



# 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 2019 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.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 2. Significant accounting policies (Continued)

### (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)(ii)).

### (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)(ii)). 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.

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 (after applying the ECL model to such other long-term interests where applicable (see note 2(l)(i))).

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 (see note 2(g)).

#### (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)(ii)). 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)(ii)).

#### (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.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 2. Significant accounting policies (Continued)

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

#### 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.

### (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).

### (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.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 2. Significant accounting policies (Continued)

#### (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)).
- (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.
- (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) Interest in leasehold land held for own use where the Group is the registered owner of the property interest are 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)(ii)).
- (v) The cost of acquiring leasehold land 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
Interests in buildings situated on leasehold land	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**

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

**(A) Policy applicable from 1 January 2019**

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation (see note 2(j)(vi)), amortisation (see note 2(j)(v)) and impairment losses (see note 2(l)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

On the Group's consolidated statement of financial position, right-of-use asset has been included in property, plant and equipment and leasehold land and lease liabilities have been included in bank loans and other interest-bearing borrowings.

**(B) Policy applicable prior to 1 January 2019**

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

## 2. Significant accounting policies (Continued)

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

#### (i) Credit losses from financial instruments

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

Other 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.



*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.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 2. Significant accounting policies (Continued)

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

#### (i) Credit losses from financial instruments (Continued)

##### *Basis of calculation of interest income (Continued)*

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.

#### (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.

### (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.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 2. Significant accounting policies (Continued)

### (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 (see note 2(l)(i)).

### (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.

**(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.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 2. Significant accounting policies (Continued)

### (r) Income tax (Continued)

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.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 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 new HKFRS, HKFRS 16, *Leases*, and a number of 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 16, *Leases*
- HK(IFRIC) 23, *Uncertainty over income tax treatments*
- Annual Improvements to HKFRSs 2015-2017 Cycle
- Amendments to HKAS 28, *Long-term interests in associates and joint ventures*

The adoption of HKFRS 16, *Leases* and these amendments does not have a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not effective for the current accounting period.

#### (b) HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a Lease*, HK(SIC) 15, *Operating Leases-Incentives* and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

##### (i) Changes in accounting policies

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. For an explanation of how the Group applies lessee accounting, see note 2(k).

##### (ii) Transition

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

On transition, the Group recognised right-of-use assets and lease liabilities for the leases previously classified as operating leases. The Group measures the carrying amount of right-of-use asset for a lease as if HKFRS 16 had always been applied since the commencement date, but using a discount rate based on a relevant incremental borrowing rate at the date of initial application. The weighted average incremental borrowing rate applied to the lease liability recognised under HKFRS 16 was 2.9%.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 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.

	2019 \$ million	2018 \$ million
Interest income	1,305	1,513
Dividend income	43	40
Others	–	2
	<b>1,348</b>	1,555
Share of revenue of joint ventures	<b>17,793</b>	19,454

### 5. Other net income

	2019 \$ million	2018 \$ million
Interest income on financial assets measured at amortised cost	111	224
Net exchange loss	(25)	(9)
Sundry income	496	70
	<b>582</b>	285

### 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 148 to 149.

## 7. Other operating costs

	2019 \$ million	2018 \$ million
Staff costs	29	27
Depreciation	2	1
Cost of services and investment related expenses	139	283
	<b>170</b>	<b>311</b>

## 8. Finance costs

	2019 \$ million	2018 \$ million
Interest on borrowings and other finance costs	96	194

## 9. Profit before taxation

	2019 \$ million	2018 \$ 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	2	1
– other auditors	6	2

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

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

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

	2019 \$ million	2018 \$ million
<b>Current tax – operations outside Hong Kong</b>		
Provision for the year	22	62
<b>Deferred tax</b> (see note 23(b))		
Origination and reversal of temporary differences	21	(8)
	<b>43</b>	54

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:

	2019 \$ million	2018 \$ million
Profit before taxation	7,174	7,690
Less: Share of profits less losses of joint ventures	(4,186)	(4,668)
Share of profits less losses of associates	(1,324)	(1,688)
	<b>1,664</b>	1,334
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	274	218
Tax effect of non-deductible expenses	15	61
Tax effect of non-taxable income	(253)	(232)
Tax effect of unused tax losses not recognised	7	7
Actual tax expense	<b>43</b>	54

## 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 <sup>(10)</sup> \$ million	Retirement scheme contributions \$ million	Bonuses \$ million	2019 Total emoluments \$ million	2018 Total emoluments \$ million
<b>Executive Directors</b>						
Fok Kin Ning, Canning <sup>(3)(4)</sup> <i>Chairman</i>	0.12	–	–	–	0.12	0.12
Tsai Chao Chung, Charles <sup>(5)</sup> <i>Chief Executive Officer</i>	0.07	3.39	0.50	0.96	4.92	4.91
Chan Loi Shun <sup>(6)(9)</sup>	0.07	5.32	–	–	5.39	5.14
Andrew John Hunter	0.07	0.10	–	–	0.17	0.15
Neil Douglas McGee	0.07	–	–	–	0.07	0.07
Wan Chi Tin <sup>(7)</sup>	0.07	–	–	–	0.07	0.07
<b>Non-executive Directors</b>						
Victor T K Li <sup>(8)</sup>	0.07	–	–	–	0.07	0.07
Ip Yuk-keung, Albert <sup>(1)(2)</sup>	0.14	–	–	–	0.14	0.14
Ralph Raymond Shea <sup>(1)(2)(3)</sup>	0.16	–	–	–	0.16	0.16
Wong Chung Hin <sup>(1)(2)(3)</sup>	0.16	–	–	–	0.16	0.16
Wu Ting Yuk, Anthony <sup>(1)</sup>	0.07	–	–	–	0.07	0.07
<b>Total for the year 2019</b>	<b>1.07</b>	<b>8.81</b>	<b>0.50</b>	<b>0.96</b>	<b>11.34</b>	
Total for the year 2018	1.07	8.44	0.48	1.07		11.06

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 THB446,250 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 THB446,250 from Ratchaburi Power Company Limited and \$3,241,720 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 \$5,386,000 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.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 11. Directors' emoluments and senior management remuneration (Continued)

The five highest paid individuals of the Group included two directors (2018: two) whose total emoluments are shown above. The remuneration of the other three individuals (2018: three) who comprises the five highest paid individuals of the Group is set out below:

	2019 \$ million	2018 \$ million
Salary and other benefits	9.1	8.5
Retirement scheme contributions	0.4	0.4
	<b>9.5</b>	8.9

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

	2019 Number	2018 Number
\$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:

	2019 \$ million	2018 \$ million
Short-term employee benefits	23	22
Post-employment benefits	1	1
	<b>24</b>	23

At 31 December 2019 and 2018, 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 \$7,131 million (2018: \$7,636 million) and 2,134,261,654 ordinary shares (2018: 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 2019 and 2018.

