equity securities		**40**	39
Net proceeds from disposal of property, plant and equipment and leasehold land		**–**	935
Net cash generated from investing activities		**584**	42,893
Financing activities			
Repayment of bank loans and other borrowings	18(c)	**(3,703)**	(2,028)
Dividends paid to equity shareholders of the Company		**(18,782)**	(32,632)
Net cash used in financing activities		**(22,485)**	(34,660)
Net (decrease)/increase in cash and cash equivalents		**(19,346)**	9,346
Cash and cash equivalents at 1 January		**24,557**	15,212
Effect of foreign exchange rate changes		**18**	(1)
Cash and cash equivalents at 31 December	18(a)	**5,229**	24,557

* The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

The notes on pages 90 to 161 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1. General information

Power Assets Holdings Limited ("the Company") is a limited company incorporated and domiciled in Hong Kong. The address of its registered office is Unit 2005, 20th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

2. Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interests in joint ventures and associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 30.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to 31 December each year, together with the Group's share of the results for the year and the net assets at the end of the reporting period of its joint ventures and associates.

(d) Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments in subsidiaries are consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)) or, when appropriate, the cost on initial recognition of an investment in a joint venture or an associate (see note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(l)).

(e) Joint ventures and associates

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement and have rights to the net assets of the arrangement.

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in a joint venture or an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(f) and 2(l)). Any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment, the Group's share of the post-acquisition, post-tax results of the investees and impairment losses for the year, if any, are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition, post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

2. Significant accounting policies (Continued)

(e) Joint ventures and associates (Continued)

When the Group's share of losses exceeds its interest in a joint venture or an associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the joint venture or the associate.

Unrealised profits and losses resulting from transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have joint control over a joint venture or significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in a former joint venture at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)) or, when appropriate, the cost on initial recognition of an investment in an associate. Any interest retained in a former associate at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

(f) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in a joint venture or an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in a joint venture or an associate is recognised immediately in profit or loss.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(l)). In respect of joint ventures or associates, the carrying amount of goodwill is included in the carrying amount of the interest in the joint venture or associate and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (see note 2(l)).

(g) Investments in equity securities and other financial assets

The Group's policies for investments in equity securities and other financial assets, apart from investments in subsidiaries, joint ventures and associates, are set out below.

Investments in equity securities and other financial assets are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 25(f). These investments are subsequently accounted for as follows, depending on their classification.

(A) Policy applicable from 1 January 2018

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

– fair value through other comprehensive income ("FVOCI") – (with subsequent reclassification to profit or loss), if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is reclassified from equity to profit or loss.

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (with subsequent reclassification to profit or loss). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as at FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (without subsequent reclassification to profit or loss) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (without subsequent reclassification to profit or loss) until the investment is disposed of. At the time of disposal, the amount accumulated in the investment revaluation reserve (without subsequent reclassification to profit or loss) is transferred to revenue reserve. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (without subsequent reclassification to profit or loss), are recognised in profit or loss as revenue.

2. Significant accounting policies (Continued)

(g) Investments in equity securities and other financial assets (Continued)

(B) Policy applicable prior to 1 January 2018

Investments classified as available-for-sale financial assets were initially stated at fair value, which was their transaction price unless fair value could be more reliably estimated using valuation techniques whose variables included only data from observable markets. Cost included attributable transaction costs.

Investment in equity securities that did not have a quoted market price in an active market and whose fair value could not be reliably measured were subsequently recognised in the consolidated statement of financial position at cost less impairment losses (see note 2(l)).

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 2(i)).

(i) Hedging

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with variable rate borrowings (cash flow hedges), or as hedging instruments to hedge the foreign exchange risk of a net investment in a foreign operation (net investment hedges). The hedge accounting policy applied from 1 January 2018 is similar to that applicable prior to 1 January 2018. However, under the new hedge accounting policy, depending on the complexity of the hedge, the Group applies a more qualitative approach to assessing hedge effectiveness, and the assessment is always forward-looking.

(i) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss, along with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

(ii) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, the effective portion of any gain or loss on remeasurement of the derivative financial instrument to fair value is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset, the associated gain or loss is reclassified from equity to be included in the initial cost of the non-financial asset.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve is reclassified from equity to profit or loss in the same period or periods during which the hedged cash flows affect profit or loss (such as when a forecast sale occurs or interest expense is recognised).

If a hedge no longer meets the criteria for hedge accounting (including when the hedging instrument expires or is sold, terminated or exercised), then hedge accounting is discontinued prospectively. When hedge accounting is discontinued, but the hedged forecast transaction is still expected to occur, the amount that has been accumulated in the hedging reserve remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the amount that has been accumulated in the hedging reserve is reclassified from equity to profit or loss immediately.

(iii) Hedge of net investments in foreign operations

The portion of the gain or loss on remeasurement to fair value of an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised in other comprehensive income and accumulated separately in equity in the exchange reserve until the disposal of the foreign operation, at which time the cumulative gain or loss is reclassified from equity to profit or loss. The ineffective portion is recognised immediately in profit or loss.

Forward element of forward foreign currency contracts and foreign currency basis spread of financial instruments may be separated and excluded from the designated hedging instruments. If the Group excludes the forward element of a forward foreign exchange contract or the foreign currency basis spread of a financial instrument (the "excluded elements") from the designation of a hedging instrument, then the excluded elements may be separately accounted for as a cost of hedging. The fair value changes of the excluded elements are recognised in a separate component of equity, i.e. cost of hedging reserve, to the extent that it relates to the hedged items.

(j) Property, plant and equipment and leasehold land, depreciation and amortisation

(i) Property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation (see note 2(j)(vi)), amortisation (see note 2(j)(v)) and impairment losses (see note 2(l)).

(ii) Where parts of a property, plant and equipment have different useful lives, the cost of the property, plant and equipment is allocated on a reasonable basis between the parts and each part is depreciated separately. Subsequent expenditure to replace a component of a property, plant and equipment that is accounted for separately, or to improve its operational performance is included in the asset's carrying amount or recognised as a separate asset as appropriate when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group and the cost of the item can be measured reliably. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

2. Significant accounting policies (Continued)

(j) Property, plant and equipment and leasehold land, depreciation and amortisation (Continued)

(iii) Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(iv) Leasehold land held for own use under finance leases is stated in the consolidated statement of financial position at cost less accumulated amortisation (see note 2(j)(v)) and impairment losses (see note 2(l)).

(v) The cost of acquiring land held under a finance lease is amortised on a straight-line basis over the period of the unexpired lease term.

(vi) Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

	Years
Buildings	60
Furniture and fixtures, sundry plant and equipment	10
Computers	5 to 10
Motor vehicles	5 to 6
Workshop tools and office equipment	5

Immovable assets are amortised on a straight-line basis over the unexpired lease terms of the land on which the immovable assets are situated if the unexpired lease terms of the land are shorter than the estimated useful lives of the immovable assets.

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(k) Leased assets and operating lease charges

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments

(A) Policy applicable from 1 January 2018

The Group recognises a loss allowance for expected credit losses ("ECLs") on the financial assets measured at amortised cost.

Financial assets measured at fair value, including equity securities and other financial assets measured at FVPL and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

2. Significant accounting policies (Continued)

(l) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

(A) Policy applicable from 1 January 2018 (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. 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.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (with subsequent reclassification to profit or loss), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (with subsequent reclassification to profit or loss).

Basis of calculation of interest income

Interest income recognised is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables and available-for-sale investments). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

2. Significant accounting policies (Continued)

(l) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

(B) Policy applicable prior to 1 January 2018 (Continued)

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence existed, an impairment loss was determined and recognised as follows:

– For trade and other receivables and other financial assets carried at amortised cost, impairment loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting was material. This assessment was made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

  When the recovery of a trade debtor or other financial assets carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

– For unquoted equity securities carried at cost, the impairment loss was measured as the difference between the carrying amount of the financial asset and the estimated future cash flows discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost were not reversed.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– goodwill; and

– investments in subsidiaries, joint ventures and associates in the company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

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. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2. Significant accounting policies (Continued)

(l) Credit losses and impairment of assets (Continued)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(l)(i) and 2(l)(ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, with the exception of fixed interest borrowings that are designated as hedged items in fair value hedges (see note 2(i)(i)), interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

For interest-bearing borrowings that are designated as hedged items in fair value hedges, subsequent to initial recognition, the interest-bearing borrowings are stated at fair value with the fair value changes that are attributable to the hedged risk recognised in profit or loss (see note 2(i)(i)).

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(q) Employee benefits

(i) Short term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit retirement scheme obligations

The Group's net obligation in respect of defined benefit retirement schemes is calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any scheme assets is deducted. The discount rate is the yield at the end of the reporting period on Hong Kong Special Administrative Region Government Exchange Fund Notes that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the "Projected Unit Credit Method".

Where the calculation of the Group's net obligation results in a negative amount, the asset recognised is limited to the present value of any future refunds from or reductions in future contributions to the defined benefit retirement scheme.

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 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 the revenue reserve and will not be reclassified to profit or loss.

The Group determines the net interest expense or income for the period on the net defined benefit liability or asset by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability or asset, taking into account any changes in the net defined liabilities or assets during the year as a result of contributions and benefit payments.

(iii) Contributions to defined contribution retirement schemes

Obligations for contributions to defined contribution retirement schemes, including contributions payable under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in profit or loss as incurred.

2. Significant accounting policies (Continued)

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income, in which case the relevant amounts of tax are recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

All deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset.

(s) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Revenue recognition

Dividend income from unlisted investments is recognised when the shareholders' right to receive payment is established.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(l)(i)).

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the foreign exchange rates ruling at the transaction dates, or at contract rates if foreign currencies are hedged by forward foreign exchange contracts. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the foreign exchange rates ruling at the end of the reporting period.

Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of operations outside Hong Kong are translated into Hong Kong dollars at the average exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an operation outside Hong Kong, the cumulative amount of the exchange differences relating to that operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2. Significant accounting policies (Continued)

(w) Related parties

(i) A person or a close member of that person's family is related to the Group if that person:

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group.

(ii) An entity is related to the Group if any of the following conditions apply:

(a) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) One entity is a joint venture or an associate of the other entity (or a joint venture or an associate of a member of a group of which the other entity is a member).

(c) Both entities are joint ventures of the same third party.

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(f) The entity is controlled or jointly controlled by a person identified in note 2(w)(i).

(g) A person identified in note 2(w)(i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(h) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker of the Group for the purposes of resource allocation and performance assessment. Accordingly, the Group's aggregated operating segments are based on their principal activities and geographical regions to present the reportable segments.

3. Changes in accounting policies

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The adoption of the above has no material impact on the Group's result and financial position for the current or prior periods except for HKFRS 9. Details of the changes in accounting policies are discussed in note 3(b).

The Group has not applied any new standard or interpretation that is not effective for the current accounting period.

(b) HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. Under the transition methods chosen, the Group recognised cumulative effect of the initial application of HKFRS 9 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated.

The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9.

	At 31 December 2017 $ million	Impact on initial application of HKFRS 9 $ million	At 1 January 2018 $ million
Other non-current financial assets	67	236	303
Total non-current assets	**81,427**	**236**	**81,663**
Total assets less current liabilities	**100,169**	**236**	**100,405**
Net assets	**95,580**	**236**	**95,816**
Reserves	88,970	236	89,206
Total equity attributable to equity shareholders of the Company	**95,580**	**236**	**95,816**

3. Changes in accounting policies (Continued)

(b) HKFRS 9, *Financial instruments* (Continued)

The following table summarises the impact of transition to HKFRS 9 on reserves at 1 January 2018.

	$ million
Revenue reserve	
Remeasurement of equity securities measured at FVPL at 1 January 2018	**236**

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at FVOCI and at FVPL. These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial assets is managed and its contractual cash flow characteristics.

An investment in equity securities is classified as at FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (without subsequent reclassification to profit or loss) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the investment revaluation reserve (without subsequent reclassification to profit or loss) until the investment is disposed of. At the time of disposal, the amount accumulated in the investment revaluation reserve (without subsequent reclassification to profit or loss) is transferred to revenue reserve. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (without subsequent reclassification to profit or loss), are recognised in profit or loss as revenue.

