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

Gearing up
for Sustainable Business

Annual Report 2020

A Strategic Global Investor
in the Energy Sector

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

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

Power Assets' investments comprise primarily of acquisitions, supplemented by green-field development activities. We follow an active yet prudent strategy for sustainable growth over the long-term by focusing on appropriately-priced companies operating in well-regulated and mature markets that are able to deliver predictable and reliable income streams. We invest systematically in innovation and technology to enable our businesses to reduce emissions and support the decarbonisation efforts of the communities they operate in.

Listed on the Stock Exchange of Hong Kong as a constituent share of the Hang Seng Index, Power Assets is also one of only 12 Hong Kong companies included in the Dow Jones Sustainability Index Asia Pacific and one of the constituents in the Hang Seng Corporate Sustainability Index.

Gearing up
for Sustainable Business

As a global investor in energy, our operating companies are diverse and varied: operating in different sub-verticals, in contrasting geographies, and across established and emerging technologies. While our companies are different, they all work in tandem, creating a multi-faceted, yet integrated system that is committed to the future of energy provision. The front cover of our 2020 annual report uses the metaphor of interlinked gears to reflect the unity as well as the scope of our efforts. Our many initiatives and activities are showcased as interlinked cogs that together form an energetic driving force towards a sustainable future.

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Performance Highlights

1,004 MW
Generation Capacity -
Renewable Energy / Energy-from-waste

4,754 MW
Generation Capacity -
Gas-fired

4,216 MW
Generation Capacity -
Coal / Oil-fired

114,000 km
Gas / Oil Pipeline Length

400,700 km
Power Network Length

19,192,000
Number of Customers

Financials

	2020 HK$	2019 HK$
Profit attributable to shareholders (million)	6,132	7,131
Earnings per share	2.87	3.34
Dividends per share	2.81	2.80
Total equity (million)	84,766	85,492
Cash on hand (million)	5,427	4,876
Debts (million)	3,640	3,319
Net debt to net total capital ratio	Net Cash	Net Cash
S&P credit rating	A / Stable	A / Stable

Chairman's Statement

Full Year Results

During 2020, the low-risk, diversified business model of the Power Assets Group, with regulated businesses or outputs governed by long-term purchase contracts delivered strong income streams. The funds received from operations in 2020 was HK$5,533 million, increased from 2019's HK$5,368 million.

Our business model insulated us to a great degree from the macroeconomic impact of the global COVID-19 pandemic. For the year ended 31 December 2020, operating profits were in line with expectations.

The Group's audited profits attributable to shareholders amounted to HK$6,132 million (2019: HK$7,131 million). The decrease was primarily due to the one-off non-cash charges on the remeasurement of deferred tax liabilities in the UK (HK$780 million); other factors include (1) a lower contribution from our Mainland China portfolio following the expiry of co-operative joint venture agreements of two coal-fired power stations; and (2) limited adverse impacts of the COVID-19 pandemic. It was partially offset by a one-off gain on disposal of our Portugal investment, Iberwind, during the year.

The Group's financial position remained strong, with a net cash of approximately HK$1.8 billion at 31 December 2020, increased from 2019's HK$1.6 billion. During the year, Standard & Poor's has reaffirmed the Group's credit rating of "A / Stable".

Increase in Dividends

The Board of Directors has recommended a final dividend of HK$2.04 (2019: HK$2.03) per share, payable on 1 June 2021 to shareholders whose names appear in the Company's Register of Members on 18 May 2021. This, together with the interim dividend of HK$0.77 per share, takes the total dividend for the year to HK$2.81 (2019: HK$2.80) per share.

Operations

The Power Assets Group is a global investor in power generation, transmission and distribution, gas transmission and distribution, as well as oil storage and transmission in nine markets spread across four continents – namely the UK, Australia, Hong Kong, Mainland China, the Netherlands, New Zealand, Thailand, Canada and the United States. As suppliers of essential services across the world, our focus in 2020 was to provide reliable energy to all our customers, support our colleagues and our communities and push forward with decarbonisation efforts.

Throughout the year, we maintained business continuity with an emphasis on organisational resilience from our operating companies. The majority of office-based staff were equipped to work from home, all customer contact centres remained operational, and field support staff were provided with personal protective equipment. Digital capabilities were enhanced with faster access and improved security.

Lockdowns in many parts of the world affected our revenues from the commercial segments, which were offset by increased revenues from the residential sectors. Our proactive investments in resilience paid off with all companies maintaining high reliability and customer service standards. We also participated in local efforts to help residential and small business customers, for instance by supporting catering establishments in Hong Kong, providing tariff relief packages in Australia and a cash flow relief programme for energy suppliers in the UK.

United Kingdom portfolio

The UK portfolio made a profit contribution of HK$2,460 million (2019: HK$3,489 million) to the Group. The results were affected by the COVID-19 pandemic and a one-off non-cash adjustment resulting from the UK corporate tax remaining at 19% instead of reducing to 17%, as previously enacted under UK Law. This necessitated a one-off adjustment to the deferred tax balances of our operating companies there.

Uncertainties surrounding the UK's departure from the EU in January 2021 did not affect business performance, as output is mostly regulated. Contingency measures were put into place from an operational perspective to ensure business continuity after the withdrawal. Extensive preparations were made for regulatory resets that would affect the Group's two gas distribution networks, Northern Gas Networks and Wales & West Utilities, commencing April 2021. The final determinations for both companies were released in December 2020 and they have decided to appeal to the CMA.

Our UK operating companies in electricity and gas distribution maintained their leading positions for reliability and customer service, securing incentive payments from the regulator Ofgem. UK Power Networks began a programme of network enhancement to prepare for a major increase in the number of electric vehicles on UK roads in the coming years. Northern Gas Networks enhanced its IT systems to streamline operations, and together with Wales & West Utilities continued to progress projects to demonstrate the viability of hydrogen-based gas networks. Seabank Power maintained a predictable income stream for the Group, with an offtake contract based on availability.

Hong Kong portfolio

HK Electric Investments continued to provide stable income to the Group and delivered a profit contribution of HK$912 million (2019: HK$777 million).

In 2020, our flagship company HK Electric stepped up its proportion of gas-fired electricity generation to 50% with the commissioning of L10, a new gas-fired generating unit. Despite the restrictions caused by COVID-19, the company pushed forward with its five-year development plan which will see gas-fired generation grow further to 70% of total output by the end of 2023. Construction of two other new gas-fired units, L11 and L12, progressed satisfactorily. The offshore liquefied natural gas terminal using Floating Storage and Regasification Unit technology will be launched in 2022.

Despite these extensive capital development works and social distancing measures, the company maintained its standards of reliability and customer service. It has set a new supply reliability record, achieving an impeccable rating of over 99.9999% for 2020 with customers experiencing power interruption of less than 0.5 minute for the whole year. HK Electric also supported the community with a series of relief measures to residential and commercial customers most seriously affected by the economic slowdown during the year.

The smart meters deployment programme progressed on track with 40,000 smart meters installed during the year. The programme, being rolled out in stages, is scheduled for completion by 2025 after which all customers will be able to access their electricity consumption data online. Another ongoing initiative is the connection of renewable energy installations to the grid under the Feed-in Tariff Scheme. During the year, 72 installations were connected to the grid.

Australian portfolio

The Australian portfolio delivered a profit contribution of HK$1,329 million (2019: HK$1,445 million) to the Group. Our operating companies reported good underlying performance, though it was partly offset by the adverse effects of the COVID-19 pandemic. Securing advantageous outcomes in regulatory resets while transforming distribution networks to support increased green energy were the twin priorities during the year.

SA Power Networks, one of the electricity distribution networks in the Group's Australian portfolio, commenced a new regulatory reset period in 2020 which offers predictable earnings for the next five years. Two other electricity distribution networks, Victoria Power Networks and United Energy, are engaged with the regulator and stakeholders to determine acceptable outcomes in regulatory resets due to be enforced from 1 July 2021.

Our gas transmission and distribution businesses in Australia are also preparing for resets. Australian Gas Networks made commendable progress on the Hydrogen Park SA project for blending green hydrogen into its natural gas distribution network to decarbonise gas supply. Multinet Gas continued to work on relocating its network control centre from Pinewood in Victoria to the Dampier Bunbury Pipeline control room in Perth. Energy Developments Pty Ltd has delivered Australia's largest hybrid renewable energy microgrid - Gold Fields Agnew Renewable Hybrid Project. Australian Energy Operations continued to yield steady revenues by maintaining the connection of four wind farms to the grid.

Mainland China portfolio

In Mainland China, the Group now owns and operates two wind farms and one coal-fired co-generation power plant: the Jinwan electricity and heat co-generation power plant. The reduced portfolio followed our transfer of the operating rights of two other coal-fired plants to the respective joint-venture partners in 2019 in accordance with the terms of the respective co-operative joint venture agreement. Consequently, the profit contribution from our Mainland China portfolio declined to HK$98 million in 2020 (2019: HK$415 million). The Jinwan electricity and heat co-generation power plant achieved all its operating parameters, while the two wind farms in Dali and Laoting delivered stable and smooth operations during the year and jointly offset 199,000 tonnes of carbon emission.

Other portfolios

In Canada, Husky Midstream continued the second phase of expansion of the Saskatchewan Gathering System; the Spruce Lake Central phase of this programme was completed in the third quarter. The construction of the three long-term contracted crude oil storage tanks in Hardisty was completed and entered into service in the second half of 2020, adding 1.5 million barrels of incremental storage capacity. Canadian Power continued to migrate to 100% gas-fired generation, while the conversion of the second unit from coal to gas is on schedule. In February 2021, with the Group's support, Canadian Power entered into an agreement to acquire 100% interest of two wind farms in British Columbia in Canada, namely Pennask Wind Farm and Shinish Creek Wind Farm. This acquisition is in line with the Group's strategy to invest in power infrastructure globally and to expand on its renewable energy portfolio.

AVR-Afvalverwerking B.V. in the Netherlands maintained its success in generating energy-from-waste, meeting all operating parameters. It progressed with pioneering efforts in carbon capture for greenhouse cultivation and yielded a stable profit contribution to the Group. In Portugal, the Group disposed of its interest in Iberwind during the year. The proceeds from the sale further strengthen our financial capabilities for new investment opportunities.

In New Zealand, Wellington Electricity Lines achieved customer service targets with strong network reliability. In Thailand, Ratchaburi Power Plant met all its operating targets.

Continuing Investment to Combat Climate Change

As participants in the global energy sector, we are fully committed to fighting climate change and our operating companies continued to innovate and invest in infrastructure and technology to help reduce our collective impact on the environment.

We enhanced the network to support the charging infrastructure needed for mass uptake of electric vehicles (EV) in the UK and provided EV charging solutions to building owners in Hong Kong. Our power generation plants in Hong Kong and Canada moved to increase gas-fired operations in place of coal-fired generation, while we are divesting our coal plants in China. In order to become more agile and able to accept more power generated by renewable installations operated by our customers and store electricity when needed, we continued to invest in the digitisation of our electricity distribution networks.

Our gas distribution companies in the UK and Australia are testing and demonstrating the viability of incorporating green hydrogen into the natural gas supply. Working closely with the respective governments, they spearheaded the entire sector's efforts in the area of hydrogen integration.

Outlook

Despite our resilient business model, there is no doubt that the economic impact of the COVID-19 pandemic will continue to linger, affecting our performance in the months ahead.

Amid the current uncertainty, we will stay focused on our long-term investment principles – seeking out low-risk investments with assured revenue streams in stable, mature energy markets at appropriate costs. Prevailing low costs of capital have diminished credit premiums, with the result that asset prices are inflated. Nonetheless, with a strong liquidity position, we are always ready to seek appropriate investment opportunities of any scale that meet our criteria.

Sustainability remains a key focus across the Group with a new Sustainability Committee established to oversee our strategy and advise the Board on the development and implementation of our sustainability initiatives. We aspire to stay ahead of the curve, acting as beacons for the industry in hydrogenisation of the gas supply and decarbonisation of electricity through a range of tactics. All the markets we operate in have drawn up climate roadmaps and emissions targets. Most notably, the UK government has pledged to reduce greenhouse gas emissions to net-zero by 2050, while gas-fired power will increase to 70% of total output by the end of 2023 for HK Electric in Hong Kong. The Group will continue to support the achievement of these goals, contributing to global efforts to combat climate change.

Macroeconomic uncertainty, low weighted average costs of capital and aggressive climate change targets will render the upcoming round of regulatory resets challenging. We will closely engage with stakeholders to achieve acceptable outcomes, building upon our underlying strengths and overall market leadership in efficiency and green energy investment.

My heartfelt thanks, as always, go to our board, management and shareholders, as well as all our employees around the world for your unwavering loyalty, hard work and commitment in the challenging circumstances of the year.

Fok Kin Ning, Canning
Chairman
Hong Kong, 17 March 2021

Long-Term Development Strategy

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

Three Key Principles Underpinning Our Growth and Development

Grow shareholder value in fields of expertise

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

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

Pursue global diversification while minimising risks

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

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

Maintain a strong balance sheet as a foundation for agility

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

Year at a Glance

JAN-JUN 2020

AVR wins an important tender to process 156,000 tonnes of municipal residual waste per annum for its Rozenburg facility. The new contract also includes plastic separation for the cities of Utrecht and Nieuwegein.