## 13. Property, plant and equipment and leasehold land

\$ million	Ownership interests in buildings held for own use	Plant, machinery and equipment	Sub-total	Ownership interests in leasehold land held for own use	Other properties leased for own use	Total
<b>Cost:</b>						
At 1 January 2018	1	4	5	13	–	18
Additions	–	1	1	–	–	1
Disposals	–	(1)	(1)	–	–	(1)
<b>At 31 December 2018</b>	<b>1</b>	<b>4</b>	<b>5</b>	<b>13</b>	<b>–</b>	<b>18</b>
Impact on initial application of HKFRS 16	–	–	–	–	7	7
<b>Adjusted cost at 1 January 2019 and cost at 31 December 2019</b>	<b>1</b>	<b>4</b>	<b>5</b>	<b>13</b>	<b>7</b>	<b>25</b>
<b>Accumulated amortisation and depreciation:</b>						
At 1 January 2018	–	3	3	1	–	4
Written back on disposals	–	(1)	(1)	–	–	(1)
Charge for the year	–	1	1	–	–	1
<b>At 31 December 2018 and 1 January 2019</b>	<b>–</b>	<b>3</b>	<b>3</b>	<b>1</b>	<b>–</b>	<b>4</b>
Charge for the year	–	–	–	–	2	2
<b>At 31 December 2019</b>	<b>–</b>	<b>3</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>6</b>
<b>Net book value:</b>						
<b>At 31 December 2019</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>12</b>	<b>5</b>	<b>19</b>
At 31 December 2018	1	1	2	12	–	14

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 14. Interest in joint ventures

	2019 \$ million	2018 \$ million
Share of net assets of unlisted joint ventures	46,910	42,893
Loans to unlisted joint ventures (see note below)	12,722	12,713
Amounts due from unlisted joint ventures (see note below)	96	91
	<b>59,728</b>	55,697
Share of total assets of unlisted joint ventures	<b>137,701</b>	127,200

The loans to unlisted joint ventures are unsecured, interest bearing at rates ranging from 4.3% per annum to 11.0% per annum (2018: 4.6% 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 \$9,322 million (2018: \$9,393 million). The rights in respect of these loans are subordinated to the rights of any other lenders to the joint ventures.

The amounts due from unlisted joint ventures are unsecured, interest free and have no fixed repayment terms.

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 152 to 153.

#### (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	
	2019 \$ million	2018 \$ million	2019 \$ million	2018 \$ million	2019 \$ million	2018 \$ million	2019 \$ million	2018 \$ million	2019 \$ million	2018 \$ million	2019 \$ million	2018 \$ million
Current assets	6,795	3,961	4,059	3,375	3,730	2,528	346	338	1,015	671	3,341	2,800
Non-current assets	132,638	122,879	31,446	29,686	38,841	37,072	31,015	31,135	18,004	16,550	88,812	88,388
Current liabilities	(9,738)	(7,789)	(5,647)	(5,422)	(1,191)	(2,045)	(766)	(1,121)	(966)	(888)	(8,677)	(9,046)
Non-current liabilities	(72,421)	(67,850)	(19,567)	(18,042)	(38,517)	(36,056)	(17,877)	(17,442)	(6,291)	(4,794)	(64,216)	(62,854)



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	
	2019 \$ million	2018 \$ million	2019 \$ million	2018 \$ million	2019 \$ million	2018 \$ million	2019 \$ million	2018 \$ million	2019 \$ million	2018 \$ million	2019 \$ million	2018 \$ million
Cash and cash equivalents	3,244	979	115	115	2,811	1,822	52	22	512	90	818	512
Current financial liabilities (excluding trade and other payables and provisions)	(978)	(894)	(630)	(1,101)	-	(1,034)	(907)	(602)	(64)	-	(5,666)	(5,692)
Non-current financial liabilities (excluding trade and other payables and provisions)	(59,071)	(55,207)	(16,363)	(15,001)	(34,139)	(31,921)	(16,263)	(16,117)	(6,132)	(4,713)	(56,050)	(55,028)

	UK Power Networks		Northern Gas Networks		Wales & West Gas Networks		Australian Gas Networks		Husky Midstream L.P.		CK William	
	2019 \$ million	2018 \$ million	2019 \$ million	2018 \$ million	2019 \$ million	2018 \$ million	2019 \$ million	2018 \$ million	2019 \$ million	2018 \$ million	2019 \$ million	2018 \$ million
Revenue	15,832	18,623	4,763	4,578	4,777	4,602	3,348	3,452	1,866	1,779	10,418	10,936
Profit from continuing operations	5,295	7,173	1,498	1,578	705	221	885	966	343	484	1,223	810
Other comprehensive income for the year	1,850	1,157	(223)	351	540	401	(282)	(63)	(70)	(52)	(412)	(291)
Total comprehensive income for the year	7,145	8,330	1,275	1,929	1,245	622	603	903	273	432	811	519
Dividends received from the joint ventures during the year	953	1,014	329	311	-	-	104	284	402	440	-	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	
	2019 \$ million	2018 \$ million	2019 \$ million	2018 \$ million	2019 \$ million	2018 \$ million	2019 \$ million	2018 \$ million	2019 \$ million	2018 \$ million	2019 \$ million	2018 \$ million
Depreciation and amortisation	(2,681)	(2,592)	(843)	(788)	(825)	(874)	(615)	(630)	(813)	(613)	(2,482)	(2,804)
Interest income	287	302	6	-	22	13	2	3	7	8	19	14
Interest expense	(2,533)	(2,771)	(627)	(741)	(1,404)	(1,562)	(646)	(655)	(193)	(172)	(2,302)	(2,771)
Income tax (expense)/credit	(1,196)	(1,585)	(343)	26	(181)	(161)	(448)	(486)	(3)	3	(718)	(585)