Non-equity investment is classified into one of the measurement categories namely amortised cost, FVOCI (with subsequent reclassification to profit or loss) or FVPL under HKFRS 9. There is no impact to the classification and measurement of non-equity investments held by the Group.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table reconciles the carrying amounts of each class of the Group's assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017 $ million	Reclassification $ million	Remeasurement $ million	HKFRS 9 carrying amount at 1 January 2018 $ million
Financial assets measured at FVPL				
Equity securities (Note)	–	67	236	**303**
Financial assets classified as available-for-sale under HKAS 39	67	(67)	–	**–**

Note: Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as financial assets at FVPL under HKFRS 9.

The measurement categories for all financial liabilities remain the same.

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit loss ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the incurred loss accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost.

Financial assets measured at fair value, including derivative financial assets, are not subject to the ECL assessment.

The adoption of the ECL model under HKFRS 9 does not have material impact on the carrying amounts of the Group's financial assets as at 1 January 2018.

(iii) Hedge accounting

The Group has elected to adopt the new general hedge accounting model in HKFRS 9. Depending on the complexity of the hedge, this new accounting model allows a more qualitative approach to assessing hedge effectiveness compared to HKAS 39 to be applied, and the assessment is always forward-looking. The adoption of HKFRS 9 has not had a significant impact on the Group's financial statements in this regard.

3. Changes in accounting policies (Continued)

(b) HKFRS 9, *Financial instruments* (Continued)

(iii) Hedge accounting (Continued)

Cost of hedging

Under HKFRS 9, forward element of forward foreign exchange contracts and foreign currency basis spread of financial instruments may be separated and excluded from the designation of the hedging instruments. If the Group excludes the forward element of a forward foreign exchange contract or the foreign currency basis spread of a financial instrument (the "excluded elements") from the designation of a hedging instrument, then the excluded elements may be separately accounted for as a cost of hedging. The fair value changes of the excluded elements are recognised in a separate component of equity to the extent that it relates to the hedged items. For time-period related hedged items, the excluded elements at the date of designation are amortised on a systematic and rational basis to profit or loss over the period during which the hedge adjustment for the designated hedging instrument could affect profit or loss. For transaction-related hedged items, the cumulative changes of the excluded elements are included in the initial carrying amounts of any non-financial assets or non-financial liabilities when the hedged transactions occur or are recognised in profit or loss if the hedged transactions affect profit or loss. The Group has elected to adopt the cost of hedging approach retrospectively and the adoption has no material impact on the Group's opening balance of equity as at 1 January 2018.

(iv) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):

  – the determination of the business model within which a financial asset is held; and

  – certain investments in equity securities to be classified as at FVPL.

– All hedging relationships designated under HKAS 39 at 31 December 2017 met the criteria for hedge accounting under HKFRS 9 at 1 January 2018 and are therefore regarded as continuing hedging relationships. Changes to hedge accounting policies have been applied prospectively.

4. Revenue

The principal activity of the Group is investment in energy and utility-related businesses. Group revenue represents interest income from loans granted to joint ventures and associates, dividends from other financial assets and engineering and consulting services fees.

	2018 $ million	2017 $ million
Interest income	**1,513**	1,380
Dividend income	**40**	39
Others	**2**	1
	1,555	1,420
Share of revenue of joint ventures	**19,454**	17,784

5. Other net income

	2018 $ million	2017 $ million
Interest income on financial assets measured at amortised cost	**224**	515
Gain on disposal of property, plant and equipment and leasehold land	**–**	922
Net exchange (loss)/gain	**(9)**	209
Sundry income	**70**	17
	285	1,663

6. Segment information

The Group has aggregated operating segments with similar characteristics to present the following reportable segments.

– Investment in HKEI: this segment invests in generation and supply of electricity business in Hong Kong.

– Investments: this segment invests in energy and utility-related businesses and is segregated further into four reportable segments (United Kingdom, Australia, Mainland China and Others) on a geographical basis.

– All other activities: this segment represents other activities carried out by the Group.

The basis of accounting for the Group's segment information is the same as that for the Group's financial statements. The financial information about the Group's segments is set out in Appendix 1 on pages 154 to 155.

7. Other operating costs

	2018 $ million	2017 $ million
Staff costs	**27**	27
Amortisation of leasehold land	**–**	1
Depreciation	**1**	1
Cost of services and investment related expenses	**283**	496
	311	525

8. Finance costs

	2018 $ million	2017 $ million
Interest on borrowings and other finance costs	**194**	295

9. Profit before taxation

	2018 $ million	2017 $ million
Profit before taxation is arrived at after charging:		
Auditors' remuneration		
– audit and audit related work		
– KPMG	**3**	3
– other auditors	**–**	1
– non-audit work		
– KPMG	**1**	–
– other auditors	**2**	5

10. Income tax in the consolidated statement of profit or loss

(a) Taxation in the consolidated statement of profit or loss represents:

	2018 $ million	2017 $ million
Current tax – operations outside Hong Kong		
Provision for the year	**62**	104
Tax credit for the year	**–**	(11)
	62	93
Deferred tax (see note 23(b)(i))		
Origination and reversal of temporary differences	**(8)**	4
	54	97

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group did not have any assessable profits during the current and preceding years in Hong Kong.

Taxation for operations outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2018 $ million	2017 $ million
Profit before taxation	**7,690**	8,416
Less: Share of profits less losses of joint ventures	**(4,668)**	(4,421)
Share of profits less losses of associates	**(1,688)**	(1,733)
	1,334	2,262
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**218**	397
Tax effect of non-deductible expenses	**61**	103
Tax effect of non-taxable income	**(232)**	(411)
Tax effect of unused tax losses not recognised	**7**	8
Actual tax expense	**54**	97

11. Directors' emoluments and senior management remuneration

Directors' emoluments comprise payments to Directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The emoluments of each of the Directors of the Company are as follows:

Name of Directors	Fees $ million	Salaries, allowances and other benefits [10] $ million	Retirement scheme contributions $ million	Bonuses $ million	2018 Total emoluments $ million	2017 Total emoluments $ million
Executive Directors						
Fok Kin Ning, Canning [3] [4]						
Chairman	0.12	–	–	–	**0.12**	0.12
Tsai Chao Chung, Charles [5]						
Chief Executive Officer	0.07	3.29	0.48	1.07	**4.91**	5.02
Chan Loi Shun [6] [9]	0.07	5.07	–	–	**5.14**	4.77
Andrew John Hunter	0.07	0.08	–	–	**0.15**	0.14
Neil Douglas McGee	0.07	–	–	–	**0.07**	0.07
Wan Chi Tin [7]	0.07	–	–	–	**0.07**	0.07
Non-executive Directors						
Victor T K Li [8]	0.07	–	–	–	**0.07**	0.07
Ip Yuk-keung, Albert [1] [2]	0.14	–	–	–	**0.14**	0.14
Ralph Raymond Shea [1] [2] [3]	0.16	–	–	–	**0.16**	0.16
Wong Chung Hin [1] [2] [3]	0.16	–	–	–	**0.16**	0.16
Wu Ting Yuk, Anthony [1]	0.07	–	–	–	**0.07**	0.07
Total for the year 2018	**1.07**	**8.44**	**0.48**	**1.07**	**11.06**	
Total for the year 2017	1.07	7.95	0.47	1.30		10.79

Notes:

(1) Independent non-executive Director

(2) Member of the Audit Committee

(3) Member of the Remuneration Committee

(4) During the year, Mr. Fok Kin Ning, Canning received director's emoluments of $120,000 from HK Electric Investments Limited, which is an associate of the Group. The director's emoluments received were paid back to the Company.

(5) During the year, Mr. Tsai Chao Chung, Charles received director's emoluments of THB435,115 from Ratchaburi Power Company Limited, which is an associate of the Group. The director's emoluments received were paid back to the Company.

(6) During the year, Mr. Chan Loi Shun received director's emoluments of THB435,115 from Ratchaburi Power Company Limited and $3,006,760 from HK Electric Investments Limited, which are associates of the Group. The director's emoluments received were paid back to the Company.

(7) During the year, Mr. Wan Chi Tin received director's emoluments of $70,000 from HK Electric Investments Limited, which is an associate of the Group. The director's emoluments received were paid back to the Company.

(8) During the year, Mr. Victor T K Li received director's emoluments of $70,000 from HK Electric Investments Limited, which is an associate of the Group. The director's emoluments received were paid back to the Company.

(9) During the year, Mr. Chan Loi Shun received director's emoluments of $5,142,520 from the Company. The director's emoluments received were paid back to CK Infrastructure Holdings Limited, a substantial shareholder of the Company.

(10) For Directors who are employees of the Group, other benefits also include insurance and medical benefits entitled by the employees of the Group.

The five highest paid individuals of the Group included two directors (2017: two) whose total emoluments are shown above. The remuneration of the other three individuals (2017: three) who comprises the five highest paid individuals of the Group is set out below:

	2018 $ million	2017 $ million
Salary and other benefits	**8.5**	8.1
Retirement scheme contributions	**0.4**	0.5
	8.9	8.6

The total remuneration of senior management, excluding directors, is within the following bands:

	2018 Number	2017 Number
$0 – $500,000	**–**	1
$1,500,001 – $2,000,000	**3**	3
$3,000,001 – $3,500,000	**1**	1
$3,500,001 – $4,000,000	**1**	1

The remuneration of directors and senior management is as follows:

	2018 $ million	2017 $ million
Short-term employee benefits	**22**	22
Post-employment benefits	**1**	1
	23	23

At 31 December 2018 and 2017, there was no amount due from directors and senior management.

12. Earnings per share

The calculation of earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $7,636 million (2017: $8,319 million) and 2,134,261,654 ordinary shares (2017: 2,134,261,654 ordinary shares) in issue throughout the year.

There were no dilutive potential ordinary shares in existence during the years ended 31 December 2018 and 2017.

13. Property, plant and equipment and leasehold land

$ million	Buildings	Plant, machinery and equipment	Sub-total	Interests in leasehold land held for own use under finance leases	Total
Cost:					
At 1 January 2017	26	5	31	30	61
Disposals	(25)	(1)	(26)	(17)	(43)
At 31 December 2017 and 1 January 2018	**1**	**4**	**5**	**13**	**18**
Additions	**–**	**1**	**1**	**–**	**1**
Disposals	**–**	**(1)**	**(1)**	**–**	**(1)**
At 31 December 2018	**1**	**4**	**5**	**13**	**18**
Accumulated amortisation and depreciation:					
At 1 January 2017	16	3	19	13	32
Written back on disposals	(17)	–	(17)	(13)	(30)
Charge for the year	1	–	1	1	2
At 31 December 2017 and 1 January 2018	**–**	**3**	**3**	**1**	**4**
Written back on disposals	**–**	**(1)**	**(1)**	**–**	**(1)**
Charge for the year	**–**	**1**	**1**	**–**	**1**
At 31 December 2018	**–**	**3**	**3**	**1**	**4**
Net book value:					
At 31 December 2018	**1**	**1**	**2**	**12**	**14**
At 31 December 2017	1	1	2	12	14

14. Interest in joint ventures

	2018 $ million	2017 $ million
Share of net assets of unlisted joint ventures	**42,893**	42,664
Loans to unlisted joint ventures (see note below)	**12,713**	13,613
Amounts due from unlisted joint ventures (see note below)	**91**	138
	55,697	56,415
Share of total assets of unlisted joint ventures	**127,200**	130,921

The loans to unlisted joint ventures are unsecured, interest bearing at rates ranging from 4.6% per annum to 11.0% per annum (2017: 4.5% per annum to 11.0% per annum) and are not due within one year.

Included in the loans to unlisted joint ventures are subordinated loans totalling $9,393 million (2017: $9,589 million). The rights in respect of these loans are subordinated to the rights of any other lenders to the joint ventures and they are treated as part of the investment in the joint ventures.

The amounts due from unlisted joint ventures are unsecured, interest free and have no fixed repayment terms. They are neither past due nor impaired.

All the Group's joint ventures are unlisted corporate entities for which a quoted market price is not available.

Details of the Group's material joint ventures at the end of the reporting period are set out in Appendix 3 on pages 158 to 160.

(a) Summarised financial information of material joint ventures

Summarised financial information in respect of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs adjusted by the Group for equity accounting purposes and before adjustments for the Group's effective share.