1 An NGN pilot project to inject zero-carbon hydrogen into a gas network to heat homes and businesses becomes fully operational. The ground-breaking trial is a first for the UK and demonstrates the potential for hydrogen in a low-carbon economy.

2 HK Electric extends a package of five relief measures to SMEs and customers in need. These include tariff increase waivers, bill payment deferrals and equipment subsidies for commercial customers, as well as dining coupons to the underprivileged and NGO subsidies to support small eateries.

WWU launches 'Pathways to Net-Zero: Decarbonising the Gas Networks in Great Britain', a report setting out a detailed plan of action to deliver a zero-carbon gas grid.

DBP secures government support for a feasibility study to assess whether the Dampier to Bunbury Natural Gas Pipeline can introduce hydrogen into its mix. The study will support Western Australia's transition to a low-carbon economy.

HK Electric commissions L10, a 380-MW combined-cycle generating unit, marking a major step forward in coal-to-gas transition. HK Electric now generates about 50% of electricity from gas, compared to 30% in previous years.

UKPN installs the world's first Power Electronic Fault Limiting Circuit Breaker at a substation in London's Tower Hamlets. The technology can detect a network fault in just four-thousandths of a second.

3 Australia's first low voltage grid mounted batteries are installed on the UE network. These 75-kWh pole-mounted batteries are charged during off-peak periods and power 50 – 75 homes each.

4 EDL's Gold Fields Agnew Renewable Hybrid Project in Western Australia commences full-scale commercial operations. The award-winning project demonstrates the potential of innovative hybrid renewable energy generation in the global mining sector.

In Canada, Sheerness power station completes the coal-to-gas conversion of Unit 2, allowing it to generate electricity either with natural gas or coal, improving efficiency and reducing carbon emissions.

The Australian Energy Regulator publishes its Final Decision for SAPN for 2020 – 2025, offering predictable earnings for the five years from July 2020.

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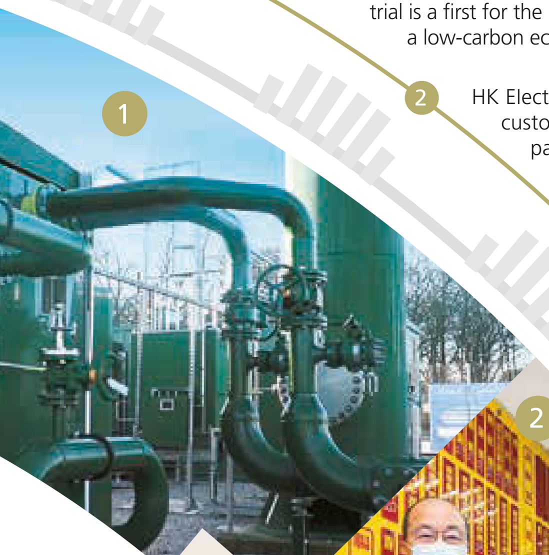

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JUL-DEC 2020

5 UKPN adds 1.2 GW new capacity across its three areas of operation with a number of notable projects commissioned, including a flagship £10 million project in Islington, London.

Powercor commissions new depots at Kyneton and Shepparton to enhance the delivery of services to regional communities, incorporating more storage areas for equipment and fleets, as well as office capacity.

6 Husky Midstream expands its storage capacity and connectivity at the Hardisty terminal with the completion of three long-term contracted oil storage tanks, adding incremental capacity of 1.5 million barrels.

WWU wins the RoSPA Oil and Gas Sector Award for the second consecutive year. The company also receives the RoSPA Gold Award for excellent occupational safety for the seventh consecutive year.

WELL engages with stakeholders to develop an industry roadmap for coordinated management of future EV charging as an alternative to network reinforcement to support Government plans for the rollout of more electric vehicles in its operating areas.

SAPN opens their new A$6 million Angaston depot, designed with sustainability and technology in mind. Features include large rainwater tanks, electric vehicle charging, a 94-kW solar system and cutting-edge security features.

The Group disposes of its investment in Iberwind. The proceeds of the disposal further strengthen the Group's financial position to pursue investment opportunities.

AGN's Hydrogen Park project wins the Australian Pipelines and Gas Association Environment Award for 2020. The project involves the construction of a 1.25-MW electrolysis plant to understand the use of green hydrogen in energy supply.

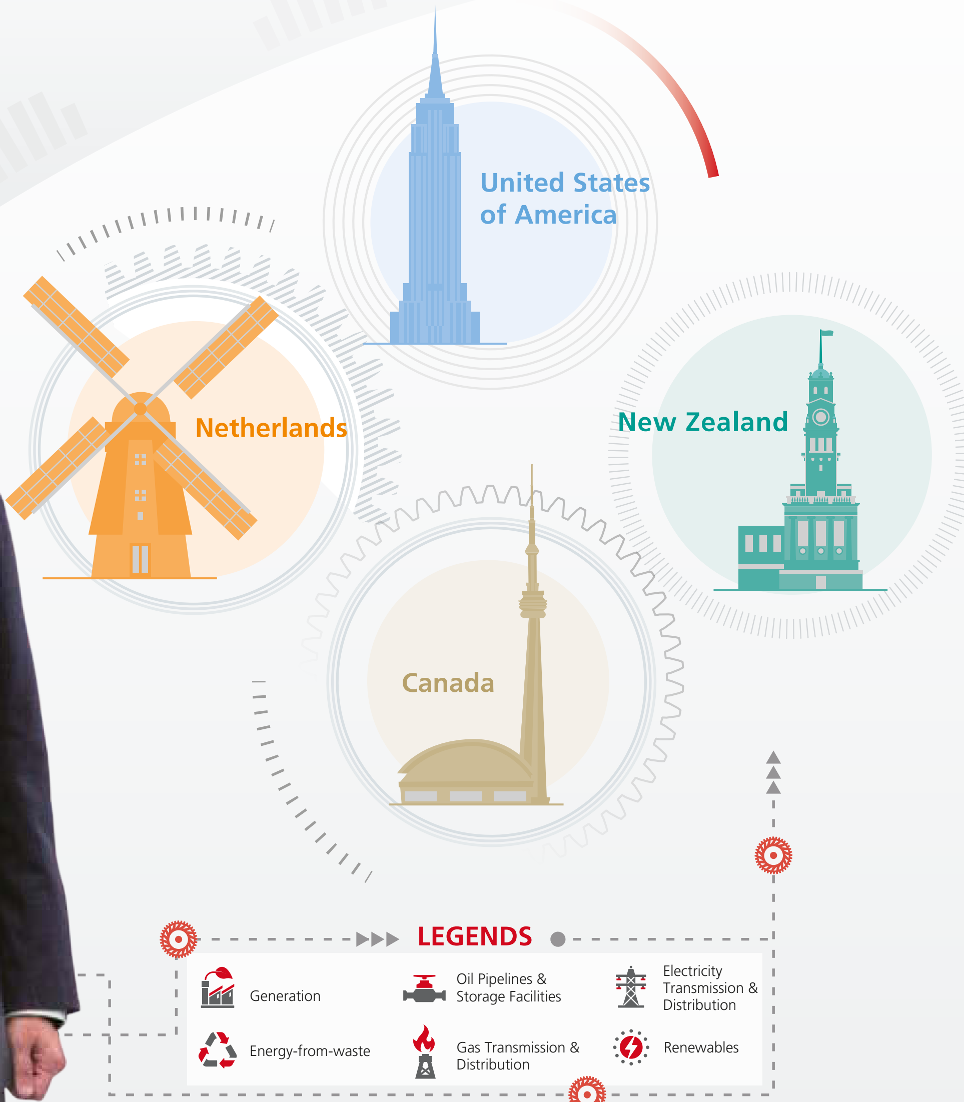
7 MG continues to replace most of its cast iron and unprotected steel pipelines with polyethylene pipes. The mains replacement programme for the 2018 to 2022 period is ahead of schedule.

AVR's biomass plant is connected to the common steam pipe in Rotterdam. This allows AVR to supply more process steam with a higher reliability and expand the steam supply to nearby industrial customers.

8 Beon (part of VPN) is appointed to construct a 12.4-MW solar farm and 1.8-MW solar rooftop system at Melbourne Airport. The facility will generate 17 GWh of renewable electricity annually, powering all four passenger terminals.

CEO's Report

Tsai Chao Chung, Charles
Chief Executive Officer



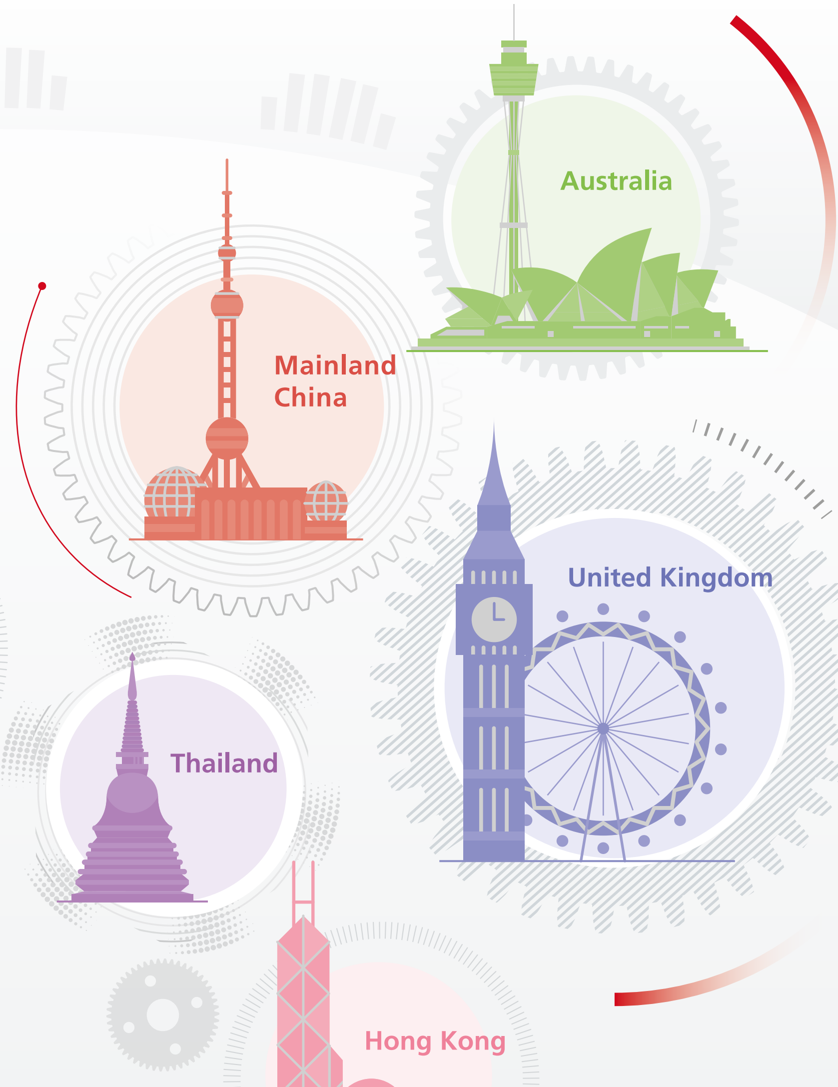
Welcome to the 2020 operating report of the Power Assets Group.

We are a global investor in a carefully selected portfolio of energy companies principally in the areas of electricity generation, transmission and distribution, gas transmission and distribution, as well as oil storage and transmission. We serve more than 19 million customers across nine markets, have an aggregate power generation capacity of approximately 10,000 MW predominantly from coal, gas, renewables, waste and oil, and operate approximately 514,700 km of electricity, gas and oil networks.

Our philosophy is to invest in a diversified portfolio of well-established companies with proven business models and revenues assured by offtake contracts in stable, well-regulated energy markets. Since our businesses are essential utilities with mostly regulated outputs, our income is insulated to a large extent from geographical, commodity and economic risks, enabling us to deliver long-term value to investors.

This business model stood us in good stead in 2020, allowing us to provide safe, predictable and clean energy to our customers despite the impact of the COVID-19 pandemic. We actively responded to the challenges of the year using robust business continuity strategies, the latest technologies, and innovation, combined with a can-do mindset. We had three key areas of focus.

Firstly, our operating companies rose to the challenge of ensuring energy service resilience and supporting customers at a time when it was more critical than ever, maintaining leadership positions in reliability and customer satisfaction across the board. We went above and beyond to support residential and business



Netherlands
- Dutch Enviro Energy Holdings B.V.

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

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

United States of America
- Energy Developments

Mainland China
- Jinwan Power
- Dali Wind Power
- Laoting Wind Power

Hong Kong
- HK Electric

Thailand
- Ratchaburi Power

New Zealand
- Wellington Electricity Lines

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

customers in difficult circumstances. While doing all this, we continued to maintain the highest standards for engineering work, to ensure the safety of our people and partners. We adhered to all relevant Government information and health and safety guidelines, actively managed projects to maintain workforce readiness and minimised impacts on project schedules.