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 14. Interest in joint ventures (Continued)

#### (a) Summarised financial information of material joint ventures (Continued)

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	
	2019 \$ million	2018 \$ million	2019 \$ million	2018 \$ million	2019 \$ million	2018 \$ million	2019 \$ million	2018 \$ million	2019 \$ million	2018 \$ million	2019 \$ million	2018 \$ million
Net assets of the joint ventures	<b>57,274</b>	51,201	<b>10,291</b>	9,597	<b>2,863</b>	1,499	<b>12,718</b>	12,910	<b>11,762</b>	11,539	<b>19,260</b>	19,288
Group's effective interest	<b>40.0%</b>	40.0%	<b>41.29%</b>	41.29%	<b>36.0%*</b>	30.0%	<b>27.51%</b>	27.51%	<b>48.75%</b>	48.75%	<b>20.0%</b>	20.0%
Group's share of net assets of the joint ventures	<b>22,909</b>	20,481	<b>4,249</b>	3,962	<b>1,031</b>	449	<b>3,499</b>	3,553	<b>5,734</b>	5,625	<b>3,852</b>	3,858
Consolidation adjustments	<b>66</b>	63	–	–	<b>234</b>	–	–	–	<b>(95)</b>	(150)	<b>322</b>	295
Carrying amount of the Group's interest in the joint ventures	<b>22,975</b>	20,544	<b>4,249</b>	3,962	<b>1,265</b>	449	<b>3,499</b>	3,553	<b>5,639</b>	5,475	<b>4,174</b>	4,153

\* Additional 6% interest on Wales & West Gas Networks was recognised upon the completion of the supplemental agreement on economic benefits agreement on 30 December 2019. Before the completion, the share of results are calculated based on effective interest of 30% (see note 28(a)(ii)).

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

	2019 \$ million	2018 \$ million
The Group's share of net assets	<b>5,109</b>	4,757
The Group's share of profit from continuing operations	<b>583</b>	418
The Group's share of other comprehensive income	<b>63</b>	41
The Group's share of total comprehensive income	<b>646</b>	459

## 15. Interest in associates

	2019 \$ million	2018 \$ million
Share of net assets		
– Listed associate	<b>16,403</b>	16,493
– Unlisted associates	<b>6,590</b>	3,733
	<b>22,993</b>	20,226
Loans to unlisted associates (see note below)	<b>3,320</b>	3,404
Amounts due from associates (see note below)	<b>101</b>	95
	<b>26,414</b>	23,725

The market value (level 1 fair value measurement (see note 25(f))) of above listed associate, HKEI, at 31 December 2019 is \$22,648 million (2018: \$23,297 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 11.2% per annum (2018: 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.

The amounts due from associates are unsecured, interest free and have no fixed repayment terms.

At 31 December 2019, the Group's interest in an associate of \$182 million (2018: \$232 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 154.

### (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	
	2019 \$ million	2018 \$ million	2019 \$ million	2018 \$ million	2019 \$ million	2018 \$ million
Current assets	<b>2,178</b>	2,051	<b>1,687</b>	1,858	<b>2,076</b>	1,752
Non-current assets	<b>107,539</b>	105,843	<b>39,091</b>	38,588	<b>48,892</b>	49,143
Current liabilities	<b>(10,247)</b>	(3,879)	<b>(4,665)</b>	(9,012)	<b>(7,976)</b>	(8,531)
Non-current liabilities	<b>(50,998)</b>	(55,272)	<b>(33,297)</b>	(27,971)	<b>(34,686)</b>	(34,020)

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 15. Interest in associates (Continued)

#### (a) Summarised financial information of material associates (Continued)

	HKEI		SA Power Networks		Victoria Power Networks	
	2019 \$ million	2018 \$ million	2019 \$ million	2018 \$ million	2019 \$ million	2018 \$ million
Revenue	<b>10,739</b>	11,612	<b>6,381</b>	6,718	<b>7,842</b>	8,075
Profit from continuing operations	<b>2,327</b>	3,051	<b>655</b>	877	<b>1,472</b>	1,339
Other comprehensive income for the year	<b>586</b>	(490)	<b>(673)</b>	(193)	<b>(544)</b>	(161)
Total comprehensive income for the year	<b>2,913</b>	2,561	<b>(18)</b>	684	<b>928</b>	1,178
Dividends received from the associates during the year	<b>1,063</b>	1,181	<b>93</b>	123	<b>180</b>	–

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	
	2019 \$ million	2018 \$ million	2019 \$ million	2018 \$ million	2019 \$ million	2018 \$ million
Net assets of the associates	<b>48,472</b>	48,743	<b>2,816</b>	3,463	<b>8,306</b>	8,344
Group's effective interest	<b>33.37%</b>	33.37%	<b>27.93%</b>	27.93%	<b>27.93%</b>	27.93%
Group's share of net assets of the associates	<b>16,177</b>	16,267	<b>787</b>	967	<b>2,319</b>	2,330
Consolidation adjustments	<b>226</b>	226	–	–	–	–
Carrying amount of the Group's interest in the associates	<b>16,403</b>	16,493	<b>787</b>	967	<b>2,319</b>	2,330

#### (b) Aggregate information of associates that are not individually material

	2019 \$ million	2018 \$ million
The Group's share of net assets	<b>3,484</b>	436
The Group's share of (loss)/profit from continuing operations	<b>(47)</b>	51
The Group's share of other comprehensive income	–	1
The Group's share of total comprehensive income	<b>(47)</b>	52

## 16. Other non-current financial assets

	2019 \$ million	2018 \$ million
Financial assets measured at FVPL		
– unlisted equity securities	303	303
– other investments (see note 28(a)(ii))	797	4,797
	<b>1,100</b>	5,100

## 17. Trade and other receivables

	2019 \$ million	2018 \$ million
Trade debtors (see note below)	–	1
Interest and other receivables	137	72
	<b>137</b>	73
Derivative financial instruments (see note 21)	–	86
Deposits and prepayments	2	87
	<b>139</b>	246

Trade with customers is carried out on credit and invoices are normally due within one month after issued. All of the trade and other receivables are expected to be recovered within one year. 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:

	2019 \$ million	2018 \$ million
Deposits with banks and other financial institutions with 3 months or less to maturity when placed	3,127	4,794
Cash at bank and on hand	112	435
Cash and cash equivalents in the consolidated cash flow statement	<b>3,239</b>	5,229
Deposits with banks and other financial institutions with more than 3 months to maturity when placed	1,637	–
Bank deposits and cash in the consolidated statement of financial position	<b>4,876</b>	5,229

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 18. Bank deposits and cash and other cash flow information (Continued)

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	2019 \$ million	2018 \$ million
Profit before taxation		<b>7,174</b>	7,690
Adjustments for:			
Share of profits less losses of joint ventures		<b>(4,186)</b>	(4,668)
Share of profits less losses of associates		<b>(1,324)</b>	(1,688)
Interest income	4,5	<b>(1,416)</b>	(1,737)
Dividend income from unlisted equity securities	4	<b>(43)</b>	(40)
Finance costs	8	<b>96</b>	194
Depreciation	7	<b>2</b>	1
Exchange losses/(gains)		<b>265</b>	(51)
Changes in working capital:			
Increase in trade and other receivables		<b>(147)</b>	(79)
Increase in trade and other payables		<b>113</b>	1,507
Decrease in amounts due from joint ventures		<b>12</b>	30
Increase in net employee retirement benefit liabilities		<b>2</b>	2
Cash generated from operations		<b>548</b>	1,161

**(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 – liabilities	Total
At 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
<b>At 31 December 2018</b>	<b>3,437</b>	<b>80</b>	<b>3,517</b>
Impact on initial application of HKFRS 16	7	–	7
<b>At 1 January 2019</b>	<b>3,444</b>	<b>80</b>	<b>3,524</b>
Changes from financing cash flows:			
Capital element of lease rentals paid	(2)	–	(2)
Exchange adjustments	(118)	1	(117)
Changes in fair values	–	173	173
<b>At 31 December 2019</b>	<b>3,324</b>	<b>254</b>	<b>3,578</b>

**19. Trade and other payables**

	2019 \$ million	2018 \$ million
Creditors measured at amortised cost (see note below)	4,165	4,063
Derivative financial instruments (see note 21)	111	–
	<b>4,276</b>	4,063

All of the trade and other payables are expected to be settled within one year.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 19. Trade and other payables (Continued)

Creditors' ageing is analysed as follows:

	2019 \$ million	2018 \$ million
Due within 1 month or on demand	752	768
Due after 1 month but within 3 months	72	19
Due after 3 months but within 12 months	3,341	3,276
	<b>4,165</b>	4,063

### 20. Non-current bank loans and other interest-bearing borrowings

	2019 \$ million	2018 \$ million
Non-current bank loans	3,319	3,437
Lease liabilities	5	–
Current portion of lease liabilities	(3)	–
	2	–
	<b>3,321</b>	3,437

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 2019 and 2018, 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:

	2019 \$ million	2018 \$ million
Within 1 year to 2 years	3,321	–
After 2 years but within 5 years	–	3,437



## 21. Derivative financial instruments

	2019		2018	
	Assets \$ million	Liabilities \$ million	Assets \$ million	Liabilities \$ million
<b>Derivative financial instruments used for hedging:</b>				
Cash flow hedges				
Interest rate swaps	–	(254)	–	(80)
Forward foreign exchange contracts	–	(4)	–	–
Net investment hedges				
Cross currency swaps	473	(34)	522	(69)
Forward foreign exchange contracts	739	(117)	939	(79)
	<b>1,212</b>	<b>(409)</b>	1,461	(228)
Analysed as:				
Current	–	(111)	86	–
Non-current	<b>1,212</b>	<b>(298)</b>	1,375	(228)
	<b>1,212</b>	<b>(409)</b>	1,461	(228)

## 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.

## 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”)

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 2019 was determined in accordance with HKAS 19 (2011), *Employee benefits*.

#### (i) The amounts recognised in the statements of financial position are as follows:

	2019 \$ million	2018 \$ million
Present value of defined benefit obligations	<b>(353)</b>	(370)
Fair value of assets of the Schemes	<b>223</b>	232
	<b>(130)</b>	(138)
Represented by :		
Employee retirement benefit assets	<b>6</b>	5
Employee retirement benefit liabilities	<b>(136)</b>	(143)
	<b>(130)</b>	(138)

The assets of the Schemes did not include ordinary shares issued by the Company for the years ended 31 December 2019 and 2018.

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 12 months, as future contributions will also relate to future changes in actuarial assumptions and market conditions.

- (ii) Movements in the present value of defined benefit obligations of the Schemes are as follows:

	2019 \$ million	2018 \$ million
At 1 January	370	393
Current service cost	–	–
Interest cost	7	7
Actuarial (gain)/loss due to:		
– Changes in liability experience	3	2
– Changes in financial assumptions	12	(7)
– Changes in demographic assumptions	1	8
Benefits paid	(40)	(33)
At 31 December	353	370

- (iii) Movements in fair value of plan assets of the Schemes are as follows:

	2019 \$ million	2018 \$ million
At 1 January	232	277
Interest income on the Schemes' assets	5	5
Return on Schemes' assets, excluding interest income	26	(17)
Benefits paid	(40)	(33)
At 31 December	223	232

The Group expects to contribute below \$1 million to the Schemes in 2020.

- (iv) The expenses recognised in the consolidated statement of profit or loss are as follows:

	2019 \$ million	2018 \$ million
Net interest on net defined benefit asset/liability	3	2

- (v) The expenses are recognised in the following line items in the consolidated statement of profit or loss:

	2019 \$ million	2018 \$ million
Other operating costs	3	2

## 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)

(vi) The cumulative amount of actuarial losses recognised in the consolidated statement of comprehensive income is as follows:

	2019 \$ million	2018 \$ million
At 1 January	169	149
Remeasurement of net defined benefit asset/liability recognised in the consolidated statement of comprehensive income during the year	<b>(10)</b>	20
At 31 December	<b>159</b>	169

(vii) The major categories of assets of the Schemes are as follows:

	2019 \$ million	2018 \$ million
Hong Kong equities	36	34
European equities	17	16
North American equities	44	40
Asia Pacific and others equities	18	17
Global bonds	108	124
Deposits, cash and others	–	1
	<b>223</b>	232

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.