	UK Power Networks		Northern Gas Networks		Wales & West Gas Networks		Australian Gas Networks		Husky Midstream L.P.		CK William*	
	2018 $ million	2017 $ million	2018 $ million	2017 $ million	2018 $ million	2017 $ million	2018 $ million	2017 $ million	2018 $ million	2017 $ million	2018 $ million	2017 $ million
Current assets	**3,961**	3,441	**3,375**	3,959	**2,528**	1,637	**338**	512	**671**	775	**2,800**	4,365
Non-current assets	**122,879**	123,654	**29,686**	30,357	**37,072**	38,503	**31,135**	32,114	**16,550**	15,914	**88,388**	91,858
Current liabilities	**(7,789)**	(8,139)	**(5,422)**	(5,505)	**(2,045)**	(1,090)	**(1,121)**	(1,617)	**(888)**	(457)	**(9,046)**	(8,435)
Non-current liabilities	**(67,850)**	(70,370)	**(18,042)**	(19,803)	**(36,056)**	(34,564)	**(17,442)**	(16,943)	**(4,794)**	(4,201)	**(62,854)**	(66,588)

14. Interest in joint ventures (Continued)

(a) Summarised financial information of material joint ventures (Continued)

The above amounts of assets and liabilities include the following:

	UK Power Networks		Northern Gas Networks		Wales & West Gas Networks		Australian Gas Networks		Husky Midstream L.P.		CK William*	
	2018 $ million	2017 $ million	**2018 $ million**	2017 $ million	**2018 $ million**	2017 $ million	**2018 $ million**	2017 $ million	**2018 $ million**	2017 $ million	**2018 $ million**	2017 $ million
Cash and cash equivalents	**979**	783	**115**	57	**1,822**	831	**22**	183	**90**	170	**512**	2,022
Current financial liabilities (excluding trade and other payables and provisions)	**(894)**	(901)	**(1,101)**	(524)	**(1,034)**	–	**(602)**	(744)	**–**	–	**(5,692)**	(4,756)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(55,207)**	(55,160)	**(15,001)**	(15,864)	**(31,921)**	(30,033)	**(16,117)**	(15,960)	**(4,713)**	(4,120)	**(55,028)**	(60,874)

	UK Power Networks		Northern Gas 0Networks		Wales & West Gas Networks		Australian Gas Networks		Husky Midstream L.P.		CK William*	
	2018 $ million	2017 $ million	**2018 $ million**	2017 $ million	**2018 $ million**	2017 $ million	**2018 $ million**	2017 $ million	**2018 $ million**	2017 $ million	**2018 $ million**	2017 $ million
Revenue	**18,623**	17,531	**4,578**	4,214	**4,602**	4,238	**3,452**	3,624	**1,779**	1,765	**10,936**	7,277
Profit from continuing operations	**7,173**	6,846	**1,578**	1,197	**221**	570	**966**	980	**484**	665	**810**	676
Other comprehensive income for the year	**1,157**	(965)	**351**	399	**401**	(24)	**(63)**	(11)	**(52)**	27	**(291)**	135
Total comprehensive income for the year	**8,330**	5,881	**1,929**	1,596	**622**	546	**903**	969	**432**	692	**519**	811
Dividends received from the joint ventures during the year	**1,014**	550	**311**	312	**–**	93	**284**	292	**440**	250	**58**	–

The above profit or loss for the year includes the following:

	UK Power Networks		Northern Gas Networks		Wales & West Gas Networks		Australian Gas Networks		Husky Midstream L.P.		CK William*	
	2018 $ million	2017 $ million	**2018 $ million**	2017 $ million	**2018 $ million**	2017 $ million	**2018 $ million**	2017 $ million	**2018 $ million**	2017 $ million	**2018 $ million**	2017 $ million
Depreciation and amortisation	**(2,592)**	(2,346)	**(788)**	(721)	**(874)**	(820)	**(630)**	(572)	**(613)**	(403)	**(2,804)**	(1,800)
Interest income	**302**	293	**–**	1	**13**	3	**3**	2	**8**	8	**14**	11
Interest expense	**(2,771)**	(2,494)	**(741)**	(634)	**(1,562)**	(1,149)	**(655)**	(714)	**(172)**	(183)	**(2,771)**	(1,260)
Income tax (expense)/credit	**(1,585)**	(1,646)	**26**	(177)	**(161)**	116	**(486)**	(472)	**3**	4	**(585)**	(231)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint ventures recognised in the consolidated financial statements:

	UK Power Networks		Northern Gas Networks		Wales & West Gas Networks		Australian Gas Networks		Husky Midstream L.P.		CK William*	
	2018 $ million	2017 $ million	**2018 $ million**	2017 $ million	**2018 $ million**	2017 $ million	**2018 $ million**	2017 $ million	**2018 $ million**	2017 $ million	**2018 $ million**	2017 $ million
Net assets of the joint ventures	**51,201**	48,586	**9,597**	9,008	**1,499**	4,486	**12,910**	14,066	**11,539**	12,031	**19,288**	21,200
Group's effective interest	**40.0%**	40.0%	**41.29%**	41.29%	**30.0%**	30.0%	**27.51%**	27.51%	**48.75%**	48.75%	**20.0%**	20.0%
Group's share of net assets of the joint ventures	**20,481**	19,434	**3,962**	3,719	**449**	1,346	**3,553**	3,870	**5,625**	5,865	**3,858**	4,240
Consolidation adjustments	**63**	67	**–**	–	**–**	–	**–**	–	**(150)**	(243)	**295**	199
Carrying amount of the Group's interest in joint ventures	**20,544**	19,501	**3,962**	3,719	**449**	1,346	**3,553**	3,870	**5,475**	5,622	**4,153**	4,439

* CK William UK Holdings Limited ("CK William") privatised DUET Group in 2017.

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

	2018 $ million	2017 $ million
The Group's share of net assets	**4,757**	4,167
The Group's share of profit from continuing operations	**418**	288
The Group's share of other comprehensive income	**41**	79
The Group's share of total comprehensive income	**459**	367

15. Interest in associates

	2018 $ million	2017 $ million
Share of net assets		
– Listed associate	**16,493**	16,820
– Unlisted associates	**3,733**	3,671
	20,226	20,491
Loans to unlisted associates (see note below)	**3,404**	3,994
Amounts due from associates (see note below)	**95**	104
	23,725	24,589

The market value (level 1 fair value measurement (see note 25(f)) of above listed associate, HKEI, at 31 December 2018 is $23,297 million (2017: $21,085 million). All the Group's other associates are unlisted corporate entities for which a quoted market price is not available.

The loans to unlisted associates are unsecured, interest bearing at rates ranging from 10.9% per annum to 13.8% per annum (2017: 10.9% per annum to 13.8% per annum) and are not due within one year.

The loans to unlisted associates are subordinated loans. The rights in respect of these loans are subordinated to the rights of any other lenders to the associates and they are treated as part of the investment in the associates.

The amounts due from associates are unsecured, interest free and have no fixed repayment terms. They are neither past due nor impaired.

At 31 December 2018, the Group's interest in an associate of $232 million (2017: $274 million) had been pledged as part of the security to secure financing facilities granted to the associate.

Details of each of the Group's material associates at the end of the reporting period are set out in Appendix 4 on page 161.

(a) Summarised financial information of material associates

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in each associate's financial statements prepared in accordance with HKFRSs adjusted by the Group for equity accounting purposes and before adjustments for Group's effective share.

	HKEI		SA Power Networks		Victoria Power Networks	
	2018 $ million	2017 $ million	2018 $ million	2017 $ million	2018 $ million	2017 $ million
Current assets	**2,051**	3,737	**1,858**	2,529	**1,752**	2,114
Non-current assets	**105,843**	105,582	**38,588**	39,637	**49,143**	49,819
Current liabilities	**(3,879)**	(5,637)	**(9,012)**	(4,397)	**(8,531)**	(10,209)
Non-current liabilities	**(55,272)**	(53,960)	**(27,971)**	(34,182)	**(34,020)**	(33,931)

	HKEI		SA Power Networks		Victoria Power Networks	
	2018 $ million	2017 $ million	**2018 $ million**	2017 $ million	**2018 $ million**	2017 $ million
Revenue	**11,612**	11,693	**6,718**	6,678	**8,075**	8,136
Profit from continuing operations	**3,051**	3,341	**877**	938	**1,339**	1,157
Other comprehensive income for the year	**(490)**	14	**(193)**	(244)	**(161)**	(147)
Total comprehensive income for the year	**2,561**	3,355	**684**	694	**1,178**	1,010
Dividends received from the associates during the year	**1,181**	1,181	**123**	109	**–**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associates recognised in the consolidated financial statements:

	HKEI		SA Power Networks		Victoria Power Networks	
	2018 $ million	2017 $ million	**2018 $ million**	2017 $ million	**2018 $ million**	2017 $ million
Net assets of the associates	**48,743**	49,722	**3,463**	3,587	**8,344**	7,793
Group's effective interest	**33.37%**	33.37%	**27.93%**	27.93%	**27.93%**	27.93%
Group's share of net assets of the associates	**16,267**	16,594	**967**	1,002	**2,330**	2,176
Consolidation adjustment	**226**	226	**–**	–	**–**	–
Carrying amount of the Group's interest in the associates	**16,493**	16,820	**967**	1,002	**2,330**	2,176

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

	2018 $ million	2017 $ million
The Group's share of net assets	**436**	493
The Group's share of profit from continuing operations	**51**	33
The Group's share of other comprehensive income	**1**	2
The Group's share of total comprehensive income	**52**	35

16. Other non-current financial assets

	2018 $ million	2017 $ million
Financial assets measured at FVPL		
– unlisted equity securities (see note below)	303	–
– other investments (see note 28(a)(ii))	4,797	–
	5,100	–
Available-for-sale financial assets (see note below)		
– unlisted equity securities, at cost	–	67
	5,100	67

Available-for-sale financial assets were reclassified to financial assets measured at FVPL upon initial application of HKFRS 9 at 1 January 2018.

17. Trade and other receivables

	2018 $ million	2017 $ million
Trade debtors (see note below)	1	–
Interest and other receivables	72	60
	73	60
Derivative financial instruments (see note 21)	86	106
Deposits and prepayments	87	1
	246	167

Trade with customers is carried out on credit and invoices are normally due within 1 month after issued. All of the trade and other receivables are expected to be recovered within one year. As at 31 December 2018, all the trade debtors are aged within 1 to 3 months, based on invoice date and net of loss allowance. Further details on the Group's credit policy and credit risk arising from trade debtors are set out in note 25(a).

18. Bank deposits and cash and other cash flow information

(a) Bank deposits and cash comprise:

	2018 $ million	2017 $ million
Deposits with banks and other financial institutions with 3 months or less to maturity when placed	**4,794**	24,122
Cash at bank and on hand	**435**	435
Cash and cash equivalents in the consolidated cash flow statement	**5,229**	24,557
Deposits with banks and other financial institutions with more than 3 months to maturity when placed	**–**	850
Bank deposits and cash in the consolidated statement of financial position	**5,229**	25,407

(b) Reconciliation of profit before taxation to cash generated from/(used in) operations:

	Note	**2018 $ million**	2017 $ million
Profit before taxation		**7,690**	8,416
Adjustments for:			
Share of profits less losses of joint ventures		**(4,668)**	(4,421)
Share of profits less losses of associates		**(1,688)**	(1,733)
Interest income	4,5	**(1,737)**	(1,895)
Dividend income from unlisted equity securities	4	**(40)**	(39)
Finance costs	8	**194**	295
Amortisation of leasehold land	7	**–**	1
Depreciation	7	**1**	1
Exchange gain		**(51)**	(25)
Gain on disposal of property, plant and equipment and leasehold land	5	**–**	(922)
Changes in working capital:			
Increase in trade and other receivables		**(79)**	(25)
Increase/(decrease) in trade and other payables		**1,507**	(147)
Decrease in amounts due from joint ventures		**30**	27
Increase in net employee retirement benefit liabilities		**2**	4
Cash generated from/(used in) operations		**1,161**	(463)

18. Bank deposits and cash and other cash flow information (Continued)

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

$ million	Bank loans and other borrowings	Interest rate swaps held to hedge borrowings-assets	Interest rate swaps held to hedge borrowings-liabilities	Total
At 1 January 2017	8,514	(45)	41	8,510
Changes from financing cash flows:				
Repayment of bank loans and other borrowings	(2,028)	–	–	(2,028)
Exchange adjustments	722	–	–	722
Changes in fair values	–	45	(16)	29
Other changes:				
Capitalised borrowing costs movement	15	–	–	15
At 31 December 2017 and 1 January 2018	**7,223**	**–**	**25**	**7,248**
Changes from financing cash flows:				
Repayment of bank loans and other borrowings	**(3,703)**	**–**	**–**	**(3,703)**
Exchange adjustments	**(106)**	**–**	**–**	**(106)**
Changes in fair values	**–**	**–**	**55**	**55**
Other changes:				
Capitalised borrowing costs movement	**23**	**–**	**–**	**23**
At 31 December 2018	**3,437**	**–**	**80**	**3,517**

19. Trade and other payables

	2018 $ million	2017 $ million
Creditors measured at amortised cost (see note below)	**4,063**	3,183
Derivative financial instruments (see note 21)	**–**	14
	4,063	3,197

All of the trade and other payables are expected to be settled within one year.