Secondly, as an electricity provider and gas distributor to consumers on four continents, our environmental commitment extended beyond compliance. Apart from the major projects underway across all our companies to cut emissions from generation and household heating, we supported initiatives to help the community reduce carbon emissions. In the Netherlands, we pioneered carbon dioxide re-use in greenhouse cultivation, and provided charging infrastructure for electric vehicles in Hong Kong, the UK, Australia and New Zealand. We offered a robust array of options to help customers save energy and reduce their carbon footprint, including consultancy for energy efficiency and solar installations.

Thirdly, regulatory resets were another important priority during the year, affecting our operating companies in the UK, Australia and New Zealand. With regulated incomes often based on capital investment and current costs of capital, our companies engaged with regulators to secure favourable outcomes, which will determine their returns over the rest of the regulatory period.

UNITED KINGDOM

The UK has been a key market for the Group since 2005 and remains our largest geography of operation, where we have four companies across the electricity generation and distribution, and gas distribution sectors. Combined, they have a domestic, commercial and industrial customer base of over 13 million, generation capacity of 1,144 MW, electricity network length of 189,400 km and gas pipeline length of 71,100 km.

Despite the challenges presented by the COVID-19 pandemic, a dual focus on operating efficiencies and supporting customers allowed our electricity and gas distribution companies to deliver stable performance in 2020 in line with regulatory targets. The uncertainty leading up to Britain's exit from the European Union (EU) in January 2021 had no visible impact on operating results, as output is mostly regulated with tariffs pegged to the retail price index, or offtake contracts.

From 1 April 2021, all UK gas distribution network operators will commence a new price control period, while electricity network operators will undergo a reset in 2023.

WWU continues to expand its biomethane network and capacity infrastructure to contribute to UK's decarbonisation efforts.

Prevailing low-interest rate environment has combined with other factors to create challenges on resets.

There is a strong focus on sustainability and achieving carbon-neutrality in all aspects of life in the UK, driven by stated government commitments. Our operating companies are in full alignment with these goals and pursued them with ongoing exploration of innovation underpinned by technology to cut greenhouse gas emissions.

UK Power Networks

UK Power Networks

Power Assets Interest: 40%	Network Length: 189,400 km
Joined Since: October 2010	No. of Customers: 8,400,000

UK Power Networks (UKPN) owns, operates and manages three of the 14 regulated distribution network operators (DNOs) in the UK. UKPN's licensed distribution networks are in London, the East and the South East of England.

In 2020, UKPN distributed 72,063 GWh (2019: 77,155 GWh) to approximately 8.4 million customers. The company maintained its position as both the safest and most reliable network operator throughout the first five years of the current regulatory period, and achieved the best customer service and stakeholder engagement scores in the UK in 2020. Thanks to the focus on operating efficiencies, customers enjoyed below average use-of-system charges which form a part of their electricity bills in the UK. UKPN progressed with its planned programme of investment in 2020 to maintain operational standards.

UKPN makes progress on major infrastructure upgrades in London, as part of the ED1SON Alliance, while safeguarding employees.

During the year, the company continued to transform the network to support the community's aspirations to become carbon-neutral, such as enhancing network and charging infrastructure to support the increased use of electric vehicles (EVs), and enhancing its day-to-day operational sustainability with the goal of reducing its carbon footprint by 26% from the start of the current regulatory period. UKPN is also the first DNO to achieve the Carbon Trust Standard for carbon emission, the world's leading independent certification in this area, awarded to organisations that achieve year-on-year reductions in greenhouse gas emissions.

There has been a steady increase in the number of renewable systems that are capable of drawing power from or discharging energy back into the electricity grid. To support this trend, UKPN invested in systems and technology to allow it to transform from a distribution network operator to a distribution system operator. This approach will enable UKPN to balance power supply and demand in response to what is happening on the network, improving network flexibility and helping customers save money.

In 2020, UKPN awarded its biggest ever flexibility tender, awarding contracts for 123 MW of flexible power. The tender was the largest in the UK, with 55 high-voltage zones and 60 low-voltage zones serving 10% of UKPN's customers – almost two million homes and businesses.

The year also saw UKPN implement several notable projects within the ED1SON Alliance to augment network capacity by 1,200 MW. The first stage of an extensive network upgrade project in North London, involving decommissioning of older electricity cabling and installing state-of-the-art equipment for the future, was completed safely, on time and on budget.

Keeping the Lights On during Lockdown

The COVID-19 pandemic significantly affected normal life and the performance of businesses across all sectors in 2020. The organisational resilience work that UKPN had carried out in previous years provided a strong foundation on which to organise an appropriate response.

The company was able to rapidly deploy appropriate measures such as providing personal protective equipment to all field staff and monitoring employees directly or indirectly affected by the virus. At an operational level, UKPN also supplied toolkits to ensure managers were equipped with information and resources to support their teams, distributed daily video communications from senior management and enabled 98% of office staff to work from home.

The overall response and business continuity plans ensured UKPN was able to prioritise the effort of 'keeping the lights on' for all customers while maintaining the safety of the network. The company was also able to complete new connections for infrastructure required to help the country battle the pandemic, such as the custom-built temporary Nightingale Hospital in London.

Northern Gas Networks

Northern Gas Networks

Power Assets Interest:	Gas Pipeline Length:
41.29%	36,100 km
Joined Since: June 2005	No. of Customers: 2,700,000

Northern Gas Networks (NGN) is one of the eight gas distribution networks in the UK and transports approximately 13% of the UK's gas. It also conducts maintenance of gas mains and provides essential gas connections, as well as emergency services related to gas supply.

NGN's total gas throughput for 2020 was 66,975 GWh (2019: 69,343 GWh) and remained strong in customer satisfaction based on regulator surveys. NGN met, and in many cases exceeded, all mandatory operational targets of health and safety.

In 2020, NGN invested £134 million in capital expenditure projects for network improvement, replacing over 410 km of old iron mains to ensure ongoing network performance.

IT infrastructure was also enhanced to deliver future efficiencies, with progress being made on NGN's S4Hana enterprise resource planning system with built-in intelligent technologies, including artificial intelligence, machine learning and advanced analytics.

NGN's customer service ratings remain high thanks to ongoing customer and community engagement.

One of NGN's long-term decarbonisation projects in 2020 was the work carried out in partnership with the government to develop the hydrogen economy so household heating in the UK can use green hydrogen instead of fossil fuels. Under the project, dubbed the H21 programme, NGN continued to collect data necessary to encourage future development of a hydrogen gas grid, providing inputs to support government policy on this matter.

In November 2020, the UK Prime Minister announced a new Ten Point Plan to enable the UK to reach net zero emissions by 2050. Hydrogen forms one of the key pillars of the plan and the government aims to generate 5 GW of low carbon hydrogen for industries, transport, power and homes by 2030. Working towards this goal, at the end of 2020 NGN commenced projects at Low Thornley which is for testing the use of hydrogen for appliances in homes and the blending of 20% hydrogen within network gas.

Wales & West Utilities

Wales & West Utilities

Power Assets Interest:	Gas Pipeline Length:
36%	35,000 km
Joined Since: October 2012	No. of Customers: 2,500,000

Wales & West Utilities (WWU) is a regulated gas distribution network operator in the UK, covering the areas of Wales and South West England.

WWU's total gas throughput for 2020 was 58,200 GWh (2019: 61,800 GWh). Not only has the company met its regulatory targets for all key operating parameters, it has also maintained an excellent customer satisfaction score of 9.19 out of 10 for the regulatory period to 31 March 2020.

Biomethane and green gas solutions continue to be central in WWU's mission to support the government's aspiration to meet climate change targets and to deliver a low-carbon gas network.

WWU has systematically been decarbonising the gas network by reducing reliance on natural gas and connecting more biomethane to the network. Currently, WWU has a biomethane capacity of 1.75 TWh – enough to heat around 150,000 domestic properties over a year.

WWU's infrastructural investments include the development of biomethane fuel hubs to support greener public transport.

Five more sites will soon be connected to the network, offering an additional 0.37 TWh annual capacity – enough to heat a further 31,000 homes.

The company has always been supporting greener transport networks by developing refuelling hubs for compressed natural gas and liquefied natural gas vehicles. WWU has also received a number of inquiries for network connections from gas refuelling sites of private, as well as public fleets in strategic locations.

Seabank Power

Seabank Power

Power Assets Interest:
25%

Joined Since:
June 2010

Gas-Fired Combined Cycle Gas Turbine:
1,144 MW

Seabank Power (SPL) is the Group's UK generation business, operating two combined-cycle gas turbine units. SPL's output is governed by a Power Purchase Agreement based on plant availability, which provides an assured revenue stream insulated from demand variability.

SPL achieved availability of over 98% in 2020. Total power generated, based on a running regime agreed with the customer, was 2,536 GWh. Generating hours in 2020 were lower than budget but with higher starts.

Operationally, SPL has exceeded expectations, with overall station availability, forced outage, efficiency, starting performance, all better than target and with no plant trips. A major maintenance project planned for 2020 has been moved to 2021 as a result of the COVID-19 pandemic.

Future-Proof, Low-Carbon Investments

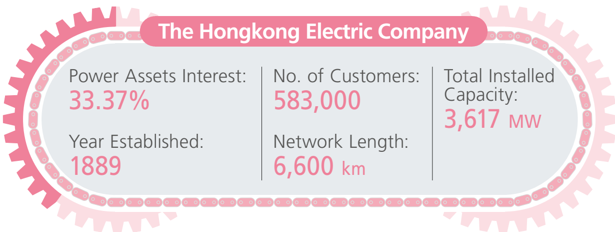
WWU progressed several research projects in 2020 to support green energy models and the UK government's clean energy efforts through evaluation models, hybrid technology and integrated sustainable systems.

Key projects include the further development of the Pathfinder 2050 model, which allows users to view the impact of the integration of gas and electricity networks at a local level. The insights from this project will enable local governments and industry players to determine the most appropriate energy strategies for their communities. Meanwhile, the HyCompact project enabled WWU to demonstrate the cost and performance efficiencies of installing a single-unit hybrid heating system.

At a local level, WWU continued investing in the Milford Haven Energy Kingdom project. The project aims to accelerate the transition to an integrated hydrogen and renewable energy system by demonstrating hydrogen-ready benefits and technologies such as fuel cell Rasa cars.

HONG KONG

The Hongkong Electric Company



HK Electric is the Group's flagship company which generates and supplies electricity to 583,000 customers on Hong Kong Island and Lamma Island. It is one of the world's most reliable electricity suppliers.

In 2020, HK Electric recorded electricity sales of 10,134 GWh (2019: 10,519 GWh). Despite the impact of COVID-19, HK Electric achieved an impeccable record of over 99.9999% supply reliability, with customers experiencing power interruption of less than 30 seconds during the whole year. All its 18 pledged service standards were met or surpassed in 2020 and 1,994 customer commendations were received during the year.

As part of the 2019-2023 Development Plan, capital works to increase gas-fired generation progressed during the year. The most significant milestone under the plan was the commissioning of a new gas-fired combined-cycle generating unit in February 2020, which increased the proportion of gas-fired electricity from about 30% to approximately 50%. Other elements of the plan include an offshore liquefied natural gas terminal which will be completed in 2022, alongside two more gas-fired generating units, which are scheduled for commissioning in 2022 and 2023 respectively. When concluded, this programme of capital works will bring the proportion of gas-fired generation up to approximately 70%, in line with the Hong Kong Government's climate and environmental targets.

To support residential and commercial customers affected by COVID-19, the company launched a series of measures including bill payment deferral, tariff increase waivers, and various subsidies which aimed to help small catering establishments stay afloat. Under the 'Smart Power Services' umbrella, HK Electric also offered a range of schemes to enable residential and commercial customers to improve energy efficiency.

HK Electric continued to offer diversified payment channels. The company entered into a tie-up with a major retailer, Watsons, to enable bill settlement in cash at approximately 200 outlets, providing customers with flexibility and convenience. It also launched secure,

HK Electric's Lamma Power Station progresses well with its development programme. Two more gas-fired units are being built following the commissioning of L10 in 2020.

easy-to-use online payments via AlipayHK and the Faster Payment System through the Account-On-Line Service to support customers seeking to minimise physical contact and support mobile-first lifestyles.

For customers seeking to cut their own environmental impact and set up solar installations, HK Electric offered technical support and favourable tariffs under the Feed-in Tariff Scheme. In 2020, 72 new renewable energy installations amounting to about 1.3 MW in total capacity were connected to the grid, including schools, commercial and residential buildings. Its Renewable Energy Certificates enabled customers to support local green energy generation. Certificates covering all the green electricity (amounting to about 3.5 GWh) generated from the renewable energy installations of the company and its customers in 2020 were fully subscribed to.

Another strategic focus for HK Electric is the full-scale deployment of smart meters across its entire customer base by the end of 2025 to provide customers with more consumption details and facilitate the smart use of energy. In 2020, technical infrastructure was successfully rolled out and the company achieved its deployment target of 40,000 meters for the year.

HK Electric's decarbonisation efforts include the rollout of smart meters to help customers optimise their energy usage.