(viii) The principal actuarial assumptions used as at 31 December (expressed as a weighted average) are as follows:

	2019	2018
Discount rate		
– The Pension Scheme	<b>1.8%</b>	2.2%
– The Guaranteed Return Scheme	<b>1.8%</b>	1.9%
Long term salary increase rate	<b>Not applicable</b>	Not applicable
Future pension increase rate	<b>2.5%</b>	2.5%

## (ix) Sensitivity analysis

## (a) The Pension Scheme

	Increase/(decrease) in defined benefit obligations	
	2019 \$ million	2018 \$ million
<b>Actuarial assumptions</b>		
Discount rate		
– increase by 0.25%	(8)	(8)
– decrease by 0.25%	8	8
Pension increase rate		
– increase by 0.25%	8	8
– decrease by 0.25%	(8)	(7)
Mortality rate applied to specific age		
– set forward 1 year	(14)	(13)
– set backward 1 year	14	13

## (b) The Guaranteed Return Scheme

	Increase/(decrease) in defined benefit obligations	
	2019 \$ million	2018 \$ million
<b>Actuarial assumptions</b>		
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 obligations to significant actuarial assumptions the same method (present value of the defined benefit obligations 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.

## 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)

- (x) The following table sets out the weighted average durations of the defined benefit obligations of the Schemes:

	2019 No. of years	2018 No. of years
The Pension Scheme	10.6	10.8
The Guaranteed Return Scheme	6.6	6.1

#### (b) Defined contribution retirement scheme

	2019 \$ million	2018 \$ million
Expenses recognised in profit or loss	1	1

No forfeited contributions have been received during the year (2018: \$Nil).

### 23. Income tax in the consolidated statement of financial position

#### (a) Current taxation in the consolidated statement of financial position

	2019 \$ million	2018 \$ million
Tax provision for the year	22	62
Provisional tax paid	(35)	(122)
Tax provision relating to prior years	58	69
Current tax payable	45	9

**(b) Deferred tax assets**

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 2018	5	16	21
Credited to profit or loss	–	8	8
Credited/(charged) to other comprehensive income	19	(2)	17
<b>At 31 December 2018 and 1 January 2019</b>	<b>24</b>	<b>22</b>	<b>46</b>
Charged to profit or loss	–	(21)	(21)
Credited to other comprehensive income	52	–	52
<b>At 31 December 2019</b>	<b>76</b>	<b>1</b>	<b>77</b>

The Group had no material unrecognised deferred tax assets or liabilities as at 31 December 2019 and 2018.

## 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:**

	2019 \$ million	2018 \$ million
Interim dividend declared and paid of \$0.77 per ordinary share (2018: \$0.77 per ordinary share)	<b>1,643</b>	1,643
Final dividend proposed after the end of the reporting period of \$2.03 per ordinary share (2018: \$2.03 per ordinary share)	<b>4,333</b>	4,333
	<b>5,976</b>	5,976

The final dividend proposed after the end of the reporting period is based on 2,134,261,654 ordinary shares (2018: 2,134,261,654 ordinary shares), being the total number of issued shares at the year end. The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 24. Capital, reserves and dividends (Continued)

### (b) Dividends (Continued)

#### (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year paid during the year:

	2019 \$ million	2018 \$ million
Special interim dividend in respect of the previous financial year, declared and paid during the year, of \$Nil (2018: \$6.00 per ordinary share)	–	12,806
Final dividend in respect of the previous financial year, approved and paid during the year, of \$2.03 per ordinary share (2018: \$2.03 per ordinary share)	4,333	4,333
	<b>4,333</b>	<b>17,139</b>

### (c) Share capital

	Number of shares	2019 \$ million	2018 \$ million
<b>Issued and fully paid:</b>			
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	Net investment hedges	Translation on investment outside Hong Kong	Total
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)
<b>Balance at 31 December 2018 and 1 January 2019</b>	<b>(393)</b>	<b>3,244</b>	<b>(9,350)</b>	<b>(6,499)</b>
Exchange differences on translating operations outside Hong Kong, including joint ventures and associates	–	–	364	364
Effective portion of changes in fair value of hedging instruments recognised in other comprehensive income (see note 25(d)(i))	–	(285)	–	(285)
Cost of hedging – changes in fair value recognised in other comprehensive income	302	–	–	302
	302	(285)	364	381
<b>Balance at 31 December 2019</b>	<b>(91)</b>	<b>2,959</b>	<b>(8,986)</b>	<b>(6,118)</b>

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 24. Capital, reserves and dividends (Continued)

### (d) Nature and purpose of reserves (Continued)

#### (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).

	2019 \$ million	2018 \$ million
Balance at 1 January	(1,911)	(1,707)
Effective portion of the cash flow hedge recognised in other comprehensive income	(412)	(341)
Amounts reclassified to profit or loss (see note below)	44	40
Related tax	165	97
Balance at 31 December (see note below)	(2,114)	(1,911)

Amount 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 2019 and 2018 in the hedging reserve relates to continuing hedges.

#### (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.

### (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 (excluding lease liabilities) 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 2019, the Group's strategy, which was unchanged from 2018, 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 2019, the net cash position of the Group amounted to \$1,557 million (2018: \$1,792 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 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 (see note 2(l)(i)). No loss allowances are recognised as at 31 December 2019 (2018: \$Nil) 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.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 25. Financial risk management (Continued)

### (a) Credit risk (Continued)

#### 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.

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	2019			2018		
		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
<b>Financial assets</b>	21						
Cross currency swaps		473	(9)	464	522	(18)	504
Forward foreign exchange contracts		739	(71)	668	939	–	939
<b>Total</b>		<b>1,212</b>	<b>(80)</b>	<b>1,132</b>	<b>1,461</b>	<b>(18)</b>	<b>1,443</b>
<b>Financial liabilities</b>	21						
Cross currency swaps		34	(9)	25	69	(18)	51
Interest rate swaps		254	–	254	80	–	80
Forward foreign exchange contracts		121	(71)	50	79	–	79
<b>Total</b>		<b>409</b>	<b>(80)</b>	<b>329</b>	<b>228</b>	<b>(18)</b>	<b>210</b>