Creditors' ageing is analysed as follows:

	2018 $ million	2017 $ million
Due within 1 month or on demand	**768**	72
Due after 1 month but within 3 months	**19**	–
Due after 3 months but within 12 months	**3,276**	3,111
	4,063	3,183

20. Non-current bank loans and other interest-bearing borrowings

	2018 $ million	2017 $ million
Bank loans	**3,437**	7,223
Current portion	**–**	(3,544)
	3,437	3,679

Some banking facilities of the Group are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become payable on demand and any undrawn amount will be cancelled. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 25(b). As at 31 December 2018 and 2017, none of the covenants relating to drawn down facilities had been breached.

None of the non-current interest-bearing borrowings is expected to be settled within one year. All the above borrowings are unsecured.

The non-current borrowings are repayable as follows:

	2018 $ million	2017 $ million
After 2 years but within 5 years	**3,437**	3,679

21. Derivative financial instruments

	2018		2017	
	Assets $ million	**Liabilities $ million**	Assets $ million	Liabilities $ million
Derivative financial instruments used for hedging:				
Cash flow hedges				
Interest rate swaps	**–**	**(80)**	–	(25)
Net investment hedges				
Cross currency swaps	**522**	**(69)**	–	(533)
Forward foreign exchange contracts	**939**	**(79)**	422	(245)
	1,461	**(228)**	422	(803)
Analysed as:				
Current	**86**	**–**	106	(14)
Non-current	**1,375**	**(228)**	316	(789)
	1,461	**(228)**	422	(803)

22. Employee retirement benefits

The Group offers three retirement schemes which together cover all permanent staff.

One of the schemes ("the Pension Scheme") provides pension benefits based on the employee's final basic salary and length of service. This scheme is accounted for as a defined benefit retirement scheme.

Another scheme is defined contribution in nature and offers its members choices to invest in various investment funds. One of the investment funds provides a guaranteed return; the scheme is accounted for as a defined benefit retirement scheme in respect of this investment fund ("the Guaranteed Return Scheme"). In respect of other investment funds which do not offer a guaranteed return, the scheme is accounted for as a defined contribution retirement scheme (see note 22(b)).

Both these schemes are established under trust and are registered under the Hong Kong Occupational Retirement Schemes Ordinance. The assets of the schemes are held independently of the Group's assets in separate trustee administered funds.

The Group also participates in a master trust Mandatory Provident Fund Scheme ("MPF Scheme") operated by an independent service provider under the Hong Kong Mandatory Provident Fund Schemes Ordinance. The MPF Scheme is a defined contribution retirement scheme with the employer and its employees each contributing to the scheme in accordance with the relevant scheme rules. The MPF Scheme rules provide for voluntary contributions to be made by the employer calculated as a percentage of the employees' basic salaries.

(a) Defined benefit retirement schemes ("the Schemes")

The funding policy in respect of the Pension Scheme is based on valuations prepared periodically by independent professionally qualified actuaries at Willis Towers Watson Hong Kong Limited. The policy for employer's contributions is to fund the scheme in accordance with the actuary's recommendations on an on-going basis. The principal actuarial assumptions used include discount rate and future pension increase rate which are disclosed in note 22(a)(viii) together with appropriate provisions for mortality rates. The most recent actuarial valuation of the Pension Scheme was carried out by the appointed actuary, represented by Ms. Wing Lui, FSA, as at 1 January 2018. The valuation revealed that the assets of the Pension Scheme were sufficient to cover the aggregate vested liabilities as at the valuation date.

Both defined retirement schemes expose the Group to investment risk and interest rate risk while the Pension Scheme also exposes the Group to risks of longevity and inflation.

The retirement scheme expense/income recognised in profit or loss for the year ended 31 December 2018 was determined in accordance with HKAS 19 (2011), *Employee benefits*.

(i) The amounts recognised in the statements of financial position are as follows:

	2018 $ million	2017 $ million
Present value of defined benefit obligations	**(370)**	(393)
Fair value of assets of the Schemes	**232**	277
	(138)	(116)
Represented by:		
Employee retirement benefit assets	**5**	5
Employee retirement benefit liabilities	**(143)**	(121)
	(138)	(116)

The assets of the Schemes did not include ordinary shares issued by the Company for the years ended 31 December 2018 and 2017.

A portion of the above asset/liability is expected to be realised/settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future changes in actuarial assumptions and market conditions.

22. Employee retirement benefits (Continued)

(a) Defined benefit retirement schemes ("the Schemes") (Continued)

(ii) Movements in the present value of defined benefit obligations of the Schemes are as follows:

	2018 $ million	2017 $ million
At 1 January	**393**	407
Current service cost	**–**	1
Interest cost	**7**	8
Actuarial (gain)/loss due to:		
– Changes in liability experience	**2**	(1)
– Changes in financial assumptions	**(7)**	5
– Changes in demographic assumptions	**8**	1
Benefits paid	**(33)**	(28)
At 31 December	**370**	393

(iii) Movements in fair value of plan assets of the Schemes are as follows:

	2018 $ million	2017 $ million
At 1 January	**277**	266
Interest income on the Schemes' assets	**5**	5
Return on Schemes' assets, excluding interest income	**(17)**	34
Benefits paid	**(33)**	(28)
At 31 December	**232**	277

The Group expects to contribute below $1 million to its defined benefit retirement schemes in 2019.

(iv) The expenses recognised in the consolidated statement of profit or loss are as follows:

	2018 $ million	2017 $ million
Current service cost	**–**	1
Net interest on net defined benefit asset/liability	**2**	3
	2	4

(v) The expenses are recognised in the following line items in the consolidated statement of profit or loss:

	2018 $ million	2017 $ million
Other operating costs	**2**	4

(vi) The cumulative amount of actuarial losses/(gains) recognised in the consolidated statement of comprehensive income is as follows:

	2018 $ million	2017 $ million
At 1 January	**149**	178
Remeasurement of net defined benefit asset/liability recognised in the consolidated statement of comprehensive income during the year	**20**	(29)
At 31 December	**169**	149

(vii) The major categories of assets of the Schemes are as follows:

	2018 $ million	2017 $ million
Hong Kong equities	**34**	41
European equities	**16**	22
North American equities	**40**	47
Asia Pacific and others equities	**17**	21
Global bonds	**124**	145
Deposits, cash and others	**1**	1
	232	277

Strategic investment decisions are taken with respect to the risk and return profiles. There has been no change in the process used by the Group to manage its risks from prior periods.

NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Hong Kong dollars unless otherwise indicated)

22. Employee retirement benefits (Continued)

(a) Defined benefit retirement schemes ("the Schemes") (Continued)

(viii) The principal actuarial assumptions used as at 31 December (expressed as a weighted average) are as follows:

	2018	2017
Discount rate		
– The Pension Scheme	**2.2%**	2.0%
– The Guaranteed Return Scheme	**1.9%**	1.7%
Long term salary increase rate	**Not applicable**	Not applicable
Future pension increase rate	**2.5%**	2.5%

(ix) Sensitivity analysis

(a) The Pension Scheme

	2018 $ million	2017 $ million
Actuarial assumptions		
Discount rate		
– increase by 0.25%	**(8)**	(8)
– decrease by 0.25%	**8**	9
Pension increase rate		
– increase by 0.25%	**8**	8
– decrease by 0.25%	**(7)**	(8)
Mortality rate applied to specific age		
– set forward one year	**(13)**	(13)
– set backward one year	**13**	14

(b) The Guaranteed Return Scheme

	2018 $ million	2017 $ million
Actuarial assumptions		
Discount rate		
– increase by 0.25%	**(1)**	(1)
– decrease by 0.25%	**1**	1
Interest to be credited		
– increase by 0.25%	**1**	1

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised within the consolidated statement of financial position.

(x) The following table sets out the weighted average durations of the defined benefit obligations of the Schemes:

	2018 No. of years	2017 No. of years
The Pension Scheme	**10.8**	11.0
The Guaranteed Return Scheme	**6.1**	6.5

(b) Defined contribution retirement scheme

	2018 $ million	2017 $ million
Expenses recognised in profit or loss	**1**	2

No forfeited contributions have been received during the year (2017: $Nil).

23. Income tax in the consolidated statement of financial position

(a) Current taxation in the consolidated statement of financial position

	2018 $ million	2017 $ million
Tax provision for the year	**62**	104
Provisional tax paid	**(122)**	(60)
Tax provision relating to prior years	**69**	47
Current tax payable	**9**	91

23. Income tax in the consolidated statement of financial position (Continued)

(b) Deferred tax assets

(i) The components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

$ million	Cash flow hedges	Future benefits of tax losses	Total
At 1 January 2017	(14)	19	5
Charged to profit or loss	–	(4)	(4)
Credited to other comprehensive income	19	1	20
At 31 December 2017 and 1 January 2018	**5**	**16**	**21**
Credited to profit or loss	**–**	**8**	**8**
Credited/(charged) to other comprehensive income	**19**	**(2)**	**17**
At 31 December 2018	**24**	**22**	**46**

(ii) Reconciliation to the consolidated statement of financial position:

	2018 $ million	2017 $ million
Net deferred tax assets recognised in the consolidated statement of financial position	**46**	21

The Group had no material unrecognised deferred tax assets or liabilities as at 31 December 2018 and 2017.

24. Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2018 $ million	2017 $ million
Interim dividend declared and paid of $0.77 per ordinary share (2017: $0.77 per ordinary share)	**1,643**	1,643
Special interim dividend declared and paid of $Nil (2017: $7.50 per ordinary share)	**–**	16,007
Special interim dividend declared after the end of the reporting period of $Nil (2017: $6.00 per ordinary share)	**–**	12,806
Final dividend proposed after the end of the reporting period of $2.03 per ordinary share (2017: $2.03 per ordinary share)	**4,333**	4,333
	5,976	34,789

The final dividend and special interim dividend declared or proposed after the end of the reporting period are based on 2,134,261,654 ordinary shares (2017: 2,134,261,654 ordinary shares), being the total number of issued shares at the year end. The final dividend and special interim dividend declared or proposed after the end of the reporting period have not been recognised as liabilities at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year paid during the year:

	2018 $ million	2017 $ million
Special interim dividend in respect of the previous financial year, declared and paid during the year, of $6.00 per ordinary share (2017: $5.00 per ordinary share)	**12,806**	10,671
Final dividend in respect of the previous financial year, approved and paid during the year, of $2.03 per ordinary share (2017: $2.02 per ordinary share)	**4,333**	4,311
	17,139	14,982

24. Capital, reserves and dividends (Continued)

(c) Share capital

	Number of shares	**2018 $ million**	2017 $ million
Issued and fully paid:			
Voting ordinary shares	2,134,261,654	**6,610**	6,610

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves

(i) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong, the effective portion of any foreign exchange differences arising from hedges of the net investment in these operations outside Hong Kong and the cost of hedging reserve. Under HKFRS 9, if the Group excludes the forward element of forward contracts and the foreign currency basis spread of financial instruments (the "excluded elements") from the designation of the hedging instruments, then the excluded elements may be separately accounted for as cost of hedging. The fair value changes of the excluded elements are recognised in a separate component of equity as cost of hedging reserve to the extent that it relates to the hedged items. The reserve is dealt with in accordance with the accounting policies set out in notes 2(i)(iii) and 2(u).