Supporting Further Electrification of Transport

HK Electric launched "Smart Power EV Charging Solution", a one-stop free service to assist customers seeking to install EV charging facilities in their parking areas. The launch is in support of the Government's HK$2 billion EV-charging at Home Subsidy Scheme (EHSS) to encourage more EV adoption in the city. Under the new service, HK Electric will provide site inspections, technical data and guidance to help facilities management teams of residential buildings understand how they could install EV charging facilities in their parking areas. By the end of 2020, more than 200 inspections had been conducted and technical assistance was provided to applicants for the EHSS.

To support wider adoption of electric public transport, HK Electric provided technical support to erect charging facilities at key bus stations for Citybus and First Bus and assisted the Government in studying the feasibility of erecting charging facilities for electric ferries and electric public light buses.

HK Electric is increasing the use of greener transportation in its own operations. EVs now represent over 50% of the company fleet compared to 47% in 2019.

AUSTRALIA

Australia is one of the Group's largest markets of operation with a diverse portfolio spanning renewables, energy-from-waste, as well as electricity, gas transmission and distribution.

The market has seen further uptake of renewables generation, primarily solar, in recent years. Our electricity distribution businesses are adapting their networks through investment in innovation, systems, and network enhancements to create the agility required to support energy storage, back-up power supply and two-way energy flows. By doing this, our businesses are evolving from conventional distribution network operators to agile distribution system operators.

MG implements extensive network maintenance works to ensure reliability.

In light of upcoming regulatory resets and the challenges they present, another focal point of activity in Australia was to engage closely with regulators and all stakeholders to achieve optimised outcomes.

SA Power Networks

SA Power Networks

Power Assets Interest: 27.93%	Network Length: 89,400 km
Joined Since: January 2000	No. of Customers: 896,000

SA Power Networks (SAPN) is the sole electricity distributor in the state of South Australia, serving residential and business customers. It also builds electricity networks for strategic private organisations.

In 2020, SAPN distributed 9,727 GWh (2019: 10,075 GWh) of electricity. The company exceeded its customer service and reliability targets, achieving a System Average Interruption Duration Index of 122 minutes lost, against a target of 168 minutes for the 2019/20 regulatory year. The Service Target Performance Incentive Scheme achieved a positive outcome with a favourable result for 2019/20, the fifth year of this five-year regulatory period. This strong performance enabled SAPN to secure the maximum possible incentive payment from the regulator. The impact of COVID-19 was well managed, with minimal disruption to major projects and maintenance areas of the business.

2020 marked a regulatory reset and the culmination of extensive stakeholder engagement for the company. In June 2020, the Australian Energy Regulator (AER) published its final decision for SAPN for the period 2020-25, and the company achieved positive outcomes in respect of total capital expenditure.

The company launched a new application (app), Power at My Place, which proved successful with customers: more than 670,000 subscribed, accessing information about planned and unplanned interruptions. The app enhances SAPN's ability to proactively communicate with customers about important news and updates.

A record number of new connection applications for distributed energy resources, including solar panels and batteries, was received during 2020. Approximately a third of all SAPN customers now have solar installations at their premises, equivalent to a total installed capacity on the grid of 1,500 MW.

SAPN technicians carry out work on overhead power lines to maintain safety standards.

Enerven Delivering Cleaner Energy to South Australia

South Australia today has more than 280,000 renewable systems installed across the state, representing 1.5 GW of capacity. SAPN's subsidiary Enerven is actively involved in supporting the development of this clean energy sector.

One notable project is currently being implemented with SA Water, a water supplier to more than 1.7 million people in South Australia. The goal of this high-profile project, dubbed the 'Zero Cost Energy Future' project, is to enable SA Water to completely offset their total electricity cost with renewable energy fed into the grid. Enerven is on track to deliver and install approximately 242 GWh of roof and ground solar generation, and 33 MWh of battery storage at a number of SA Water sites across metropolitan and regional South Australia. The project is forecast to be completed in September 2021.

Victoria Power Networks

Victoria Power Networks

Power Assets Interest: 27.93%

CitiPower	Powercor
Joined Since: July 2002	Joined Since: September 2000
Network Length: 7,700 km	Network Length: 89,900 km
No. of Customers: 332,000	No. of Customers: 844,000

Victoria Power Networks (VPN) comprises the CitiPower and Powercor electricity distribution businesses, which distribute energy in the state of Victoria and also serve the metropolitan area of Melbourne. VPN supports around 50% of Victoria's overall GDP, spanning commercial and industrial entities, small businesses and major sporting facilities like the Melbourne Cricket Ground.

VPN engineers work on an extensive 7-year network upgrade project in Melbourne's Central Business District.

VPN's electricity throughput for 2020 was 15,836 GWh (2019: 16,688 GWh) and the company experienced customer growth with 26,520 new connections. Operational efficiency and all performance metrics met regulatory and budget targets. Powercor and CitiPower were ranked first and second respectively for operating expenditure productivity in 2018 and 2019 among all electricity distributors by the AER.

The regulatory reset for VPN will conclude and come into force from 1 July 2021. The company continued to engage with regulators and stakeholders to achieve optimised outcomes.

Several key projects were completed to enhance operational efficiency. New Powercor depots at Kyneton and Shepparton came on stream in July 2020, improving support for regional communities. The redevelopment of the Waratah Place zone substation within Melbourne was also completed ensuring the city can withstand outages with minimal impact to customers.

During 2020, CitiPower commenced a large-scale pit inspection programme in the Central Business District (CBD) of Melbourne. Specialist teams of underground lineworkers will inspect approximately 500 pits over the next seven years using 3D LiDAR and thermographic scans. Any issues identified will then be scheduled for maintenance works. Lower pedestrian and road traffic in the CBD as a result of COVID-19 restrictions has enabled the project to progress faster than anticipated.

Beon Energy Solutions, a VPN undertaking, completed the nine-month construction of the 120-MW Bomen Solar Farm and associated collection station, located near Wagga Wagga, New South Wales. The site is now generating at full capacity and fulfilling all operational and reliability parameters. Beon secured a contract with Melbourne Airport to develop a 12.4-MW solar farm and 1.8-MW solar rooftop project which is expected to supply around 15% of the airport's annual electricity consumption. This facility will power all four passenger terminals at the airport and is forecast to commence operations in early 2021.

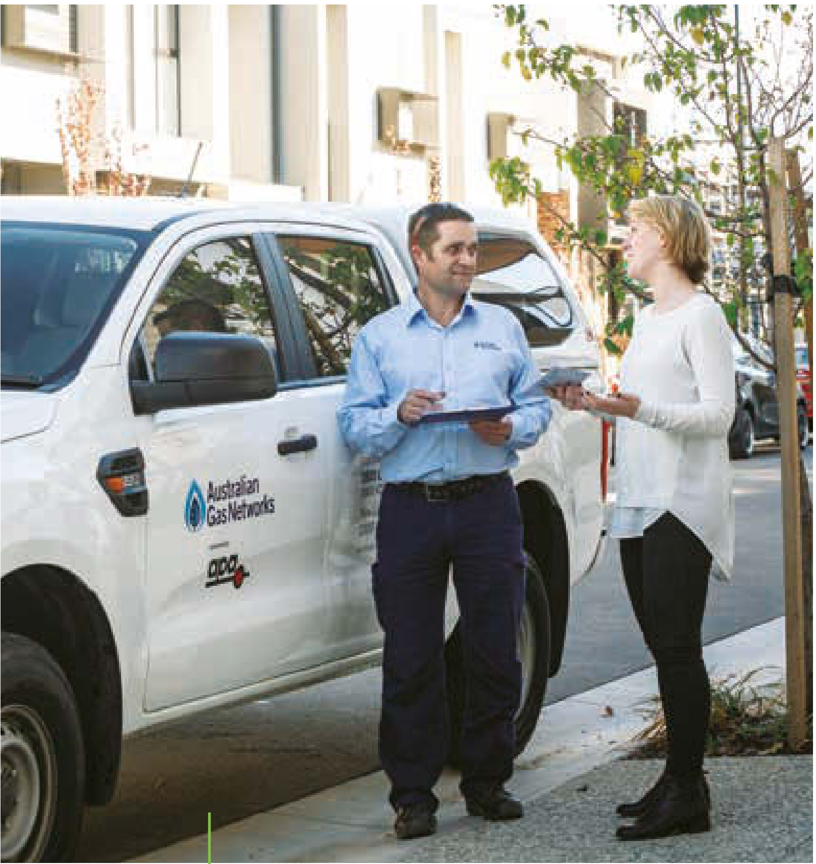
Australian Gas Networks

Australian Gas Networks

Power Assets Interest: 27.51%	Gas Pipeline Length: 26,400 km
Joined Since: August 2014	No. of Customers: 1,345,000

Australian Gas Networks (AGN) is one of Australia's largest distributors of natural gas, serving customers in Victoria, South Australia, Queensland, as well as in smaller centres in New South Wales and the Northern Territory.

In 2020, AGN delivered 100 million GJ (2019: 101 million GJ) of gas, primarily due to lower volumes in the commercial sector associated with the COVID-19



AGN's high customer satisfaction levels are maintained with extensive engagement.

pandemic; partly offset by additional volumes in the residential sector. Like other Group companies, customer satisfaction and key operational parameters of AGN all exceeded targets.

AGN progressed its ongoing calendar of scheduled capital works with a focus on ensuring long-term performance and to support municipal works. In South Australia, the Churchill Road network upgrade project, involving the replacement of 9.4 km of medium pressure cast iron trunk mains and abandonment of 1.6 km of existing trunk mains neared completion. In Queensland, the construction of the final stage of the Kingsford Smith Drive high-pressure steel relocation project was completed within budget and on time.

The Hydrogen Park SA project, which involves the construction of a 1.25-MW electrolysis plant at the Tonsley Innovation District, made progress through the year although delays were experienced due to COVID-19 impacting the arrival of commissioning engineers from Germany. The project spearheads the industry in developing green hydrogen through electrolysis for decarbonisation of household heating.

CK William

CK William

Power Assets Interest: 20%	Network Length: 13,400 km
Joined Since: May 2017	No. of Customers: 1,421,000
Gas Pipeline Length: 14,300 km	Total Installed Capacity: 1,086 MW

CK William owns and operates four energy companies – (i) Dampier Bunbury Pipeline and AGI Development Group (collectively known as "DBP"), the owner and operator of the Dampier to Bunbury Natural Gas Pipeline and other pipeline projects in Australia, (ii) Energy Developments Pty Ltd (EDL), a global generation company specialising in sustainable distributed energy, (iii) Multinet Gas (MG), one of Victoria's three gas distribution networks, and (iv) United Energy (UE), an electricity distribution business in Victoria.

Total gas throughput for DBP in 2020 was 380 million GJ (2019: 383 million GJ). System reliability remained strong at 100%, while asset utilisation was at 76% above the forecast of 73%. DBP submitted its response to the draft decision for the regulatory reset beginning in 2021. This is now being considered with a final decision expected to be received in the first quarter of 2021.

A DBP compressor station. Thanks to state-of-the-art equipment, the network performs at a consistent 100% reliability.

EDL expanded the Agnew Hybrid Renewable Microgrid with 18-MW wind and 13-MW battery infrastructure in 2020.

EDL, which owns and operates 1,086 MW of distributed power globally through waste coal mine gas, landfill gas, renewables, and remote energy, achieved a generation throughput of 5,207 GWh in 2020 (2019: 4,830 GWh), offsetting 19 million tonnes of greenhouse gas emissions. The increased generation is largely due to full-year contributions from new assets including Broadrock Renewables and Agnew, as well as higher generation of remote energy. The company also invested in two renewable natural gas projects in the United States which will be underpinned by long-term fixed price offtake agreements.

MG's gas deliveries in 2020 totalled 54.6 million GJ (2019: 56.1 million GJ). Reductions in volume from the commercial sector due to the impact of the COVID-19 pandemic were partially offset by increased volumes from the residential sector due to colder weather. To improve efficiency and customer service capabilities, MG continued work on a large-scale relocation project of its network control centre, with a new centre of excellence being established in Perth.

MG joined the Energy Networks Australia COVID-19 programme and collaborated with other Group companies and peers in the industry to provide relief to small businesses and residential customers affected by the pandemic. It also worked closely with AGN on the groundbreaking Hydrogen Park SA project at the Tonsley Innovation District in South Australia which will help make the supply network greener.

UE distributed a total of 7,512 GWh of electricity in 2020 (2019: 7,668 GWh), increasing its customer base by adding 10,733 new connections. The company exceeded its targets for reliability and received incentive payments from the regulator. A significant achievement was the installation of the first low-voltage grid-mounted batteries in Australia in the Bayside Battery project. This market-leading innovation will reduce unplanned power outages for customers and allow high-cost network upgrade works to be deferred.

Work has commenced to relocate network assets and provide a new zone substation to support the A$10 billion North East Link development which is planned to improve travel between Melbourne's outer eastern suburbs. This is one of the biggest transport projects in the state and forms part of the Victorian Government's 'Big Build' initiative.


The MG pipeline network distributes natural gas to over 700,000 customers in the eastern and south-eastern suburbs of Melbourne.

UE technicians carry out a powerline inspection overlooking the Mornington Peninsula.

UE was the only Victorian network selected in 2020 to participate in an EV smart charging trial in the market. The trial will enable UE to support the rollout of greener transportation in the state while understanding the impact of EV charging on the grid.