**(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 \$4,876 million (2018: \$5,229 million) and no undrawn committed bank facilities at 31 December 2019 (2018: \$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	2019 Contractual undiscounted cash outflow/(inflow)				Total
	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	
<b>Non-derivative financial liabilities</b>					
Bank loans and other borrowings and interest accruals	58	3,325	–	–	3,383
Trade and other payables	4,159	–	–	–	4,159
<b>Derivative financial instruments</b>					
<b>Net settled</b>					
Interest rate swaps	61	61	184	10	316
<b>Gross settled</b>					
Forward foreign exchange contracts:					
– outflow	3,312	6,632	–	6,467	16,411
– inflow	(3,268)	(6,982)	–	(7,531)	(17,781)
Cross currency swaps and related interest accruals:					
– outflow	277	280	8,564	5,783	14,904
– inflow	(329)	(332)	(9,175)	(6,178)	(16,014)
	4,270	2,984	(427)	(1,449)	5,378

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 25. Financial risk management (Continued)

### (b) Liquidity risk (Continued)

\$ million	2018				Total
	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	
<b>Non-derivative financial liabilities</b>					
Bank loans and other borrowings and interest accruals	98	98	3,447	–	3,643
Trade and other payables	4,057	–	–	–	4,057
<b>Derivative financial instruments</b>					
<b>Net settled</b>					
Interest rate swaps	26	26	78	30	160
<b>Gross settled</b>					
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

### (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 Group seeks to hedge the benchmark interest rate component only. 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 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:

	2019	2018
Notional amount (\$ million)	3,317	3,434
Maturity date	2025	2025
Weighted average fixed swap rates	2.70%	2.70%

The carrying amount of interest rate swaps at 31 December 2019 was a liability of \$254 million (2018: \$80 million). The change in fair value of interest rate swaps during 2019 was a loss of \$412 million (2018: \$341 million) which was the effective portion of the cash flow hedge recognised in other comprehensive income (see note 24(d)(ii)).

## (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).

	2019		2018	
	Weighted average interest rate %	\$ million	Weighted average interest rate %	\$ million
<b>Net fixed rate assets/(liabilities)</b>				
Loans to unlisted joint ventures/associates	9.8	9,772	9.9	9,741
Deposits with banks and other financial institutions	2.3	4,764	2.8	5,082
Bank loans and other borrowings	3.6	(3,324)	3.6	(3,437)
Cross currency swaps	N/A	439	N/A	453
		11,651		11,839
<b>Net variable rate assets/(liabilities)</b>				
Loans to unlisted joint ventures/associates	5.4	6,270	5.6	6,376
Other receivable	–	–	2.4	85
Cash at bank and on hand	–	112	0.2	147
Other payable	1.5	(780)	2.4	(708)
		5,602		5,900

## 25. Financial risk management (Continued)

### (c) Interest rate risk (Continued)

#### (iii) Sensitivity analysis

At 31 December 2019, 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 \$55 million (2018: increased/decreased by approximately \$59 million). Other components of consolidated equity would have decreased/increased by approximately \$118 million (2018: decreased/increased by approximately \$133 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 2018.

### (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 forward 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:

	2019	2018
<b>Forward foreign exchange contracts:</b>		
Notional amount (\$ million)	<b>17,490</b>	17,737
Maturity date	<b>Ranging from 2020 to 2026</b>	Ranging from 2019 to 2026
Weighted average contract rate:		
EUR:USD	<b>1.2722</b>	1.2722
GBP:USD	<b>1.5322</b>	1.5322
AUD:USD	<b>0.6794</b>	0.7358
USD:CAD	<b>1.3007</b>	1.3007
<b>Cross currency swaps:</b>		
Notional amount (\$ million)	<b>14,404</b>	14,404
Maturity date	<b>Ranging from 2022 to 2027</b>	Ranging from 2022 to 2027
Weighted average contract rate:		
EUR:USD	<b>1.1728</b>	1.1728
GBP:USD	<b>1.3848</b>	1.3848
AUD:USD	<b>0.7518</b>	0.7518

The carrying amount of forward foreign exchange contracts at 31 December 2019 includes an asset of \$739 million and a liability of \$117 million (2018: an asset of \$939 million and a liability of \$79 million). The carrying amount of cross currency swaps at 31 December 2019 includes an asset of \$473 million and a liability of \$34 million (2018: an asset of \$522 million and a liability of \$69 million). The change in fair value of the forward foreign exchange contracts and cross currency swaps during 2019 was a loss of \$285 million (2018: a gain of \$1,971 million) which were the effective portion of the hedge on investments outside Hong Kong recognised in other comprehensive income (see note 24(d)(i)).

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 25. Financial risk management (Continued)

### (d) Currency risk (Continued)

#### (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.

'million	2019			
	Exposure to foreign currencies			
	USD	GBP	AUD	EUR
Trade and other receivables	17	4	14	2
Bank deposits and cash	501	15	58	10
Trade and other payables	(94)	–	(6)	–
Gross exposure arising from recognised assets and liabilities	424	19	66	12
Notional amounts of forward foreign exchange contracts used as economic hedges	28	–	(41)	–
Overall exposure	452	19	25	12

'million	2018			
	Exposure to foreign currencies			
	USD	GBP	AUD	EUR
Trade and other receivables	12	2	14	2
Bank deposits and cash	437	–	128	–
Trade and other payables	(91)	–	–	–
Gross exposure arising from recognised assets and liabilities	358	2	142	2
Notional amounts of forward foreign exchange contracts used as economic hedges	–	–	–	–
Overall exposure	358	2	142	2

**(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	<b>2019</b> Effect on profit for the year and revenue reserve increase/(decrease)	2018 Effect on profit for the year and revenue reserve increase/(decrease)
Pounds Sterling	<b>20</b>	2
Australian dollars	<b>13</b>	79
Euro	<b>10</b>	2

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.

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 2018.