The following table provides a reconciliation of the exchange reserve in respect of cost of hedging, net investment hedges and translation on investment outside Hong Kong:

$ million	Cost of hedging reserve	Net investment hedges	Translation on investment outside Hong Kong	Total
Balance at 31 December 2017, as previously reported	**–**	**725**	**(5,758)**	**(5,033)**
Impact on initial application of HKFRS 9 (see note 3(b)(iii))	**(548)**	**548**	**–**	**–**
Restated balance at 1 January 2018	**(548)**	**1,273**	**(5,758)**	**(5,033)**
Exchange differences on translating operations outside Hong Kong, including joint ventures and associates	**–**	**–**	**(3,592)**	**(3,592)**
Effective portion of changes in fair value of hedging instruments recognised in other comprehensive income (see note 25(d)(i))	**–**	**1,971**	**–**	**1,971**
Cost of hedging – changes in fair value recognised in other comprehensive income	**155**	**–**	**–**	**155**
	155	**1,971**	**(3,592)**	**(1,466)**
Balance at 31 December 2018	**(393)**	**3,244**	**(9,350)**	**(6,499)**

(ii) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges (net of any deferred tax effect) pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 2(i)(ii).

(iii) Revenue reserve

The revenue reserve comprises the accumulated profits retained by the Company and its subsidiaries and includes the Group's share of the retained profits of its joint ventures and associates.

24. Capital, reserves and dividends (Continued)

(e) 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 continue to provide returns for shareholders and benefits for other stakeholders;

– to provide returns to shareholders by securing access to finance at a reasonable cost;

– to support the Group's stability and future growth; and

– to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure, taking into consideration the future capital requirements of the Group and capital efficiency, forecast profitability, forecast operating cash flows, forecast capital expenditure and projected investment opportunities.

The Group monitors its capital structure on the basis of a net debt-to-net total capital ratio. For this purpose the Group defines net debt as interest-bearing borrowings (as shown in the consolidated statements of financial position) less bank deposits and cash. Net total capital includes net debt and equity which comprises all components of equity (as shown in the consolidated statement of financial position).

During 2018, the Group's strategy, which was unchanged from 2017, was to control its level of debt in order to secure access to finance at a reasonable cost. In order to maintain or adjust the level of debt, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

As at 31 December 2018, the net cash position of the Group amounted to $1,792 million (2017: $18,184 million).

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

25. Financial risk management

The Group is exposed to credit, liquidity, interest rate and currency risks in the normal course of its businesses. The Group is also exposed to equity price risk arising from its equity investments in other entities. In accordance with the Group's treasury policy, derivative financial instruments are only used to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. The Group does not hold or issue derivative financial instruments for trading or speculative purposes.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables relating to bank deposits and over-the-counter derivative financial instruments entered into for hedging purposes. The Group has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group has defined minimum credit rating requirements and transaction limits for counterparties when dealing in financial derivatives or placing deposits to minimise credit exposure. The Group does not expect any counterparty to fail to meet its obligations.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the statement of financial position. Except for the financial guarantees given by the Group as set out in note 27, the Group has not provided any other guarantee which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 27.

The Group has no significant concentration of credit risk arising from trade and other receivables, with exposure spread over a number of counterparties.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. No loss allowances are recognised as at 31 December 2018 based on historical actual loss experience.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 17.

Offsetting financial assets and financial liabilities

The Group's derivative transactions are executed with financial institutions and governed by either International Swaps and Derivatives Association Master Agreements or the general terms and conditions of these financial institutions, with a conditional right of set off under certain circumstances that would result in all outstanding transactions being terminated and net settled.

As these financial institutions currently have no legal enforceable right to set off the recognised amounts and the Group does not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously, all such financial instruments are recorded on gross basis at the end of the reporting period.

25. Financial risk management (Continued)

(a) Credit risk (Continued)

Offsetting financial assets and financial liabilities (Continued)

The following table presents the recognised financial instruments that are subject to enforceable netting arrangements but not offset as at the end of the reporting period.

$ million	Note	2018			2017		
		Gross amounts of financial instruments in the consolidated statement of financial position	**Related financial instruments that are not offset**	**Net amount**	Gross amounts of financial instruments in the consolidated statement of financial position	Related financial instruments that are not offset	Net amount
Financial assets	21						
Cross currency swaps		**522**	**(18)**	**504**	–	–	–
Interest rate swaps		**–**	**–**	**–**	–	–	–
Forward foreign exchange contracts		**939**	**–**	**939**	422	(12)	410
Total		**1,461**	**(18)**	**1,443**	422	(12)	410
Financial liabilities	21						
Cross currency swaps		**69**	**(18)**	**51**	533	–	533
Interest rate swaps		**80**	**–**	**80**	25	–	25
Forward foreign exchange contracts		**79**	**–**	**79**	245	(12)	233
Total		**228**	**(18)**	**210**	803	(12)	791

(b) Liquidity risk

The Group operates a central cash management system for all its subsidiaries in order to achieve a better control of risk and minimise the costs of funds. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with loan covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding to meet its liquidity requirements in the short and longer term. The Group had bank deposits and cash $5,229 million (2017: $25,407 million) and no undrawn committed bank facilities at 31 December 2018 (2017: $Nil).

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial instruments, 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.

$ million	2018 Contractual undiscounted cash outflow/(inflow)				
	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**	**Total**
Non-derivative financial liabilities					
Bank loans and other borrowings and interest accruals	**98**	**98**	**3,447**	**–**	**3,643**
Trade and other payables	**4,057**	**–**	**–**	**–**	**4,057**
Derivative financial instruments					
Net settled					
Interest rate swaps	**26**	**26**	**78**	**30**	**160**
Gross settled					
Forward foreign exchange contracts:					
– outflow	**3,129**	**1,488**	**4,997**	**6,392**	**16,006**
– inflow	**(3,224)**	**(1,825)**	**(5,157)**	**(7,531)**	**(17,737)**
Cross currency swaps and related interest accruals:					
– outflow	**287**	**285**	**8,709**	**6,157**	**15,438**
– inflow	**(333)**	**(328)**	**(9,380)**	**(6,307)**	**(16,348)**
	4,040	**(256)**	**2,694**	**(1,259)**	**5,219**

$ million	2017 Contractual undiscounted cash outflow/(inflow)				
	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	Total
Non-derivative financial liabilities					
Bank loans and other borrowings and interest accruals	3,654	90	3,891	–	7,635
Trade and other payables	3,176	–	–	–	3,176
Derivative financial instruments					
Net settled					
Interest rate swaps	48	35	105	111	299
Gross settled					
Forward foreign exchange contracts:					
– outflow	5,708	–	6,497	6,722	18,927
– inflow	(5,808)	–	(6,675)	(7,531)	(20,014)
Cross currency swaps and related interest accruals:					
– outflow	253	255	3,706	6,724	10,938
– inflow	(180)	(181)	(3,341)	(6,433)	(10,135)
	6,851	199	4,183	(407)	10,826

25. Financial risk management (Continued)

(c) Interest rate risk

The Group is exposed to cash flow interest rate risk on its interest-bearing assets and liabilities. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

(i) Hedging

The Group's policy is to maintain a balanced combination of fixed and variable rate debt to reduce its interest rate exposure. The Group also uses interest rate swaps to manage the exposure in accordance with its treasury policy.

The following table provides information on the interest rate swaps which have been designated as cash flow hedges of the interest rate risk inherent in the Group's variable rate bank borrowings at the end of the reporting period:

	2018	2017
Notional amount ($ million)	**3,434**	7,246
Carrying amount (see note below) ($ million)		
– Liability	**80**	25
Maturity date	**2025**	Ranging from 2018 to 2025
Weighted average fixed swap rates	**2.70%**	2.03%

The non-current portion of interest rate swaps liabilities are included in "Derivative financial instruments" (see note 21), while the current portion are included in "Trade and other payables" (see note 19) in the consolidated statement of financial position.

The Group seeks to hedge the benchmark interest rate component only and applies a hedge ratio of 1:1. The existence of an economic relationship between the interest rate swaps and the variable rate borrowings is determined by matching their critical contract terms, including the reference interest rates, tenors, interest repricing dates, maturity dates, interest payment and/or receipt dates, the notional amounts of the swaps and the outstanding principal amounts of the loans. The main source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the swaps which is not reflected in the fair value of the hedged cash flows attributable to the change in interest rates.

The following table provides a reconciliation of the hedging reserve in respect of hedged interest rate risk and shows the effectiveness of the hedging relationships:

	2018 $ million	2017 $ million
Balance at 1 January	**(1,707)**	(1,453)
Effective portion of the cash flow hedge recognised in other comprehensive income	**(341)**	(415)
Amounts reclassified to profit or loss (see note below)	**40**	78
Related tax	**97**	83
Balance at 31 December (see note below)	**(1,911)**	(1,707)
Change in fair value of the interest rate swaps during the year	**(341)**	(415)
Hedge ineffectiveness recognised in profit or loss	**–**	–
Effective portion of the cash flow hedge recognised in other comprehensive income	**(341)**	(415)
Hedged item:		
Change in fair value used for calculating hedging ineffectiveness	**341**	415

Amounts reclassified to profit or loss are recognised in the "Finance costs" line item in the consolidated statement of profit or loss (see note 8). The entire balance at 31 December 2018 and 2017 in the hedging reserve relates to continuing hedges.

25. Financial risk management (Continued)

(c) Interest rate risk (Continued)

(ii) Interest rate profile

The following table details the interest rate profile of the Group's net interest-bearing assets and liabilities at the end of the reporting period, after taking into account the effect of interest rate swaps designated as cash flow or fair value hedging instruments (see (i) above).

	2018		2017	
	Weighted average interest rate %	**$ million**	Weighted average interest rate %	$ million
Net fixed rate assets/(liabilities)				
Loans to unlisted joint ventures/associates	**9.9**	**9,741**	9.9	11,807
Deposits with banks and other financial institutions	**2.8**	**5,082**	1.8	24,972
Bank loans and other borrowings	**3.6**	**(3,437)**	2.0	(7,223)
Cross currency swap	**N/A**	**453**	N/A	(533)
		11,839		29,023
Net variable rate assets/(liabilities)				
Loans to unlisted joint ventures/associates	**5.6**	**6,376**	5.0	5,800
Other receivable	**2.4**	**85**	–	–
Cash at bank and on hand	**0.2**	**147**	–	435
Other payable	**2.4**	**(708)**	–	–
		5,900		6,235

(iii) Sensitivity analysis

At 31 December 2018, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit for the year and revenue reserve by approximately $59 million (2017: increased/decreased by approximately $41 million). Other components of consolidated equity would have decreased/increased by approximately $133 million (2017: decreased/increased by approximately $191 million) in response to the general increase/decrease in interest rates.

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 analysis has been performed on the same basis as for 2017.

(d) Currency risk

The Group is exposed to currency risk primarily arising from investments outside Hong Kong. The Group is also exposed to foreign currency risk arising from foreign currency transactions which give rise to receivables, payable and cash balances that are denominated in a currency other than the functional currency of the operations to which the transactions relate. The Group manages this risk as follows:

(i) Investments outside Hong Kong

Currency exposure arising from investments outside Hong Kong is mitigated in part either by funding a portion of the investment through external borrowings in the same currency as the underlying investment or by hedging with forward foreign exchange contracts and cross currency swaps. The Group designates the spot element of forward foreign exchange contracts and cross currency swaps to hedge the Group's currency risk. The forward elements of forward foreign exchange contracts and the foreign currency basis spread are excluded from the designation of the hedging instrument and are separately accounted for as a cost of hedging, which is recognised in equity in a cost of hedging reserve.