Australian Energy Operations

Australian Energy Operations

Power Assets Interest:
50%

Joined Since:
July 2012

Network Length:
71 km

Australian Energy Operations (AEO) builds, owns and operates electricity transmission lines and terminal stations that connect the Mt Mercer, Ararat, Moorabool and Lal Lal wind farms to the National Electricity Market.

In 2020, AEO began a project to augment the existing Elaine and Ararat terminal stations which will increase the capacity of the transmission network in western Victoria. Construction is forecast to be completed by the end of 2023.

Total network length stood at 71 km of 132 kV transmission lines. AEO continued to yield stable revenues for the Group based on long-term contracts with the four wind farms.

Engineering Solution of the Year

EDL's Agnew hybrid renewable project is Australia's largest renewable microgrid and a test bed for innovative hybrid energy generation. The 56-MW microsite, located at the Gold Fields Agnew gold mine, incorporates a mixture of wind, solar and thermal generation and battery storage.

EDL commenced the project in 2019 and finished the construction of Stage 2 of the Gold Fields Agnew Renewable Hybrid Project in Western Australia, comprising 18-MW wind and 13-MW battery assets on budget and schedule during the year.

In 2020, the site achieved 99.99% reliability and a carbon offset of approximately 46,400 tonnes of carbon dioxide, equivalent to taking 12,700 cars off the road. The project demonstrated success in facilitating high usage of renewable energy without compromising reliability or quality. At the same time, it reduced the mine's exposure to fossil fuel prices and supply interruptions. The success of the project clearly demonstrates the potential for increased use of renewable energy in the global mining sector.

MAINLAND CHINA

The Power Assets Group has had a presence in Mainland China since 2007. The Group's assets in the market currently comprise one coal-fired power plant in Jinwan (Guangdong province) and two wind farms in Dali (Yunnan province) and Laoting (Hebei province) respectively.

The electricity market on the Mainland witnessed further reform and changes in environmental regulations, moving away from fossil fuels and supporting green energy with tradeable green certificates. Following declines in the first quarter of the year, the local industrial production there once again began to grow, resulting in demand for power and heating.

Jinwan power plant

Jinwan Power

Power Assets Interest: 45%

Joined Since: April 2009

Coal-Fired: 1,200 MW

Under the long-term joint venture agreement with a partner in Mainland China, the Jinwan power plant operates two coal-fired generating units with a combined capacity of 1,200 MW.

In 2020, the Jinwan plant sold a total of 3,767 GWh of electricity (2019: 3,954 GWh) and 3.73 million GJ of steam (2019: 3.23 million GJ), thanks to improved industrial demand in the second half of the year. Ongoing power sector reform continued to exert a dampening effect on demand for coal-fired generation capacity in Mainland China.

Jinwan Power Plant successfully reduces emissions after a major overhaul.

The plant achieved smooth operations and met all environmental targets during the year. A major overhaul of the plant commenced in November 2020 to enhance generation efficiency and emissions performance. During the COVID-19 pandemic, stringent measures were implemented to ensure a safe working environment for all site-based staff including those of sub-contractors.

According to the terms of the co-operative joint venture contract signed in 1995, the Group's operating rights for the Zhuhai plant expired in 2019. Transfer of the plant's ownership to the joint venture partner was completed in October 2020.

Dali and Laoting wind farms

The Dali and Laoting wind farms have a combined capacity of 97.5 MW.

The two wind farms delivered performance in line with expectations in 2020, generating 207 GWh (2019: 216 GWh) of electricity over the year and offsetting 199,000 tonnes of carbon emissions within their respective provinces.

Dali Wind Power

Power Assets Interest: 45%
Joined Since: December 2007
Wind Turbine: 48 MW

Laoting Wind Power

Power Assets Interest: 45%
Joined Since: June 2008
Wind Turbine: 49.5 MW

THAILAND

Ratchaburi Power Company

Ratchaburi Power

Power Assets interest: 25%
Joined Since: October 2001
Gas-Fired Combined Cycle Gas Turbine: 1,400 MW

Ratchaburi Power Company (RPCL) has consistently yielded predictable revenues for the Group, guaranteed by a 25-year take-or-pay Power Purchase Agreement with Thailand's Electricity Generating Authority.

RPCL's power plant exceeds performance and operational targets, securing incentive payments from the government.

In 2020, RPCL generated 2,801 GWh of electricity, which yielded guaranteed revenues from a single customer based on a long-term offtake contract. Blocks 1 and 2 at the plant achieved an equivalent availability factor of about 93% and 87% respectively, representing a total of 15,786 available hours and exceeding the 2020 production plan.

New initiatives to enhance operational efficiency in 2020 achieved savings on fuel costs and secured additional incentive revenue from government by exceeding targets for plant performance and operation.

CANADA

Being stable and mature, Canada is an attractive market for the Group and is home to two Group operating companies in the power generation, oil transmission and storage sectors. Decarbonisation was the key driver for the energy industry as a whole in Canada during 2020, guided by initiatives from the federal department, Environment and Climate Change Canada. Our operating companies there have taken steps to further reduce emissions and deliver more sustainable energy in the long-term.

While operations were hampered by the disruptions caused by COVID-19, Group companies were able to maintain services as usual and achieve all operating parameters.

The oil processing facility at Lloydminster Terminal forms part of HMLP's expanding footprint in Canada.

Canadian Power Holdings

TransAlta Cogeneration

Power Assets Interest:
25%

Joined Since:
December 2007

Total Installed Capacity:
1,064 MW

Meridian

Power Assets Interest:
50%

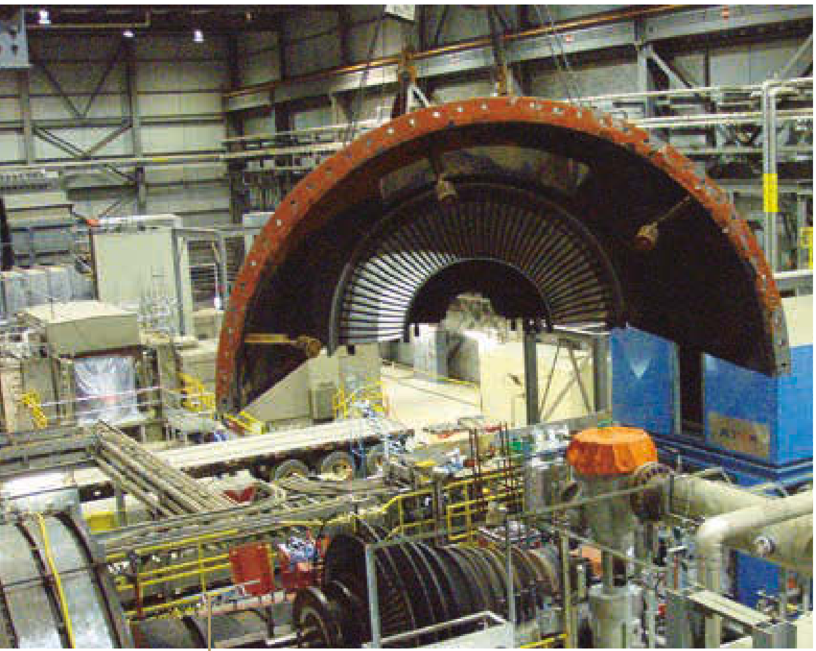
Joined Since:
December 2007

Gas-fired Combined Cycle Cogeneration:
220 MW

Canadian Power Holdings (Canadian Power) operates the gas-fired Meridian cogeneration power plant in Saskatchewan, and has a holding in TransAlta Cogeneration (TransAlta), which operates four power plants in Ontario and Alberta.

The Meridian plant performed as anticipated during the year, generating 1,665 GWh (2019: 1,648 GWh) of electricity and 1,438 kT (2019: 1,471 kT) of steam, while TransAlta produced 2,126 GWh (2019: 2,912 GWh) of electricity.

The Sheerness generation station under TransAlta completed its first 400-MW coal-to-gas generating unit conversion. The unit performed well after the conversion, exceeding efficiency targets. Conversion of the remaining 400-MW generating unit will be completed in 2021.



Following an outage, the gas turbine at the Meridian plant delivers excellent performance.

A major planned gas turbine outage was successfully completed at the Meridian plant during the second quarter of the year to enhance reliability and plant performance while ensuring the safety of all workers. The turbine returned to service in excellent condition with highly satisfactory operating performance.

Husky Midstream Limited Partnership

Husky Midstream Limited Partnership

Power Assets Interest: 48.75%	Oil Storage Capacity: 5.9 million barrels
Joined Since: July 2016	Pipeline Gathering System Capacity: 409,000 bbs/day
Oil Pipeline Length: 2,200 km	

Husky Midstream Limited Partnership (HMLP) operates a network of oil-gathering systems and pipelines, transporting crude oil from producing fields to processing facilities, as well as operating the Hardisty oil storage terminal. It serves oil companies and crude oil producers from its headquarters in Alberta.

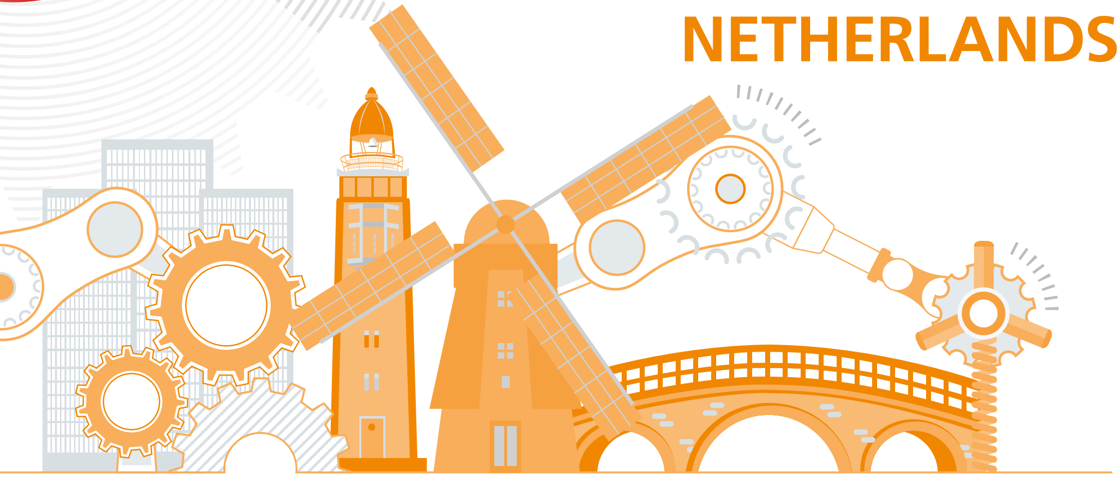
In 2020, HMLP served 12 pipeline customers and 62 customers within the Hardisty oil storage terminal. Crude oil storage capacity at the Hardisty terminal was expanded to 1.5 million barrels with the completion of three additional long-term contracted tanks in 2020.

HMLP expanded into gas infrastructure assets with the commissioning of the Ansell Corser gas processing plant and Wembley gas pipeline in November 2019. The Ansell Corser gas plant has an initial processing capacity of 120 mmcf/d and has operated smoothly throughout 2020.

HMLP has continued to grow the portfolio of midstream pipeline and terminal assets that it operates in east-central Alberta and west-central Saskatchewan. The second phase of expansion of the Saskatchewan Gathering System, which transports heavy oil production from Saskatchewan to processing facilities in Lloydminster and its terminal in Hardisty for blending and distribution, continued during the year. The Spruce Lake Central phase of this programme was completed in the third quarter of 2020.

Expanding capacity through assets such as this oil tank at the Hardisty Terminal ensures stable long-term revenues for HMLP.

NETHERLANDS



Dutch Enviro Energy Holdings B.V.

Dutch Enviro Energy Holdings B.V.

Power Assets Interest: 27%	Energy-From-Waste: 1,695 kT/yr
Joined Since: August 2013	Paper Residue Incineration: 152 kT/yr
Waste-to-Energy Units: 115 MW	Liquid Waste Treatment: 280 kT/yr
Biomass-Fired Units: 30 MW	Biomass Energy: 143 kT/yr

Dutch Enviro Energy Holdings B.V., which owns AVR-Afvalverwerking B.V. (AVR), is an energy-from-waste producer based in Rotterdam. It currently serves 20-24% of all household and commercial waste incinerated in the Netherlands. Together with waste from other EU countries, AVR treats a total of 1.7 million tonnes of residual waste per year.

AVR's total throughput of waste in 2020 increased to 2,270kT (2019: 2,154 kT) while the total energy output rose to 8,179 TJ (2019: 7,887 TJ). The company improved its results in other operating areas, increasing CO_2 capture to 31 kT (2019: 10 kT) and the amount of plastic recycled to 26 kT (2019: 19 kT).