**(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.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 25. Financial risk management (Continued)

### (f) Fair value measurement

#### (i) Financial assets and liabilities measured at fair value

##### (a) 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

\$ million	Fair value measurement at 31 December 2019 categorised into		
	Level 2	Level 3	Total
<b>Financial assets</b>			
Other non-current financial assets	–	1,100	1,100
Derivative financial instruments:			
– Cross currency swaps	473	–	473
– Forward foreign exchange contracts	739	–	739
	<b>1,212</b>	<b>1,100</b>	<b>2,312</b>
<b>Financial liabilities</b>			
Derivative financial instruments:			
– Interest rate swaps	(254)	–	(254)
– Cross currency swaps	(34)	–	(34)
– Forward foreign exchange contracts	(121)	–	(121)
	<b>(409)</b>	<b>–</b>	<b>(409)</b>

\$ million	Fair value measurement at 31 December 2018 categorised into		
	Level 2	Level 3	Total
<b>Financial assets</b>			
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
<b>Financial liabilities</b>			
Derivative financial instruments:			
– Interest rate swaps	(80)	–	(80)
– Cross currency swaps	(69)	–	(69)
– Forward foreign exchange contracts	(79)	–	(79)
	(228)	–	(228)

**(b) 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 (2018: decreased \$13 million/increased \$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 (2018: increased \$14 million/decreased \$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.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 25. Financial risk management (Continued)

### (f) Fair value measurement (Continued)

#### (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 2019 and 2018.

## 26. Capital commitments

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

	2019 \$ million	2018 \$ million
Contracted for:		
Capital expenditure for property, plant and equipment	2	–
Investment in a joint venture	726	1,012
	<b>728</b>	<b>1,012</b>
Authorised but not contracted for:		
Capital expenditure for property, plant and equipment	–	1
Investment in a joint venture	861	891
	<b>861</b>	<b>892</b>

## 27. Contingent liabilities

	2019 \$ million	2018 \$ million
Guarantees given in respect of a joint venture	493	529

## 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 a wholly-owned subsidiary of CK Infrastructure Holdings Limited (“CKI”) \$25 million (2018: \$33 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 July 2019, the Group entered into a supplemental agreement with a subsidiary of CK Hutchison Holdings Limited (“CKHH”) and CKHH as its guarantor to amend and restate the economic benefits agreement entered into between the same parties on 31 August 2018. CKHH is the ultimate holding company of CKI, a substantial shareholder of the Company. The supplemental agreement therefore constituted a variation of the connected transaction of the Company under the economic benefits agreement. Further details are set out in the Company’s announcement dated 31 July 2019. Upon completion of the supplemental agreement on 30 December 2019, certain financial assets measured at FVPL were reclassified as joint ventures or associates.

### (b) Joint ventures

Interest income received/receivable from joint ventures in respect of the loans to joint ventures amounted to \$930 million (2018: \$1,082 million) for the year. The outstanding balances with joint ventures are disclosed in note 14.

### (c) Associates

- (i) Interest income received/receivable from associates in respect of the loans to associates amounted to \$375 million (2018: \$431 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 (2018: \$41 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 at 31 December 2019 with the associate was \$3 million (2018: \$4 million).

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 29. Substantial shareholder of the Company

The Company is a Hong Kong listed company and its shares are widely held by the public. CKI holds approximately 35.96% of the issued share capital of the Company and is 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	2019 \$ million	2018 \$ million
<b>Non-current assets</b>			
Property, plant and equipment		5	1
Investments in subsidiaries	31(a)	30,037	62,527
		<b>30,042</b>	62,528
<b>Current assets</b>			
Amounts due from subsidiaries	31(b)	28,250	–
Trade and other receivables		3	2
Bank deposits and cash		99	7
		<b>28,352</b>	9
<b>Current liabilities</b>			
Amounts due to subsidiaries	31(b)	(156)	–
Trade and other payables		(357)	(364)
Current portion of interest-bearing borrowings		(3)	–
Derivative financial instruments		(4)	–
		<b>(520)</b>	(364)
<b>Net current assets/(liabilities)</b>		<b>27,832</b>	(355)
<b>Total assets less current liabilities</b>		<b>57,874</b>	62,173
<b>Non-current liabilities</b>			
Interest-bearing borrowings		(2)	–
Employee retirement benefit liabilities		(136)	(143)
		<b>(138)</b>	(143)
<b>Net assets</b>		<b>57,736</b>	62,030
<b>Capital and reserves</b>			
Share capital	24(c)	6,610	6,610
Reserves		51,126	55,420
<b>Total equity attributable to equity shareholders of the Company</b>	31(c)	<b>57,736</b>	62,030

Approved and authorised for issue by the Board of Directors on 18 March 2020.

**Tsai Chao Chung, Charles**  
Director

**Chan Loi Shun**  
Director

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 31. Company-level Statement of Financial Position (Continued)

#### (a) Investments in subsidiaries

Investments in subsidiaries included net amounts due from subsidiary companies totalling \$Nil (2018: \$49,771 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 150 to 151.

#### (b) Amounts due from/to subsidiaries

Amounts due from/to subsidiaries are unsecured, interest free and recoverable/repayable on demand.

#### (c) 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 2018	6,610	55,100	17,139	78,849
Changes 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	–
<b>Balance at 31 December 2018 and 1 January 2019</b>	<b>6,610</b>	<b>51,087</b>	<b>4,333</b>	<b>62,030</b>
Change in equity for 2019:				
Profit for the year	–	1,672	–	1,672
Other comprehensive income	–	10	–	10
Total comprehensive income	–	1,682	–	1,682
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	–
<b>Balance at 31 December 2019</b>	<b>6,610</b>	<b>46,793</b>	<b>4,333</b>	<b>57,736</b>

The net profit for the year of the Company is \$1,672 million (2018: \$1,983 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. After the end of the reporting period, the Directors proposed a final dividend of \$2.03 per ordinary share, amounting to \$4,333 million. (2018: 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 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
• Amendments to HKFRS 3, <i>Definition of a business</i>	1 January 2020
• Amendments to HKAS 1 and HKAS 8, <i>Definition of material</i>	1 January 2020
• Amendments to HKFRS 9, HKAS 39 and HKFRS 7, <i>Interest rate benchmark reform</i>	1 January 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