The following table provides information on the foreign exchange contracts and cross currency swaps which have been designated as hedges of the currency risk inherent in the Group's investments outside Hong Kong at the end of the reporting period:

	2018	2017
Foreign exchange contracts:		
Notional amount ($ million)	**17,737**	20,014
Carrying amount ($ million)		
– Asset	**939**	422
– Liability	**(79)**	(245)
Maturity date	**Ranging from 2019 to 2026**	Ranging from 2018 to 2026
Weighted average contract rate:		
EUR:USD	**1.2722**	1.2722
GBP:USD	**1.5322**	1.4899
AUD:USD	**0.7358**	0.7915
CAD:USD	**1.3007**	1.3025
Cross currency swaps:		
Notional amount ($ million)	**14,404**	8,693
Carrying amount ($ million)		
– Asset	**522**	–
– Liability	**(69)**	(533)
Maturity date	**Ranging from 2022 to 2027**	Ranging from 2022 to 2027
Weighted average contract rate:		
EUR:USD	**1.1728**	N/A
GBP:USD	**1.3848**	N/A
AUD:USD	**0.7518**	0.7518

25. Financial risk management (Continued)

(d) Currency risk (Continued)

(i) Investments outside Hong Kong (Continued)

The non-current portion of foreign exchange contracts and cross currency swaps assets/liabilities are included in "Derivative financial instruments" (see note 21), while the current portion are included in "Trade and other receivables" (see note 17) and "Trade and other payables" (see note 19) in the consolidated statement of financial position.

The Group applies a hedge ratio of 1:1 and determines the existence of an economic relationship between the forward exchange contracts and cross currency swaps and the investments outside Hong Kong based on their currency amounts. The main sources of ineffectiveness in these hedging relationships are the effect of the counterparty's and the Group's own credit risk on the fair value of the forward exchange contracts which is not reflected in the change in the value of the hedged cash flows attributable to the forward rate and the foreign currency basis spread.

The following table provides a reconciliation of the exchange reserve in respect of hedged foreign currency risk and shows the effectiveness of the hedging relationships:

	2018 $ million	2017 $ million
Balance at 1 January	**725**	3,152
Impact on initial application of HKFRS 9 (see note 3(b)(iii))	**548**	–
Effective portion of the hedge on investments outside Hong Kong recognised in other comprehensive income	**1,971**	(2,427)
Balance at 31 December (see note below)	**3,244**	725
Change in fair value of the foreign exchange contracts and cross currency swaps during the year	**1,971**	(2,427)
Hedge ineffectiveness recognised in profit or loss	**–**	–
Effective portion of the hedge on investments outside Hong Kong recognised in other comprehensive income	**1,971**	(2,427)
Hedged item:		
Change in fair value used for calculating hedging ineffectiveness	**(1,971)**	2,427

The entire balance at 31 December 2018 and 2017 in the exchange reserve relates to continuing hedges.

(ii) Recognised assets and liabilities

The Group uses forward foreign exchange contracts and cross currency swaps to manage its foreign currency risk arising from foreign currency transactions. The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2018 Exposure to foreign currencies			
'million	**USD**	**GBP**	**AUD**	**EUR**
Trade and other receivables	**12**	**2**	**14**	**2**
Bank deposits and cash	**437**	**–**	**128**	**–**
Trade and other payables	**(91)**	**–**	**–**	**–**
	358	**2**	**142**	**2**

	2017 Exposure to foreign currencies			
'million	USD	GBP	AUD	EUR
Trade and other receivables	1	3	13	2
Bank deposits and cash	601	2	64	1
Trade and other payables	–	–	(1)	–
	602	5	76	3

(iii) Sensitivity analysis

The following table indicates that a 10% strengthening in the following currencies against Hong Kong dollars at the end of the reporting period would have increased/decreased the Group's profit for the year (and revenue reserve).

$ million	**2018 Effect on profit for the year and revenue reserve increase/(decrease)**	2017 Effect on profit for the year and revenue reserve increase/(decrease)
Pounds Sterling	**2**	5
Australian dollars	**79**	46
Euro	**2**	3

A 10% weakening in the above currencies against Hong Kong dollars at the end of the reporting period would have had an equal but opposite effect on the Group's profit for the year (and revenue reserve).

25. Financial risk management (Continued)

(d) Currency risk (Continued)

(iii) Sensitivity analysis (Continued)

This sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to currency risk at the end of the reporting period, and that all other variables, in particular interest rates, remain constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' profit for the year and other components of equity measured in their respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis has been performed on the same basis as for 2017.

(e) Equity price risk

The Group is exposed to equity price changes arising from unlisted equity securities which are held for strategic purposes (see note 16).

All of the Group's unlisted investments are held for long term strategic purposes. Their performance is reviewed regularly based on information available to the Group.

These unlisted investments do not have a quoted market price in an active market and are recognised as FVPL.

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair value measurement*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments;

– Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data;

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

Recurring fair value measurements

	Fair value measurement at 31 December 2018 categorised into		
	Level 2 $ million	Level 3 $ million	Total $ million
Financial assets			
Other non-current financial assets	–	5,100	5,100
Derivative financial instruments:			
– Cross currency swaps	522	–	522
– Forward foreign exchange contracts	939	–	939
	1,461	5,100	6,561
Financial liabilities			
Derivative financial instruments:			
– Interest rate swaps	(80)	–	(80)
– Cross currency swaps	(69)	–	(69)
– Forward foreign exchange contracts	(79)	–	(79)
	(228)	–	(228)

	Fair value measurement at 31 December 2017 categorised into		
	Level 2 $ million	Level 3 $ million	Total $ million
Financial assets			
Derivative financial instruments:			
– Forward foreign exchange contracts	422	–	422
	422	–	422
Financial liabilities			
Derivative financial instruments:			
– Interest rate swaps	(25)	–	(25)
– Cross currency swaps	(533)	–	(533)
– Forward foreign exchange contracts	(245)	–	(245)
	(803)	–	(803)

From 1 January 2018, any gains or losses arising from the remeasurement of the Group's unlisted equity securities are recognised in profit or loss. Prior to 1 January 2018, the Group's unlisted equity securities were recognised in the consolidated statement of financial position at cost less impairment losses.

25. Financial risk management (Continued)

(f) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

(ii) Valuation techniques and inputs in fair value measurements

Level 2: The fair value of forward foreign exchange contracts is measured using forward exchange market rates at the end of the reporting period. The fair values of interest rate swaps and cross currency swaps are measured by discounting the future cash flows of the contracts at the current market interest rates.

Level 3: Other non-current financial assets consist of investments in unlisted equity securities and other investments.

The unlisted equity securities are not traded in an active market. Their fair values have been determined using dividend discounted model. The significant unobservable inputs include cost of equity of 13.65% and growth rate of 2.5%. It is estimated that a 0.5% increase/decrease in cost of equity, with other variable held constant, would have decreased/increased the Group's profit for the year and revenue reserve by approximately $13 million/$14 million. A 0.5% increase/decrease in growth rate, with other variable held constant, would have increased/decreased the Group's profit for the year and revenue reserve by approximately $14 million/$13 million.

Other investments were measured at fair value based on value inputs that are not observable market data but change of these inputs to reasonable alternative assumptions would not have material effect on the Group's results and financial position.

(ii) Fair values of financial assets and liabilities carried at other than fair value

Amounts due from joint ventures and associates, trade and other receivables, trade and other payables and external borrowings are carried at cost or amortised cost which are not materially different from their fair values as at 31 December 2018 and 2017.

26. Capital commitments

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

	2018 $ million	2017 $ million
Contracted for:		
Investment in a joint venture	**1,012**	1,395
Authorised but not contracted for:		
Capital expenditure for property, plant and equipment	**1**	1
Investment in a joint venture	**891**	920
	892	921

27. Contingent liabilities

	2018 $ million	2017 $ million
Financial guarantees issued in respect of banking facilities available to a joint venture	–	123
Other guarantees given in respect of a joint venture	529	760
	529	883

28. Material related party transactions

The Group had the following material transactions with related parties during the year:

(a) Shareholder

(i) Outram Limited ("Outram"), a subsidiary of the Company, reimbursed CK Infrastructure Holdings Limited ("CKI") $33 million (2017: $32 million) being the actual costs incurred for providing the operation and management services to Outram and its subsidiaries for the year. The transaction constitutes a continuing connected transaction under the Listing Rules for the Company.

(ii) On 31 August 2018, the Group entered into an agreement with a subsidiary of CK Hutchison Holdings Limited ("CKHH"). CKHH is the ultimate holding company of CKI, a substantial shareholder of the Company. The transaction constituted a connected transaction for the Company. Further details are set out in the Company's announcement dated 31 August 2018.

(b) Joint ventures

(i) Interest income received/receivable from joint ventures in respect of the loans to joint ventures amounted to $1,082 million (2017: $913 million) for the year. The outstanding balances with joint ventures are disclosed in note 14.

(ii) No tax credit claimed under the consortium relief received/receivable from joint ventures in the United Kingdom for the year (2017: $11 million).

(c) Associates

(i) Interest income received/receivable from associates in respect of the loans to associates amounted to $431 million (2017: $467 million) for the year. The outstanding balances with associates are disclosed in note 15.

(ii) Other operating costs included support service charge recovered by an associate amounted to $41 million (2017: $39 million) for the total costs incurred in the provision or procurement of the general office administration and other support services and office facilities. The outstanding balance with the associate was $4 million (2017: $4 million).

29. Substantial shareholder of the Company

The Company is a Hong Kong listed company and its shares are widely held by the public. As at 31 December 2018, CK Infrastructure Holdings Limited ("CKI") held approximately 38.01% of the issued share capital of the Company. The Company has been informed by CKI on 10 January 2019 which it entered into a placing agreement with a placing agent to sell approximately 2.05% of the Company's issued share capital. Following the completion of the placing, CKI would hold approximately 35.96% of the Company's issued share capital. CKI remains a substantial shareholder of the Company.

30. Critical accounting judgements and estimates

The methods, estimates and judgements the Directors used in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements on matters that are inherently uncertain. In addition to notes 22 and 25 which contain information about the assumptions and their risk factors relating to valuation of defined benefit retirement scheme assets and liabilities and financial instruments, certain critical accounting judgements in applying the Group's accounting policies are described below.

(a) Impairment

In considering the impairment losses that may be required for the Group's assets which include property, plant and equipment, the recoverable amounts of the assets need to be determined. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. It is difficult to precisely estimate the fair value less costs to disposal because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant judgement. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount.

Any increase or decrease in impairment losses, recognised as set out above, would affect the net profit in future years.

(b) Associates

(i) CKI Spark Holdings No. One Limited holds a 51% attributable interest in Victoria Power Networks Pty Limited. Victoria Power Networks Pty Limited is the holding company of Powercor and CitiPower. Powercor operates and manages an electricity distribution business in western Victoria, Australia. CitiPower distributes electricity to the Melbourne Central business district. The Group holds 54.76% of CKI Spark Holdings No. One Limited but the Group does not have control or joint control over it and, therefore, it has been accounted for as an associate.

(ii) CKI Spark Holdings No. Two Limited holds a 51% attributable interest in SA Power Networks Partnership. SA Power Networks Partnership is the sole electricity distributor in South Australia. The Group holds 54.76% of CKI Spark Holdings No. Two Limited but the Group does not have control or joint control over it and, therefore, it has been accounted for as an associate.

31. Company-level Statement of Financial Position

	Note	2018 $ million	2017 $ million
Non-current assets			
Property, plant and equipment		**1**	1
Investments in subsidiaries	31(a)	**62,527**	79,214
		62,528	79,215
Current assets			
Trade and other receivables		**2**	1
Bank deposits and cash		**7**	89
		9	90
Current liabilities			
Trade and other payables		**(364)**	(335)
Net current liabilities		**(355)**	(245)
Total assets less current liabilities		**62,173**	78,970
Non-current liabilities			
Employee retirement benefit liabilities		**(143)**	(121)
Net assets		**62,030**	78,849
Capital and reserves			
Share capital	24(c)	**6,610**	6,610
Reserves		**55,420**	72,239
Total equity attributable to equity shareholders of the Company	31(b)	**62,030**	78,849

Approved and authorised for issue by the Board of Directors on 20 March 2019.

Tsai Chao Chung, Charles
Director

Chan Loi Shun
Director

(a) Investments in subsidiaries

Investments in subsidiaries included net amounts due from subsidiary companies totalling $49,771 million (2017: $66,864 million) which are unsecured, interest free and have no fixed repayment terms but the Company is unlikely to demand payment or repay these amounts within 12 months of the end of the reporting period.

Particulars of the principal subsidiaries at the end of the reporting period are set out in Appendix 2 on pages 156 to 157.