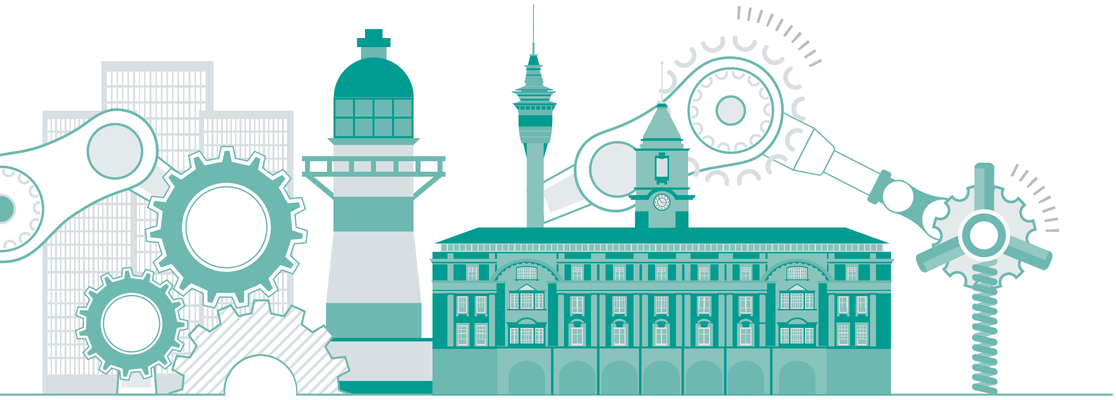
Building on national efforts to reduce the carbon footprint, AVR's biomass plant was connected to the common steam pipe in Rotterdam. This allowed AVR to supply process steam with greater efficiency and in doing so, creating the possibility to expand steam supply to nearby industrial customers, helping to achieve the government's long-term target of becoming carbon-neutral by 2050.

In order to enhance capacity to address anticipated demand for heating and steam in the Eneco and Vattenfall districts in the Rotterdam region, AVR commenced with the construction of a new backpressure steam turbine. Currently AVR is already the largest producer of district heating in the Netherlands (about 20-25% of the national total). The turbine is scheduled for completion in 2021 and will have the capacity to support the power consumption of approximately 60,000 households per year. The use of backpressure technology will enable AVR to extract even more energy from residual waste to lower its carbon footprint.

AVR's facility is helping to dispose of hospital waste materials during COVID-19.

As an expert in the processing of combustible residual waste, AVR supported the community's response to the COVID-19 pandemic by helping hospitals safely dispose of additional volumes of hospital waste, including gloves, face masks, aprons, medical hats, packaging materials and medical supplies.

NEW ZEALAND



Wellington Electricity Lines

Wellington Electricity Lines

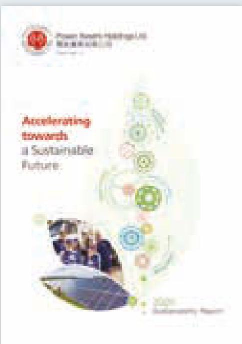
Power Assets Interest: 50%	Network Length: 4,200 km
Joined Since: July 2008	No. of Customers: 171,000

Wellington Electricity Lines Limited (WELL) owns and operates the electricity distribution network in the Wellington metropolitan area of New Zealand. Its network serves customers across the domestic, commercial and industrial sectors, including major organisations such as the New Zealand Parliament, Wellington Airport and the hospitals in the region.

WELL distributed 2,237 GWh (2019: 2,277 GWh) of electricity during the year. The company remained committed to investing in the reliability of its network and introduced several enhancements to ensure it outperforms regulatory targets for efficiency, reliability and customer service. The large-scale earthquake readiness programme initiated in 2018 is nearing completion with seismic reinforcement completed on 87 out of 91 buildings.

To support the increasing number of EVs across its area of operation, WELL consulted with industry stakeholders to develop a roadmap for the integration of EVs and promoted a managed EV and battery charging service it plans to offer as an alternative to network re-inforcement.

WELL remains committed to investing in its infrastructure such as the refurbishment of power lines at Golans Valley, Wainuiomata.



2020 Sustainability Report

The Group is committed to the long-term sustainability of its business. It has established a new Sustainability Committee to oversee our strategy and advise the Board on the development and implementation of our sustainability initiatives.

The Group has further strengthened the environmental, social and governance (ESG) reporting by publishing for the first time a standalone Sustainability Report covering the ESG activities for 2020.

Board of Directors and Senior Management

Board of Directors

Executive Directors

FOK Kin Ning, Canning *Chairman*

Aged 69. Appointed to the Board in 1985 and became the Chairman in 2005. He is a Director of certain subsidiaries of the Company. He is also the Chairman of HK Electric Investments Manager Limited ("HKEIML") which is the trustee-manager of HK Electric Investments ("HKEI"), HK Electric Investments Limited ("HKEIL") and its wholly-owned subsidiary, The Hongkong Electric Company, Limited ("HK Electric"). Mr. Fok is an Executive Director and Group Co-Managing Director of CK Hutchison Holdings Limited ("CK Hutchison"), and the Deputy Chairman of CK Infrastructure Holdings Limited ("CKI"). Mr. Fok is the Chairman of Hutchison Telecommunications (Australia) Limited, Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH") and Hutchison Port Holdings Management Pte. Limited ("HPHMPL") which is the trustee-manager of Hutchison Port Holdings Trust ("HPH Trust"), a Non-executive Director of TPG Telecom Limited, and a Director of Cenovus Energy Inc. ("Cenovus Energy"). All the companies mentioned above, except HKEIML, HK Electric and HPHMPL, are listed companies, and HPH Trust and HKEI are listed business/investment trusts. Mr. Fok acts as a Director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), and a Director of certain companies controlled by certain substantial shareholders of the Company. He was the Co-Chairman and is currently a Director of Husky Energy Inc. ("Husky Energy") which was delisted on 5 January 2021 following its combination with Cenovus Energy. Mr. Fok holds a Bachelor of Arts degree and a Diploma in Financial Management, and is a Fellow of Chartered Accountants Australia and New Zealand.

TSAI Chao Chung, Charles *Chief Executive Officer*

Aged 63. Appointed to the Board and Chief Executive Officer in January 2014. He has been with the Group since June 1987. Mr. Tsai is the General Manager of Power Assets Investments Limited, a wholly-owned subsidiary of the Company. He is also a Director or Alternate Director of most of the subsidiaries and certain joint ventures of the Company. Mr. Tsai has been responsible for the Group's investments outside Hong Kong since 1997. He holds a Bachelor of Applied Science Degree in Mechanical Engineering, and is a Registered Professional Engineer and a Chartered Engineer.

CHAN Loi Shun

Aged 58. Appointed to the Board in June 2012. Mr. Chan is a Director of most of the subsidiaries and certain joint ventures of the Company. He is also an Executive Director of HKEIML which is the trustee-manager of HKEI, and HKEIL, and a Director of HK Electric. Mr. Chan is an Executive Director and Chief Financial Officer of CKI, a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Chan joined Hutchison Whampoa Limited ("HWL") in January 1992 and has been with the CK Group since May 1994. All the companies mentioned above, except HKEIML, HK Electric and HWL, are listed companies, and HKEI is a listed investment trust. He also holds directorships in certain companies controlled by certain substantial shareholders of the Company within the meaning of Part XV of the SFO. Mr. Chan is a fellow of the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Association of Chartered Certified Accountants, and is also a member of the Institute of Certified Management Accountants (Australia).

Andrew John HUNTER

Aged 62. Appointed to the Board in 1999, prior to which he was Finance Director of the Hutchison Property Group. Mr. Hunter was Group Finance Director from 1999 to January 2006, and is a Director of certain joint ventures of the Company. Mr. Hunter is currently Deputy Managing Director of CKI, a listed company and a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Hunter also holds directorships in certain companies controlled by certain substantial shareholders of the Company. Mr. Hunter holds a Master of Arts degree and a Master's degree in Business Administration and is a member of the Institute of Chartered Accountants of Scotland and of the HKICPA. He has over 38 years of experience in accounting and financial management.

Neil Douglas MCGEE

Aged 69. Appointed to the Board in 2005 as an Executive Director, and re-designated as a Non-executive Director in August 2012 and as an Executive Director in January 2014. He was Group Finance Director from February 2006 to August 2012. Mr. McGee has held various legal, corporate secretarial and finance positions with the Group and the CK Hutchison Group. He is also a Director or Alternate Director of certain subsidiaries and joint ventures of the Company. Mr. McGee is currently the Managing Director of Hutchison Whampoa Europe Investments S.à r.l. He was previously a Director of Husky Energy which was delisted on 5 January 2021 following its combination with Cenovus Energy. Mr. McGee holds a Bachelor of Arts degree and a Bachelor of Laws degree.

WAN Chi Tin

Aged 70. Appointed to the Board in 2005. He was Group Managing Director from January 2013 to January 2014. Mr. Wan is a Director of most of the subsidiaries and certain joint ventures of the Company. He is also the Chief Executive Officer and an Executive Director of HKEIL, a company listed together with HKEI, an Executive Director of HKEIML which is the trustee-manager of HKEI and the Managing Director of HK Electric. He has worked for the Group since 1978, holding various positions including Director of Engineering (Planning & Development), Chief Executive Officer of Powercor Australia Limited and CitiPower Pty., associate companies of the Group in Australia. Mr. Wan holds a Bachelor of Science degree in Electrical Engineering and is also a Chartered Engineer. He is an Honorary Fellow of the Energy Institute, a Fellow of the Institution of Engineering and Technology, an Honorary Fellow of The Hong Kong Institution of Engineers and a Fellow of The Hong Kong Management Association. Mr. Wan is a member of the Audit Committee of The University of Hong Kong. He was previously Vice Chairman of the Engineers Registration Board of Hong Kong.

Non-executive Director

LI Tzar Kuoi, Victor

Aged 56. Appointed to the Board in 1994 and re-designated from an Executive Director to a Non-executive Director in January 2014. He is also a Director of a joint venture of the Company. He is the Chairman and Group Co-Managing Director of CK Hutchison, and the Chairman and Managing Director, and the Chairman of the Executive Committee of CK Asset Holdings Limited. Mr. Li is the Chairman of CKI and CK Life Sciences Int'l., (Holdings) Inc. Mr. Li is also a Non-executive Director of HKEIML which is the trustee-manager of HKEI, a Non-executive Director and the Deputy Chairman of HKEIL and a Director of HK Electric. All the companies mentioned above, except HKEIML and HK Electric, are listed companies, and HKEI is a listed investment trust. Mr. Li is also the Deputy Chairman of Li Ka Shing Foundation Limited and Li Ka Shing (Global) Foundation, the Member Deputy Chairman of Li Ka Shing (Canada) Foundation, and a Director of The Hongkong and Shanghai Banking Corporation Limited. He serves as a member of the Standing Committee of the 13th National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He is also a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development of the Hong Kong Special Administrative Region, and Vice Chairman of the Hong Kong General Chamber of Commerce (the "Chamber"). Mr. Li is the Honorary Consul of Barbados in Hong Kong. He acts as a Director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO, and a Director of certain companies controlled by certain substantial shareholders of the Company. He was previously a Director and the Co-Chairman of Husky Energy which was delisted on 5 January 2021 following its combination with Cenovus Energy. Mr. Li holds a Bachelor of Science degree in Civil Engineering, a Master of Science degree in Civil Engineering and a degree of Doctor of Laws, honoris causa (LL.D.).

Independent Non-executive Directors

IP Yuk-keung, Albert

Aged 68. Appointed to the Board in January 2014. Mr. Ip is an international banking and real estate professional with over 30 years of banking experience in United States, Asia and Hong Kong. He was formerly Managing Director of Citigroup and Managing Director of Investments at Merrill Lynch (Asia Pacific). Mr. Ip is Adjunct Professor of and advisor to a number of universities in Hong Kong, United States and Macau. He is a Council Member of The Hong Kong University of Science and Technology and a Trustee of the Board of Trustees of Washington University in St. Louis. Mr. Ip is an Honorary Fellow of Vocational Training Council and a Beta Gamma Sigma Honoree at City University of Hong Kong and The Hong Kong University of Science and Technology. Mr. Ip is a Non-executive Director of Eagle Asset Management (CP) Limited which is the manager of Champion Real Estate Investment Trust, and an Independent Non-executive Director of Lifestyle International Holdings Limited, New World Development Company Limited and HTHKH. All the companies mentioned above except for Eagle Asset Management (CP) Limited are listed companies, and Champion Real Estate Investment Trust is a listed real estate investment trust. Mr. Ip was formerly an Executive Director and the Chief Executive Officer of LHIL Manager Limited which is the trustee-manager of Langham Hospitality Investments, and Langham Hospitality Investments Limited, and an Independent Non-executive Director of New World China Land Limited, AEON Credit Service (Asia) Company Limited, Hopewell Highway Infrastructure Limited (now known as Shenzhen Investment Holdings Bay Area Development Company Limited), Hopewell Holdings Limited and TOM Group Limited. Mr. Ip holds a Bachelor of Science degree in Applied Mathematics and Computer Science, a Master of Science in Applied Mathematics and a Master of Science in Accounting and Finance. He is the Chairman of the Board of Governors of World Green Organisation.

LUI Wai Yu, Albert

Aged 70. Appointed to the Board in March 2020. Mr. Lui has over 30 years of experience in project management. He joined the CK Group in 1978, with his last position before retirement in 2006 as the Senior Project Manager of the Development Department of Cheung Kong (Holdings) Limited (which was then listed company). Mr. Lui holds a Higher Certificate in Civil Engineering and a Diploma in Management Studies.