## 33. Comparative figures

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### Appendix 1

#### Segment information

\$ million	2019							Total
	Investment in HKEI	Investments				Sub-total	All other activities	
		United Kingdom	Australia	Mainland China	Others			
<b>For the year ended 31 December</b>								
<b>Revenue</b>								
Revenue	-	556	571	43	178	1,348	-	1,348
Other net income	-	-	-	-	6	6	465	471
<b>Reportable segment revenue</b>	<b>-</b>	<b>556</b>	<b>571</b>	<b>43</b>	<b>184</b>	<b>1,354</b>	<b>465</b>	<b>1,819</b>
<b>Result</b>								
Segment earnings	-	556	571	24	183	1,334	317	1,651
Depreciation and amortisation	-	-	-	-	-	-	(2)	(2)
Bank deposit interest income	-	-	-	-	-	-	111	111
Operating profit	-	556	571	24	183	1,334	426	1,760
Finance costs	-	74	(196)	-	26	(96)	-	(96)
Share of profits less losses of joint ventures and associates	777	2,873	1,092	395	370	4,730	3	5,510
Profit before taxation	777	3,503	1,467	419	579	5,968	429	7,174
Income tax	-	(14)	(22)	(4)	(3)	(43)	-	(43)
<b>Reportable segment profit</b>	<b>777</b>	<b>3,489</b>	<b>1,445</b>	<b>415</b>	<b>576</b>	<b>5,925</b>	<b>429</b>	<b>7,131</b>
<b>At 31 December</b>								
<b>Assets</b>								
Property, plant and equipment and leasehold land	-	-	-	-	-	-	19	19
Other assets	-	1,045	216	305	90	1,656	878	2,534
Interest in joint ventures and associates	16,403	38,015	18,644	1,907	11,168	69,734	5	86,142
Bank deposits and cash	-	-	-	-	-	-	4,876	4,876
<b>Reportable segment assets</b>	<b>16,403</b>	<b>39,060</b>	<b>18,860</b>	<b>2,212</b>	<b>11,258</b>	<b>71,390</b>	<b>5,778</b>	<b>93,571</b>
<b>Liabilities</b>								
Segment liabilities	-	(667)	(795)	(4)	(61)	(1,527)	(3,183)	(4,710)
Current and deferred taxation	-	-	(8)	-	(37)	(45)	-	(45)
Interest-bearing borrowings	-	-	(3,319)	-	-	(3,319)	(5)	(3,324)
<b>Reportable segment liabilities</b>	<b>-</b>	<b>(667)</b>	<b>(4,122)</b>	<b>(4)</b>	<b>(98)</b>	<b>(4,891)</b>	<b>(3,188)</b>	<b>(8,079)</b>

\$ million	2018							Total
	Investment in HKEI	Investments					All other activities	
		United Kingdom	Australia	Mainland China	Others	Sub-total		
<b>For the year ended 31 December</b>								
<b>Revenue</b>								
Revenue	–	616	659	40	238	1,553	2	1,555
Other net income	–	–	–	–	7	7	54	61
<b>Reportable segment revenue</b>	<b>–</b>	<b>616</b>	<b>659</b>	<b>40</b>	<b>245</b>	<b>1,560</b>	<b>56</b>	<b>1,616</b>
<b>Result</b>								
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)
<b>Reportable segment profit</b>	<b>1,018</b>	<b>4,045</b>	<b>1,451</b>	<b>469</b>	<b>624</b>	<b>6,589</b>	<b>29</b>	<b>7,636</b>
<b>At 31 December</b>								
<b>Assets</b>								
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
<b>Reportable segment assets</b>	<b>16,493</b>	<b>32,586</b>	<b>19,360</b>	<b>2,338</b>	<b>10,599</b>	<b>64,883</b>	<b>10,061</b>	<b>91,437</b>
<b>Liabilities</b>								
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)
<b>Reportable segment liabilities</b>	<b>–</b>	<b>(781)</b>	<b>(3,789)</b>	<b>(4)</b>	<b>(115)</b>	<b>(4,689)</b>	<b>(3,191)</b>	<b>(7,880)</b>

## Notes to the Financial Statements

(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 2019 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\$2	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\$2	100*	British Virgin Islands/ Hong Kong	Property holding
Cheer Venture Enterprises Limited	HK\$4,602,240,001	100*	Hong Kong	Investing
Clear Eminent Limited	US\$1	100	British Virgin Islands	Investment holding
Constant Wealth Limited	US\$1	100	British Virgin Islands	Investing
Devin International Limited	US\$2	100*	British Virgin Islands	Investment holding
Ellanby Green Limited	US\$2	100*	British Virgin Islands	Investing
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\$94,785,185	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	Investing
Hongkong Electric (Natural Gas) Limited	US\$1	100	British Virgin Islands	Investment holding
Hongkong Electric Yunnan Dali Wind Power Company Limited	HK\$75,485,352	100*	Hong Kong	Investment holding
Jewel Star Investment Limited	HK\$1,283,443,709	100*	Hong Kong	Investing
Kentson Limited	US\$2	100*	British Virgin Islands	Investing
Kind Eagle Investment Limited	HK\$1,073,553,298	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
Ocean Dawn Investments Limited	US\$1	100	British Virgin Islands	Holding deposits
Optimal Glory Limited	US\$102	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
Quick Reach International Limited	US\$1	100*	British Virgin Islands	Obtaining external funding
Quickview Limited	US\$2	100	British Virgin Islands	Investment holding
Sigerson Business Corp.	US\$101	100*	British Virgin Islands	Investment holding
Smarter Corporate Limited	US\$2	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	Investing
Well Joint Investment Limited	HK\$2,457,616,097	100*	Hong Kong	Investment holding

\* Indirectly held

## Notes to the Financial Statements

(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 2019 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	27%	The Netherlands	Producing energy from waste	Equity
Canadian Power Holdings Inc. (note (c))	C\$137,000,000 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))	RMB613,534,675	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\$20,979,450	50%	Australia	Electricity transmission	Equity
Transmission Operations (Australia) 2 Pty Limited (note (l))	A\$10,382,100	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
Wales & West Gas Networks (Holdings) Limited (note (n))	GBP29,027	36%	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. The effective interest on AVR-Afvalverwerking B.V. increased to 27% upon the completion of the supplemental agreement on economic benefits agreement on 30 December 2019 (see note 28(a)(ii)).
- (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.
- (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 assumes 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 wind farms 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. The effective interest on Wales & West Gas Networks increased to 36% upon the completion of the supplemental agreement on economic benefits agreement on 30 December 2019 (see note 28(a)(ii)).
- (o) Wellington Electricity Distribution Network Limited supplies electricity to Wellington, Porirua and Hutt Valley regions of New Zealand.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### Appendix 4

#### Principal associates

The following list contains only the particulars of associates as at 31 December 2019 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
SA Power Networks Partnership (note (b))	N/A	27.93%	Australia	Electricity distribution	Equity
Victoria Power Networks Pty Limited (note (c))	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) SA Power Networks Partnership operates and manages the electricity distribution business in the state of South Australia in Australia.
- (c) 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.