31. Company-level Statement of Financial Position (Continued)

(b) Total equity attributable to equity shareholders of the Company

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

$ million	Share capital (note 24(c))	Revenue reserve (note 24(d)(iii))	Proposed/ declared dividend (note 24(b))	Total
Balance at 1 January 2017	6,610	86,259	14,982	107,851
Changes in equity for 2017:				
Profit for the year	–	3,603	–	3,603
Other comprehensive income	–	27	–	27
Total comprehensive income	–	3,630	–	3,630
Special interim dividend in respect of the previous year declared and paid (see note 24(b)(ii))	–	–	(10,671)	(10,671)
Final dividend in respect of the previous year approved and paid (see note 24(b)(ii))	–	–	(4,311)	(4,311)
Interim dividend paid (see note 24(b)(i))	–	(1,643)	–	(1,643)
Special interim dividend paid (see note 24(b)(i))	–	(16,007)	–	(16,007)
Special interim dividend declared after the end of the reporting period (see note 24(b)(i))	–	(12,806)	12,806	–
Proposed final dividend (see note 24(b)(i))	–	(4,333)	4,333	–
Balance at 31 December 2017 and 1 January 2018	**6,610**	**55,100**	**17,139**	**78,849**
Change in equity for 2018:				
Profit for the year	**–**	**1,983**	**–**	**1,983**
Other comprehensive income	**–**	**(20)**	**–**	**(20)**
Total comprehensive income	**–**	**1,963**	**–**	**1,963**
Special interim dividend in respect of the previous year declared and paid (see note 24(b)(ii))	**–**	**–**	**(12,806)**	**(12,806)**
Final dividend in respect of the previous year approved and paid (see note 24(b)(ii))	**–**	**–**	**(4,333)**	**(4,333)**
Interim dividend paid (see note 24(b)(i))	**–**	**(1,643)**	**–**	**(1,643)**
Proposed final dividend (see note 24(b)(i))	**–**	**(4,333)**	**4,333**	**–**
Balance at 31 December 2018	**6,610**	**51,087**	**4,333**	**62,030**

The net profit of the Company is $1,983 million (2017: $3,603 million) and is included in determining the consolidated profit attributable to equity shareholders of the Company in the financial statements.

All of the Company's revenue reserve is available for distribution to equity shareholders. No special interim dividend declared during the reporting period (2017: $7.50 per ordinary share, amounting to $16,007 million). After the end of the reporting period, the Directors proposed a final dividend of $2.03 per ordinary share, amounting to $4,333 million. (2017: a special interim dividend of $6.00 per ordinary share, amounting to $12,806 million and a final dividend of $2.03 per ordinary share, amounting to $4,333 million).

32. Possible impact of amendments and new standards and interpretations issued but not yet effective for the year ended 31 December 2018

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
• HKFRS 16, *Leases*	1 January 2019
• HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019
• Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019
• Amendments to HKAS 28, *Long-term interests in associates and joint ventures*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the above developments are relevant to the Group's financial statements but the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

33. Comparative figures

Certain comparative figures in segment reporting have been reclassified to conform to current period's presentation.

The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

Appendix 1

Segment information

	2018							
		Investments						
$ million	Investment in HKEI	United Kingdom	Australia	Mainland China	Others	Sub-total	All other activities	Total
For the year ended 31 December								
Revenue								
Revenue	–	616	659	40	238	1,553	2	1,555
Other net income	–	–	–	–	7	7	54	61
Reportable segment revenue	–	616	659	40	245	1,560	56	1,616
Result								
Segment earnings	–	616	659	13	244	1,532	(227)	1,305
Depreciation and amortisation	–	–	–	–	–	–	(1)	(1)
Bank deposit interest income	–	–	–	–	–	–	224	224
Operating profit	–	616	659	13	244	1,532	(4)	1,528
Finance costs	–	51	(248)	–	3	(194)	–	(194)
Share of profits less losses of joint ventures and associates	1,018	3,393	1,055	460	397	5,305	33	6,356
Profit before taxation	1,018	4,060	1,466	473	644	6,643	29	7,690
Income tax	–	(15)	(15)	(4)	(20)	(54)	–	(54)
Reportable segment profit	1,018	4,045	1,451	469	624	6,589	29	7,636
At 31 December								
Assets								
Property, plant and equipment and leasehold land	–	–	–	–	–	–	14	14
Other assets	–	1,241	279	303	137	1,960	4,812	6,772
Interest in joint ventures and associates	16,493	31,345	19,081	2,035	10,462	62,923	6	79,422
Bank deposits and cash	–	–	–	–	–	–	5,229	5,229
Reportable segment assets	16,493	32,586	19,360	2,338	10,599	64,883	10,061	91,437
Liabilities								
Segment liabilities	–	(781)	(374)	(4)	(84)	(1,243)	(3,191)	(4,434)
Current and deferred taxation	–	–	22	–	(31)	(9)	–	(9)
Interest-bearing borrowings	–	–	(3,437)	–	–	(3,437)	–	(3,437)
Reportable segment liabilities	–	(781)	(3,789)	(4)	(115)	(4,689)	(3,191)	(7,880)

$ million	Investment in HKEI	United Kingdom (Restated)	Australia (Restated)	Mainland China	Others (Restated)	Sub-total	All other activities	Total
	2017							
		Investments						
For the year ended 31 December								
Revenue								
Revenue	–	531	614	39	235	1,419	1	1,420
Other net income	–	–	–	–	5	5	1,143	1,148
Reportable segment revenue	–	531	614	39	240	1,424	1,144	2,568
Result								
Segment earnings	–	531	614	13	239	1,397	647	2,044
Depreciation and amortisation	–	–	–	–	–	–	(2)	(2)
Bank deposit interest income	–	–	–	2	–	2	513	515
Operating profit	–	531	614	15	239	1,399	1,158	2,557
Finance costs	–	(86)	(191)	–	(18)	(295)	–	(295)
Share of profits less losses of joint ventures and associates	1,115	3,330	1,003	260	442	5,035	4	6,154
Profit before taxation	1,115	3,775	1,426	275	663	6,139	1,162	8,416
Income tax	–	11	(43)	(4)	(61)	(97)	–	(97)
Reportable segment profit	1,115	3,786	1,383	271	602	6,042	1,162	8,319
At 31 December								
Assets								
Property, plant and equipment and leasehold land	–	–	–	–	–	–	14	14
Other assets	–	324	129	69	16	538	38	576
Interest in joint ventures and associates	16,820	30,613	20,479	2,298	10,787	64,177	7	81,004
Bank deposits and cash	–	–	–	–	–	–	25,407	25,407
Reportable segment assets	16,820	30,937	20,608	2,367	10,803	64,715	25,466	107,001
Liabilities								
Segment liabilities	–	(92)	(774)	(4)	(248)	(1,118)	(2,989)	(4,107)
Current and deferred taxation	–	–	(27)	–	(64)	(91)	–	(91)
Interest-bearing borrowings	–	(2,619)	(3,679)	–	(925)	(7,223)	–	(7,223)
Reportable segment liabilities	–	(2,711)	(4,480)	(4)	(1,237)	(8,432)	(2,989)	(11,421)

(Expressed in Hong Kong dollars unless otherwise indicated)

Appendix 2

Principal subsidiaries

The following list contains only the particulars of subsidiaries as at 31 December 2018 which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Issued share capital	Percentage of equity held by the Company	Place of incorporation/ operation	Principal activity
Ace Keen Limited	US$1	100*	British Virgin Islands	Property holding
Associated Technical Services Limited	HK$1,000,000	100	Hong Kong	Consulting
Aqua Wealth Investments Limited	US$2	100	British Virgin Islands	Investment holding
Beta Central Profits Limited	GBP277,303,283	100*	United Kingdom	Investment holding
Champion Race Limited	US$1	100*	British Virgin Islands/ Hong Kong	Property holding
Cheer Venture Enterprises Limited	HK$4,602,240,001	100*	Hong Kong	Financing
Clear Eminent Limited	US$1	100	British Virgin Islands	Investment holding
Constant Wealth Limited	US$1	100	British Virgin Islands	Financing
Devin International Limited	US$2	100*	British Virgin Islands	Investment holding
Ellanby Green Limited	US$2	100*	British Virgin Islands	Financing
Goldteam Resources Limited	US$1 and NZ$203,250,000	100*	British Virgin Islands	Investment holding
Good Chain Investment Limited	HK$1,364,293,351	100*	Hong Kong	Investment holding
HEI Leting Limited	HK$1	100*	Hong Kong	Investment holding
HK Electric Investments Manager Limited	HK$1	100*	Hong Kong	Trust administration
Hon King Development Limited	HK$5,238,963,067	100	Hong Kong	Investment holding
Hong Kong Electric International Finance (Australia) Pty Ltd	A$71,686,777	100*	Australia	Financing
Hongkong Electric (Natural Gas) Limited	US$1	100	British Virgin Islands	Investment holding
Hongkong Electric Yunnan Dali Wind Power Company Limited	HK$1	100*	Hong Kong	Investment holding
Jewel Star Investment Limited	HK$1,283,443,709	100*	Hong Kong	Financing
Kentson Limited	US$2	100*	British Virgin Islands	Investment holding
Kind Eagle Investment Limited	HK$666,553,298	100	Hong Kong	Investment holding

* Indirectly held

Name of company	Issued share capital	Percentage of equity held by the Company	Place of incorporation/ operation	Principal activity
Mauve Blossom Limited	US$1	100*	British Virgin Islands	Investment holding
More Advance Development Limited	HK$331,801,191	100*	Hong Kong	Investment holding
Ocean Dawn Investments Limited	US$1	100	British Virgin Islands	Investment holding
Optimal Glory Limited	US$101	100*	British Virgin Islands/ Hong Kong	Investment holding
Outram Limited	US$1	100*	British Virgin Islands	Investment holding
PAH Canadian Midstream Assets Inc.	C$866,276	100*	Canada	Investment holding
PAH Canadian Midstream Assets Holdings Inc.	C$350,653,501	100*	Canada	Investment holding
PAH Gas Infrastructure Limited	GBP330,830,581	100*	United Kingdom	Investment holding
PAI Investment Holdings Limited	HK$2	100*	Hong Kong	Provision of management services
PAI International Power (Mauritius) Limited	US$2	100*	Mauritius	Investment holding
Popular Sky Investment Limited	HK$1 and GBP193,500,000	100*	Hong Kong	Investment holding
Power Assets Investments Limited	US$50,901	100	British Virgin Islands	Investment holding
Precious Glory Limited	HK$11,012,527,147	100*	Hong Kong	Investment holding and financing
Quick Reach International Limited	US$1	100*	British Virgin Islands	Financing
Quickview Limited	US$1	100	British Virgin Islands	Investment holding
Sigerson Business Corp.	US$101	100*	British Virgin Islands	Investment holding
Smarter Corporate Limited	US$1	100*	British Virgin Islands	Property holding
Sparkle Gain Investment Limited	HK$5,238,963,067	100*	Hong Kong	Investment holding
Superb Year Limited	US$2	100*	British Virgin Islands	Investment holding
Vanora Holdings Limited	US$1	100*	British Virgin Islands	Financing
Well Joint Investment Limited	HK$2,457,616,097	100*	Hong Kong	Investment holding

* Indirectly held

(Expressed in Hong Kong dollars unless otherwise indicated)

Appendix 3

Principal joint ventures

The following list contains only the particulars of joint ventures as at 31 December 2018 which principally affected the results or assets of the Group:

Name of joint venture	Issued or registered share capital	Percentage of the Group's effective interest	Place of incorporation/ operation	Principal activity	Measurement method
Australian Gas Networks Limited (note (a))	A$879,082,753	27.51%	Australia	Gas distribution	Equity
AVR-Afvalverwerking B.V. (note (b))	EUR1	20%	The Netherlands	Producing energy from waste	Equity
Canadian Power Holdings Inc. (note (c))	C$147,000,000 Ordinary shares	50%	Canada	Electricity generation	Equity
CK William UK Holdings Limited (notes (d) & (e))	GBP2,049,000,000	20%	United Kingdom	Investment holding	Equity
Electricity First Limited (note (f))	GBP1,004	50%	United Kingdom	Electricity generation	Equity
Guangdong Zhuhai Jinwan Power Company Limited (note (g))	RMB822,250,000 and US$83,340,993	45%	People's Republic of China	Electricity generation	Equity
Guangdong Zhuhai Power Station Company Limited (note (h))	RMB456,000,000 and US$9,638,222	45%	People's Republic of China	Electricity generation	Equity
Husky Midstream Limited Partnership (note (i))	C$1,153,845,000 Class A units C$621,301,154 Class B units C$1,776,923 General Partnership Interest	48.75%	Canada	Oil pipelines, storage facilities and ancillary assets operation	Equity
Iberwind–Desenvolvimento e Projectos, S.A. (note (j))	EUR50,000	50%	Portugal	Generation and sale of wind energy	Equity
Northern Gas Networks Holdings Limited (note (k))	GBP71,670,980	41.29%	United Kingdom	Gas distribution	Equity
Transmission Operations (Australia) Pty Limited (note (l))	A$20,979,350	50%	Australia	Electricity transmission	Equity
Transmission Operations (Australia) 2 Pty Limited (note (l))	A$10,382,000	50%	Australia	Electricity transmission	Equity
UK Power Networks Holdings Limited (note (m))	GBP6,000,000 A Ordinary shares GBP4,000,000 B Ordinary shares GBP360,000,000 A Preference shares GBP240,000,000 B Preference shares	40%	United Kingdom	Electricity distribution	Equity

Name of joint venture	Issued or registered share capital	Percentage of the Group's effective interest	Place of incorporation/ operation	Principal activity	Measurement method
Wales & West Gas Networks (Holdings) Limited (note (n))	GBP29,027	30%	United Kingdom	Gas distribution	Equity
Wellington Electricity Distribution Network Limited (note (o))	NZ$406,500,100	50%	New Zealand	Electricity distribution	Equity

Notes:

(a) Australian Gas Networks Limited owns strategic gas distribution networks and transmission pipelines that operate in South Australia, Victoria, Queensland, New South Wales and the Northern Territory.