Ralph Raymond SHEA

Aged 87. Appointed to the Board in 1985. Mr. Shea has been an Independent Non-executive Director of HKEIML which is the trustee-manager of HKEI, and HKEIL which is a company listed together with HKEI, and a Director of HK Electric, since October 2015. Mr. Shea is a solicitor of England and Wales and of Hong Kong.

WU Ting Yuk, Anthony

Aged 66. Appointed to the Board in June 2014. He is a member of Standing Committee of the Chinese People's Political Consultative Conference National Committee. Mr. Wu was formerly the chairman of the Hong Kong Hospital Authority, the chairman of the Bauhinia Foundation Research Centre, a member of the Task Force on Land Supply of the Hong Kong Special Administrative Region, the Deputy Chairman and an executive director of Sincere Watch (Hong Kong) Limited, and an independent non-executive director of Fidelity Funds and Agricultural Bank of China Limited. He also served as the chairman, and is currently a member of the Chamber Council, of the Chamber. Mr. Wu is a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development of the Hong Kong Special Administrative Region. Mr. Wu is a member of the People's Republic of China State Council's Medical Reform Leadership Advisory Committee, a member of the Public Policy Advisory Committee and an advisor of the National Health Commission of the People's Republic of China, the Principal Advisor to the State Administration of Traditional Chinese Medicine of the People's Republic of China and a member of the Chinese Medicine Reform and Development Advisory Committee of the People's Republic of China. He is also the Chief Advisor to MUFG Bank, Ltd., the Chairman of the China Oxford Scholarship Fund and an Honorary Professor of Faculty of Medicine of the Chinese University of Hong Kong and Peking Union Medical College Hospital. Mr. Wu is an independent non-executive director and the Chairman of China Resources Medical Holdings Company Limited, and an independent non-executive director of Guangdong Investment Limited, China Taiping Insurance Holdings Company Limited, CStone Pharmaceuticals, Venus Medtech (Hangzhou) Inc. and Ocumension Therapeutics, all of which are listed companies. Mr. Wu is an Honorary Fellow of Hong Kong College of Community Medicine. He is a Fellow of the HKICPA and the Institute of Chartered Accountants in England and Wales, and an Honorary Chairman of The Institute of Certified Management Accountants (Australia) Hong Kong Branch.

Senior Management

CHAN Kee Ham, Ivan

Aged 58. Chief Financial Officer, has been with the Group since May 2012. He is also the Chief Planning and Investment Officer of CK Infrastructure Holdings Limited. He has over 30 years of experience in investment, banking and finance. He holds a Bachelor's degree in Science, a Bachelor's degree in Chinese Law and a Master's degree in Business Administration.

FUNG Siu Tong, Thomas

Aged 52. Assistant General Manager (Business Development), has been with the Group since September 1990. He is responsible for business development activities which include both acquisition and greenfield development globally. He holds a Bachelor of Science degree in Mechanical Engineering.

Jeffrey KWOK

Aged 63. Senior Manager (Business Development), has been with the Group since September 1981. He is responsible for both greenfield development and acquisition activities in various countries and assumes active management role in some of the Group's investments. He holds a Master of Science degree in Engineering and is a Chartered Engineer in the United Kingdom, a member of The Hong Kong Institution of Engineers and the Institution of Mechanical Engineers in the United Kingdom.

NG Wai Cheong, Alex

Aged 51. Group Legal Counsel and Company Secretary, has been with the Group since November 2008. Mr. Ng is also the Group Legal Counsel and Company Secretary of HK Electric Investments Manager Limited (the trustee-manager of HK Electric Investments) and HK Electric Investments Limited. He has over 20 years of experience in legal, regulatory and compliance fields. Mr. Ng holds a Bachelor's degree in Science and a Bachelor's degree in Laws. He was admitted as a solicitor in Hong Kong and in England and Wales.

PAK Tak Kei, Keith

Aged 56. Senior Manager (Business Development), has been with the Group since December 1993. He is responsible for initiation of the Group's investments globally. He holds a Bachelor of Engineering degree in Mechanical Engineering, a Master of Science degree in Building Services Engineering and a Master of Business Administration degree. He is a Chartered Engineer in the United Kingdom, a member of The Hong Kong Institution of Engineers and the Institution of Mechanical Engineers in the United Kingdom.

YU Ka Man, Jenny

Aged 48. Senior Manager (International Business), joined the Group in September 2016 and has over 20 years of experience in energy industry with international business exposure. She is responsible for asset management of the Group's investments globally, and assumes active role in new energy development projects. Miss Yu holds a Master of Business Administration degree. She is a fellow of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a member of The Hong Kong Institute of Directors.

Corporate Governance Report

Corporate Governance Practices

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

The Company has complied with the applicable code provisions in the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2020, except as stated hereunder.

Board of Directors

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

During 2020, the Board comprised the following Directors and the record of attendance of meetings in 2020 of each Director is as follows:

Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meeting	Meetings between Chairman and Independent Non-executive Directors	Annual General Meeting held on 13 May 2020
Executive Directors						
Fok Kin Ning, Canning (Chairman)	4/4	–	1/1	1/1	2/2	✓
Tsai Chao Chung, Charles (Chief Executive Officer)	4/4	–	–	1/1	–	✓
Chan Loi Shun	4/4	–	–	1/1	–	✓
Andrew John Hunter	4/4	–	–	1/1	–	✓
Neil Douglas McGee	4/4	–	–	1/1	–	✓
Wan Chi Tin	4/4	–	–	1/1	–	✓
Non-executive Director						
Victor T K Li	4/4	–	–	1/1	–	✓
Independent Non-executive Directors						
Ip Yuk-keung, Albert	4/4	3/3	–	1/1	2/2	✓
Lui Wai Yu, Albert (Note 1)	3/3	–	1/1	–	2/2	✓
Ralph Raymond Shea	4/4	3/3	1/1	1/1	2/2	✓
Wong Chung Hin (Note 2)	1/1	1/1	–	1/1	–	–
Wu Ting Yuk, Anthony (Note 3)	4/4	2/2	–	1/1	2/2	✓

Notes:

(1) Mr. Lui Wai Yu, Albert was appointed as an Independent Non-executive Director of the Company and a member of the Remuneration Committee and the Nomination Committee on 19 March 2020.

(2) Mr. Wong Chung Hin resigned as an Independent Non-executive Director of the Company and ceased to be a member of the Audit Committee, the Remuneration Committee and the Nomination Committee on 19 March 2020.

(3) Mr. Wu Ting Yuk, Anthony was appointed as a member of the Audit Committee on 19 March 2020.

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

Biographical details of the current Directors are set out in the "Board of Directors and Senior Management" section on pages 30 to 33 of the Annual Report. An updated list of Directors containing biographical information is maintained on the website of the Company. The names of all Directors and their role and function are posted on the website of Hong Kong Exchanges and Clearing Limited ("HKEX").

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

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

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

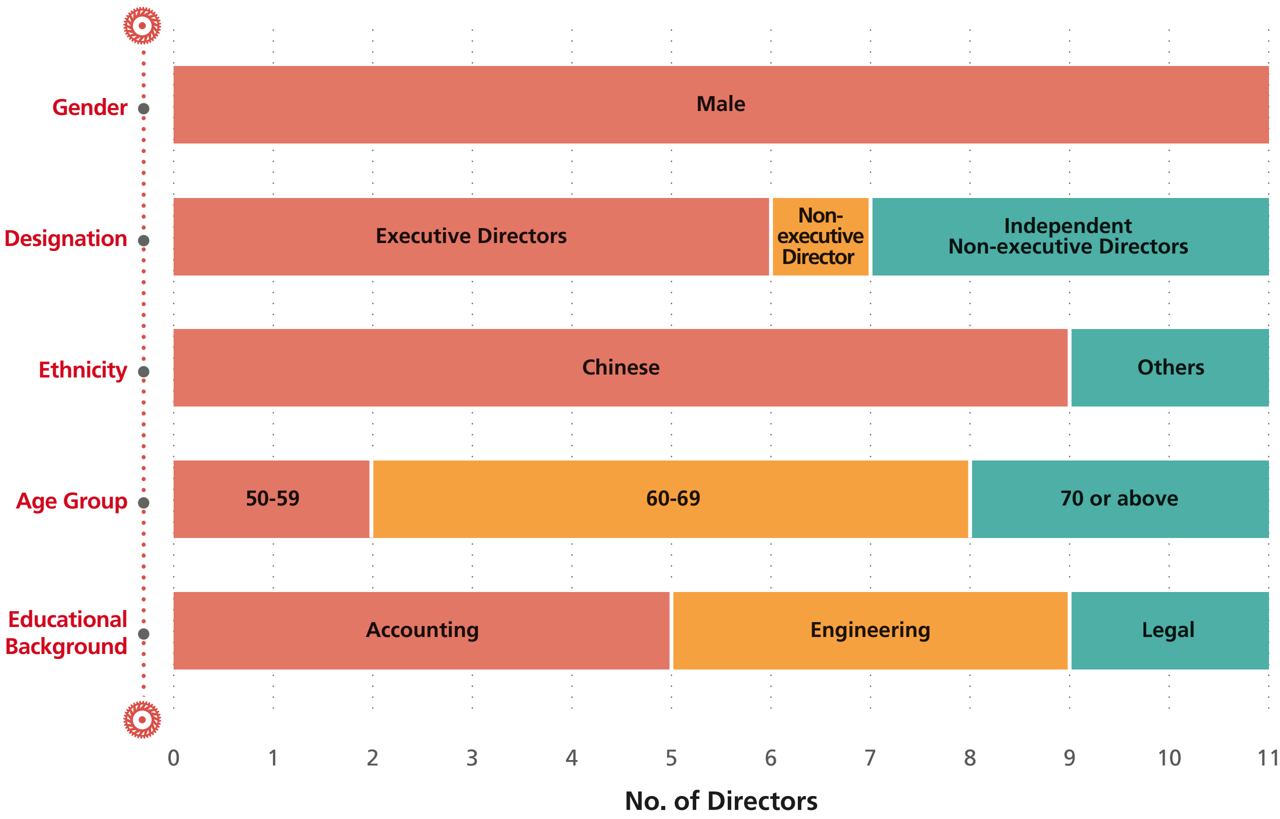
All Directors have been appointed on annual twelve-month basis, subject to retirement from office by rotation and re-election by shareholders at the annual general meeting once every three years pursuant to the articles of association of the Company. Any newly appointed director will be subject to retirement and re-election pursuant to the articles of association of the Company at the next general meeting (in the case of filling a casual vacancy) and at the next annual general meeting (in the case of an addition to the Board). Directors retiring by rotation and offering themselves for re-election at the forthcoming annual general meeting are Mr. Neil Douglas McGee, Mr. Ralph Raymond Shea, Mr. Wan Chi Tin and Mr. Wu Ting Yuk, Anthony. Information relating to the Directors offering themselves for re-election which is required to be disclosed under the Listing Rules is contained in the circular to shareholders dated 7 April 2021 (the "2021 Circular"). The Company has also expressed the view in the 2021 Circular that each of Mr. Shea and Mr. Wu, the Independent Non-executive Directors who are eligible for re-election, has met the independence factors set out in Rule 3.13 of the Listing Rules and is independent in accordance with the guidelines. None of the said Directors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

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

The full Board is ultimately responsible for reviewing the structure, size, diversity profile and skills matrix of the Board, appointment of new Directors and succession plan for Directors, and delegate their responsibility to the Nomination Committee of the Company. The Company adopted the Director Nomination Policy and the Board Diversity Policy which set out the approach and procedures for nomination and selection of Directors, and the approach to achieving diversity on the Board respectively. These policies, as revised on 1 December 2020, are published on the Company's website.

Under the Board Diversity Policy, appointment to the Board should be based on merit and attributes that the selected candidate will bring to the Board with an aim to build an effective and complementary board with the skills, experience, expertise and diversity of perspectives appropriate for the Group's businesses. The Board would also take into consideration the benefits of various aspects of diversity, including gender, age, ethnicity, cultural and educational background, professional experience and qualifications and other factors that may be relevant from time to time.

The diversity profile of the Board as at 31 December 2020 is as follows:



Newly appointed Directors receive briefings and a package of orientation materials on the operations and businesses of the Group, together with information relating to duties and responsibilities of directors under statutory regulations and the Listing Rules.

Directors' Training

The Company Secretary updates Directors on the latest developments and changes to the Listing Rules and the applicable legal and regulatory requirements regarding subjects necessary in the discharge of their duties.

The Company arranges and provides continuous professional development training and relevant materials to Directors to help ensure they are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its business and to refresh their knowledge and skills on the roles, functions and duties of a listed company director. In addition, attendances at external forums or briefing sessions on the relevant topics also count towards continuous professional development training. The Directors have provided to the Company their records of continuous professional development training during 2020, and they have participated in training activities in the following manner:

1. Reading materials, e-trainings and seminars on directors' duties, compliance issues for listed companies and/or legal and regulatory requirements

2. Reading materials on corporate governance, risk management and internal control

3. Reading materials, e-trainings and seminars on sustainability

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

Directors' Securities Transactions

The Board of Directors of the Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") set out in Appendix 10 of the Listing Rules as the Group's code of conduct regulating directors' securities transactions. All Directors have confirmed following specific enquiry that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2020.