(b) AVR-Afvalverwerking B.V. is owned by Dutch Enviro Energy Holdings B.V., which is principally engaged in the business of waste processing and production and supply of renewable energy from the incineration of waste.

(c) Canadian Power Holdings Inc. holds a 49.99% partnership interest in TransAlta Cogeneration L.P. which owns interests in four gas-fired cogeneration facilities in Alberta and Ontario, Canada and in a coal-fired, generation facility in Alberta, Canada. Canadian Power Holdings Inc. also holds a 100% interest in the Meridian gas-fired combined cycle cogeneration plant in Saskatchewan, Canada.

(d) CK William UK Holdings Limited owns 100% 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 businesses in Australia.

(e) CK William UK Holdings Limited owns 66% interests in United Energy Distribution Holdings Pty Limited, which operates an energy distribution business in Australia.

Appendix 3 (Continued)

Principal joint ventures (Continued)

(f) Electricity First Limited holds a 50% stake in Seabank Power Limited, an electricity-generating company located near Bristol in the United Kingdom.

(g) Guangdong Zhuhai Jinwan Power Company Limited ("Jinwan Power") owns and operates power plants in the People's Republic of China.

(h) Guangdong Zhuhai Power Station Company Limited ("Zhuhai Power") owns and operates power plants in the People's Republic of China.

(i) Husky Midstream Limited Partnership was established in 2016 to assume ownership of midstream pipeline and terminal assets in the Lloydminster region of Alberta and Saskatchewan, Canada. Its asset portfolio includes oil pipeline, storage facilities and other ancillary assets.

(j) Iberwind–Desenvolvimento e Projectos, S.A. is owned by Portugal Renewable Energy–PTRW, Unipessoal Lda., which is engaged in generation and sale of wind energy from wind power in Portugal.

(k) Northern Gas Networks Holdings Limited operates a gas distribution network in the north of England.

(l) Australian Energy Operations Pty Ltd is the holding company of Transmission Operations (Australia) Pty Limited and Transmission Operations (Australia) 2 Pty Limited, which businesses include the design, build, own and operate transmission lines and associate terminal stations to transport the electricity generated from the Mt. Mercer Wind Farm and the Ararat Wind Farm in Victoria, Australia to the main power grid.

(m) UK Power Networks Holdings Limited owns and operates three regulated electricity distribution networks in the United Kingdom that cover London, South East England and East England. The power networks also include certain non-regulated electricity distribution businesses, which consist predominantly of commercial contracts to distribute electricity to a number of privately owned sites.

(n) Wales & West Gas Networks (Holdings) Limited is engaged in gas distribution in Wales and the South West of England.

(o) Wellington Electricity Distribution Network Limited supplies electricity to Wellington, Porirua and Hutt Valley regions of New Zealand.

Appendix 4

Principal associates

The following list contains only the particulars of associates as at 31 December 2018 which principally affected the results or assets of the Group:

Name of associate	Issued share capital	Percentage of the Group's effective interest	Place of incorporation/ operation	Principal activity	Measurement method
HK Electric Investments and HK Electric Investments Limited (note (a))	8,836,200,000 Share Stapled Units being the combination of 8,836,200,000 Units, HK$4,418,100 Ordinary shares and HK$4,418,100 Preference shares	33.37%	Cayman Islands/ Hong Kong	Investment holding	Equity
Huaneng Hongkong Electric Dali Wind Power Company Limited (note (b))	RMB150,690,000	45%	People's Republic of China	Electricity generation	Equity
Huaneng Laoting Wind Power Company Limited (note (c))	RMB185,280,000	45%	People's Republic of China	Electricity generation	Equity
Ratchaburi Power Company Limited (note (d))	THB7,325,000,000	25%	Thailand	Electricity generation	Equity
SA Power Networks Partnership (note (e))	N/A	27.93%	Australia	Electricity distribution	Equity
Secan Limited	HK$10	20%	Hong Kong	Property development	Equity
Victoria Power Networks Pty Limited (note (f))	A$315,498,640	27.93%	Australia	Electricity distribution	Equity

Notes:

(a) HK Electric Investments and HK Electric Investments Limited collectively ("HKEI") holds 100% of The Hongkong Electric Company, Limited ("HK Electric"). HK Electric is responsible for the generation, transmission, distribution and supply of electricity to Hong Kong and Lamma Islands.

(b) Huaneng Hongkong Electric Dali Wind Power Company Limited is engaged in wind power development, operation, management and supply of electricity in the People's Republic of China.

(c) Huaneng Laoting Wind Power Company Limited is engaged in wind power development, operation, management and supply of electricity in the People's Republic of China.

(d) Ratchaburi Power Company Limited is engaged in the development, financing, operation and maintenance of a power generating station in Thailand.

(e) SA Power Networks Partnership operates and manages the electricity distribution business in the state of South Australia in Australia.

(f) Victoria Power Networks Pty Limited is the holding company of Powercor Australia Limited ("Powercor") and The CitiPower Trust Limited ("CitiPower"). Powercor operates and manages an electricity distribution business in western Victoria, Australia. CitiPower distributes electricity to the Melbourne Central business district in Australia.

FIVE-YEAR GROUP PROFIT SUMMARY AND GROUP STATEMENT OF FINANCIAL POSITION

Five-Year Group Profit Summary

HK$ million	**2018**	2017	2016	2015	2014
Revenue	**1,555**	1,420	1,288	1,308	2,131
Operating profit	**1,528**	2,557	252	1,238	54,571
Finance costs	**(194)**	(295)	(248)	(264)	(434)
Share of profits less losses of joint ventures and associates	**6,356**	6,154	6,401	6,747	6,961
Profit before taxation	**7,690**	8,416	6,405	7,721	61,098
Income tax	**(54)**	(97)	12	11	(13)
Profit after taxation	**7,636**	8,319	6,417	7,732	61,085
Scheme of Control transfers	**–**	–	–	–	(80)
Profit attributable to equity shareholders of the Company	**7,636**	8,319	6,417	7,732	61,005

Five-Year Group Statement of Financial Position

HK$ million	**2018**	2017	2016	2015	2014
Property, plant and equipment and leasehold land	**14**	14	29	30	32
Interest in joint ventures and associates	**79,422**	81,004	66,941	66,548	74,066
Other non-current financial assets	**5,100**	67	67	67	67
Other non-current assets	**1,426**	342	869	170	8
Net current assets	**1,403**	18,742	59,230	66,424	59,401
Total assets less current liabilities	**87,365**	100,169	127,136	133,239	133,574
Non-current liabilities	**(3,808)**	(4,589)	(8,725)	(9,642)	(10,486)
Net assets	**83,557**	95,580	118,411	123,597	123,088
Share capital	**6,610**	6,610	6,610	6,610	6,610
Reserves	**76,947**	88,970	111,801	116,987	116,478
Capital and reserves	**83,557**	95,580	118,411	123,597	123,088

CORPORATE INFORMATION

Board of Directors

Executive Directors

FOK Kin Ning, Canning *(Chairman)*
TSAI Chao Chung, Charles *(Chief Executive Officer)*
CHAN Loi Shun
Andrew John HUNTER
Neil Douglas MCGEE
WAN Chi Tin

Non-executive Director

LI Tzar Kuoi, Victor

Independent Non-executive Directors

IP Yuk-keung, Albert
Ralph Raymond SHEA
WONG Chung Hin
WU Ting Yuk, Anthony

Audit Committee

WONG Chung Hin *(Chairman)*
IP Yuk-keung, Albert
Ralph Raymond SHEA

Remuneration Committee

WONG Chung Hin *(Chairman)*
FOK Kin Ning, Canning
Ralph Raymond SHEA

Nomination Committee

FOK Kin Ning, Canning *(Chairman)*
TSAI Chao Chung, Charles
CHAN Loi Shun
Andrew John HUNTER
Neil Douglas MCGEE
WAN Chi Tin
LI Tzar Kuoi, Victor
IP Yuk-keung, Albert
Ralph Raymond SHEA
WONG Chung Hin
WU Ting Yuk, Anthony

Company Secretary

Alex NG

Principal Bankers

Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
MUFG Bank, Ltd.

Auditor

KPMG

Website

www.powerassets.com

Registered Office

Unit 2005, 20th Floor, Cheung Kong Center,
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Telephone: (852) 2122 9122
Facsimile: (852) 2180 9708
Email: mail@powerassets.com

Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716,
17th Floor, Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong
Website: www.computershare.com
Email: hkinfo@computershare.com.hk

ADR (Level 1 Programme) Depositary

Citibank, N.A.
Shareholder Services
P.O. Box 43077, Providence,
Rhode Island 02940-3077, U.S.A.
Website: www.citi.com/dr
Email: citibank@shareholders-online.com

Investor Relations

For institutional investors, please contact:
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Ivan CHAN *(Chief Financial Officer)*

For other investors, please contact:
Alex NG *(Company Secretary)*

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FINANCIAL CALENDAR AND SHARE INFORMATION

Financial Calendar

Interim Results Announcement	26 July 2018
Annual Results Announcement	20 March 2019
Annual Report Despatch Date	On or before 8 April 2019
Closure of Register of Members – Annual General Meeting	9 May 2019 to 15 May 2019 (both days inclusive)
Annual General Meeting	15 May 2019
Ex-dividend Date	20 May 2019
Record Date for Final Dividend	21 May 2019
Dividend per Share	
Interim : HK$0.77	5 September 2018
Final : HK$2.03	30 May 2019

Share Information

Board Lot	500 shares
Market Capitalisation as at 31 December 2018	HK$116,317 million
Ordinary Share to ADR ratio	1:1

Stock Codes

The Stock Exchange of Hong Kong Limited	6
Bloomberg	6 HK
Thomson Reuters	0006.HK
ADR Ticker Symbol	HGKGY
CUSIP Number	739197200

This Annual Report has been printed in both the English and Chinese languages. If shareholders who have received an English copy of this Annual Report wish to obtain a Chinese copy, or vice versa, they may request for it by writing to the share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

This Annual Report has been posted in both the English and Chinese languages on the Company's website at www.powerassets.com. If, for any reason, shareholders who have chosen (or are deemed to have consented) to receive corporate communications through the Company's website have difficulty in gaining access to the Annual Report, they may request that a printed copy of this Annual Report be sent to them free of charge by mail.

Shareholders may at any time change their choice of language of all future corporate communications, or choose to receive all future corporate communications either in printed form or through the Company's website, by writing to the Company at Unit 2005, 20th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong or to the share registrar, Computershare Hong Kong Investor Services Limited at the address above-mentioned or by emailing to the Company's email address at mail@powerassets.com.

Power Assets Holdings Ltd.
電能實業有限公司

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