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

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

The Company has established the Policy on Inside Information and Securities Dealing explaining the meaning of inside information and the illegality of insider dealing, and setting out the restrictions in securities dealing, preventive controls and reporting mechanism for all employees of the Group to comply with when they are in possession of confidential or unpublished inside information in relation to the Company.

Directors' Responsibility for Financial Reporting and Disclosure

Annual and Interim Reports and Financial Statements

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

Accounting Policies

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

Accounting Records

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

Safeguarding Assets

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

Going Concern

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

Disclosure

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

Chairman and Chief Executive Officer

The positions of the Chairman and the Chief Executive Officer are held by separate individuals, and are subject to retirement from their directorship by rotation and re-election by shareholders at the annual general meeting. During 2020, the Chairman of the Board was Mr. Fok Kin Ning, Canning and the Chief Executive Officer was Mr. Tsai Chao Chung, Charles.

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

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

Independent Non-executive Directors

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

Mr. Ip Yuk-keung, Albert, Mr. Lui Wai Yu, Albert, Mr. Ralph Raymond Shea and Mr. Wu Ting Yuk, Anthony, Independent Non-executive Directors of the Company, have each provided an annual confirmation of his independence (which also covers his immediate family members) to the Company pursuant to Rule 3.13 of the Listing Rules. The Board continues to consider these Directors to be independent.

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

As at 31 December 2020, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long Positions in Shares of the Company

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

Long Positions in Shares of Associated Corporation

HK Electric Investments and HK Electric Investments Limited

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

Notes:

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

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

Save as disclosed above, as at 31 December 2020, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Interests in Competing Business

In 2020, the interests of Directors in businesses which may compete with the Group's business of development, investment and operation of power generation, transmission and distribution and other energy related infrastructure facilities (the "Business") were as follows:

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

Notes:

Husky Energy Inc. was delisted on 5 January 2021 following its combination with Cenovus Energy Inc.:-

(a) Mr. Fok Kin Ning, Canning was appointed as a Director of Cenovus Energy Inc. on 1 January 2021 and ceased to be the Co-Chairman of Husky Energy Inc. on the same date and remained a Director of the company;
(b) Mr. Victor T K Li ceased to be a Director and the Co-Chairman of Husky Energy Inc. on 1 January 2021; and
(c) Mr. Neil Douglas McGee ceased to be a Director of Husky Energy Inc. on 1 January 2021.

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

Nomination Committee

During the year the Board has changed the composition of the Nomination Committee to further enhance the efficiency of the nomination process of Directors. Prior to 1 December 2020, the committee is chaired by Mr. Fok Kin Ning, Canning (the Chairman of the Board) and, while its membership comprises all Directors of the Company, it is assisted by an ad hoc sub-committee (which is chaired by the Chairman of the Board and its membership, comprising a majority of Independent Non-executive Directors, is compliant with the requirements under the Listing Rules for a nomination committee) when discharging its responsibilities. With effect from 1 December 2020, the committee is chaired by Mr. Ip Yuk-keung, Albert (an Independent Non-executive Director), and the other members are Mr. Victor T K Li (a Non-executive Director) and Mr. Ralph Raymond Shea (an Independent Non-executive Director).

The Nomination Committee reports directly to the Board of Directors. The principal responsibilities of the Nomination Committee are to review the structure, size, diversity profile and skills matrix of the Board, to facilitate the selection and nomination process, to assess the independence of Independent Non-executive Directors having regard to the criteria under the Listing Rules, and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, as guided by the Director Nomination Policy and Board Diversity Policy. Committee members may seek independent professional advice where necessary to discharge their duties. The terms of reference of the Nomination Committee amended on 1 December 2020 are published on the Company's website and HKEX's website.

The Committee held a meeting in March 2020, during which it reviewed the structure, size and composition of the Board, and the independence of the Independent Non-executive Directors. The Committee also considered and endorsed the ad hoc sub-committee's recommendation for the nomination of Mr. Lui Wai Yu, Albert as a replacement Independent Non-executive Director to fill the vacancy following the retirement of Mr. Wong Chung Hin as an Independent Non-executive Director, and the nomination of all the re-electing Directors for re-election at the 2020 annual general meeting, and recommended to the Board for the abovementioned nominations.

Remuneration Committee

The Remuneration Committee was chaired by Mr. Wong Chung Hin (an Independent Non-executive Director retired on 19 March 2020), and the other members were Mr. Fok Kin Ning, Canning (the Chairman of the Board) and Mr. Ralph Raymond Shea (an Independent Non-executive Director). Following the retirement of Mr. Wong as an Independent Non-executive Director of the Company, Mr. Shea acts as the Chairman of the Remuneration Committee, and the other members are Mr. Fok and Mr. Lui Wai Yu, Albert (an Independent Non-executive Director appointed on 19 March 2020).

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

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

The Committee held a meeting in December 2020, during which it assessed the performance of the full time Executive Directors and senior management of the Group and considered and determined the performance-based bonus payable to them in respect of the 2020 financial year and their remuneration for the next year. None of the Directors and senior management participated in the determination of their own remuneration. The Committee, authorised by the Board, also reviewed and approved the 2021 wage and salary review proposal.

The emoluments paid to each Director for the 2020 financial year are shown in note 11 to the financial statements on pages 93 to 94 of the Annual Report. The remuneration paid to members of the senior management for the 2020 financial year is disclosed by bands also in note 11 on page 95 of the Annual Report.

Audit Committee

The Audit Committee was chaired by Mr. Wong Chung Hin, and the other members were Mr. Ip Yuk-keung, Albert and Mr. Ralph Raymond Shea. Following the retirement of Mr. Wong as an Independent Non-executive Director of the Company as mentioned above, Mr. Ip acts as the Chairman of the Audit Committee, and the other members are Mr. Shea and Mr. Wu Ting Yuk, Anthony. All the abovementioned past or existing Committee members are Independent Non-executive Directors, and none of them is a partner or former partner of KPMG, the Group's external auditor.

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

The terms of reference of the Audit Committee are published on the Company's website and the HKEX's website.

The Audit Committee held three meetings in 2020. During the meetings, members reviewed and considered matters including the Group financial statements and Annual Report for the year ended 31 December 2019, the audit fee and auditor engagement letter for the 2019 Group financial statements, the re-appointment of auditor, the report of the auditor to the Audit Committee in relation to the audit of the 2019 Group financial statements, the non-audit services for the year 2019 and the audit and non-audit services for the half year to 30 June 2020 provided by KPMG, the Group's risk management reports as of December 2019 and June 2020, the assessment and declaration in respect of the effectiveness of risk management and internal control systems of the Group for the year 2019 and for the half year to 30 June 2020, the internal audit plan for 2020, the financial statements for the six months ended 30 June 2020, the statistics on bribery activities and illegal or unethical behaviour of the Group and its major associates for the year 2019 and for the half year to 30 June 2020, the Group's outstanding litigation and claims as at 31 December 2019 and 30 June 2020, the Group's corporate governance structure, the compliance of the Corporate Governance Code by the Company, the disclosure in the Corporate Governance Report 2019, the corporate governance disclosure in the Interim Report 2020, the compliance review of the Deed of Non-competition with HK Electric Investments Limited, the environmental, social and governance reporting in the Annual Report 2019, the continuous professional development activities undertaken by Directors and senior managers during 2019 and the six months ended 30 June 2020, KPMG's audit plan for the 2020 Group results and all internal audit reports compiled during the year. Representatives from KPMG were invited to attend two of the meetings and they discussed the 2019 audited financial statements, the 2020 audit plan and various accounting issues with the members of the Audit Committee.

Subsequent to the financial year end, the Audit Committee met in March 2021 to review the Group consolidated financial statements for the year ended 31 December 2020 and Annual Report 2020, including the accounting principles and practices adopted by the Group, in conjunction with the external auditor. The Audit Committee resolved to recommend for the Board's approval of the Group consolidated financial statements and also the re-appointment of KPMG as the Company's external auditor for 2021.

Risk Management and Internal Control

Introduction

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

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

At the meetings held in March and July 2020, the Audit Committee has reviewed the effectiveness of the risk management and internal control systems of the Group for the year 2019 and for the half year ended 30 June 2020 respectively, and considered the systems are effective and adequate.

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

Risk Management and Internal Control Environment

Effective risk management is fundamental to the achievement of the corporate strategic objectives, and an enterprise risk management framework is in place to provide top-down and bottom-up approaches to identify, assess, mitigate and monitor key risks at corporate and business unit levels in a pro-active and structured manner. More details are given in the Risk Management and Risk Factors on pages 55 to 59 of the Annual Report.

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

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

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

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

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

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

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

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

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

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

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

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

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

Code of Conduct

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

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

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

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

Sustainability Governance

The Group is committed to the long-term sustainability of businesses and the communities in which businesses are conducted. The Board has overall responsibility for the Group's sustainability strategy and reporting and adopts a proactive approach.

During the year, to further strengthen the Group's sustainability governance structure, the Board has established its Sustainability Committee on 1 December 2020 to oversee management and advise the Board on the development and implementation of the sustainability initiatives of the Group, including reviewing the related policies and practices, and assessing and making recommendations on matters concerning the Group's sustainability development and risks.
The Sustainability Committee is chaired by Mr. Tsai Chao Chung, Charles (the Chief Executive Officer), and the other members are Mr. Chan Loi Shun (an Executive Director) and Mr. Ip Yuk-keung, Albert (an Independent Non-executive Director).

The terms of reference of the Sustainability Committee are published on the Company's website and the HKEX's website.

Sustainability reporting is one of the important platforms for stakeholder engagement. The Group's Sustainability Report 2020 sets out its approach, commitments and strategy to sustainability, highlights its key achievements in 2020 with regard to its sustainability performance, outlines its plans and targets for the future, and addresses other concerns and comments raised by its stakeholders on its sustainability performance and reporting. The report was reviewed by the Sustainability Committee in a meeting held in March 2021 subsequent to the financial year end, and was unanimously recommended by committee members for the Board's approval.

The Sustainability Report 2020, to be published at the same time of this Report in April 2021, is available on the Company's website and HKEX's website.

Company Secretary

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

The appointment and removal of the Company Secretary is subject to approval of the Board. Although the Company Secretary reports to the Chairman and the Chief Executive Officer, all Directors have access for advice and service of the Company Secretary. Mr. Alex Ng, the Company Secretary of the Company, has day-to-day knowledge of the Group's affairs. He has received no less than 15 hours of relevant professional training during the year to refresh his skills and knowledge.

External Auditor

Independence

KPMG, the external auditor and Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance, have confirmed that they have been, for the year ended 31 December 2020, independent of the Group in accordance with the independence requirements of the Hong Kong Institute of Certified Public Accountants.

Rotation of Engagement Partner

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

Reporting Responsibility

The reporting responsibilities of KPMG are stated in the Independent Auditor's Report on pages 65 to 68 of the Annual Report.

Remuneration

An analysis of the fees of KPMG and other external auditors is shown in note 9 to the financial statements on page 91 of the Annual Report.

Re-appointment

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

Dividend Policy

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

Shareholders

The Company has established a range of communication channels between itself and its shareholders and investors. These include the annual general meeting, the annual and interim reports, notices, letters, announcements and circulars, news releases, the Company's website at www.powerassets.com and meetings with investors and analysts. All shareholders have the opportunity to put questions to the Board at general meetings, and at other times by emailing or writing to the Company. The Board has adopted a communication policy which provides a framework to promote effective communication with shareholders. The policy is available on the website of the Company.

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

The Company handles share registration and related matters for shareholders through Computershare Hong Kong Investor Services Limited, the Company's share registrar, whose contact details are set out on page 140 of the Annual Report.

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

2020 Annual General Meeting

The annual general meeting is a main channel of communication between Directors and shareholders. The 2020 Annual General Meeting was held at Harbour Grand Kowloon on 13 May 2020. With the outbreak and spreading of the COVID-19 pandemic, a live webcast of the 2020 Annual General Meeting proceedings was arranged for the registered shareholders not attending the meeting in person to access online.

The notice of meeting, the annual report and the circular containing information on the proposed resolutions were sent to shareholders on 3 April 2020 which were more than 20 clear business days (as defined in the Listing Rules) and more than 21 clear days (as required by the Company's articles of association) prior to the meeting. The chairman and members of the Audit Committee, the Remuneration Committee and the Nomination Committee respectively were available at the meeting to answer questions from the shareholders. Representatives from KPMG, the external auditor, were also available at the meeting to answer questions. A separate resolution was proposed by the Chairman in respect of each substantially separate issue, and voting on each resolution was conducted by way of a poll. The poll voting procedure was explained fully to shareholders during the meeting. Computershare Hong Kong Investor Services Limited, the Company's share registrar, was appointed as scrutineer to monitor and count the poll votes cast at the meeting. The resolutions proposed were passed by shareholders at the meeting and the percentage of votes cast in favour of each of them is set out below:

Ordinary Resolutions

– Audited Financial Statement, Report of the Directors and the Independent Auditor's Report for the year ended 31 December 2019 (99.718223%);

– Declaration of a final dividend of HK$2.03 per share (99.860326%);

– Election of Mr. Andrew John Hunter (75.674099%), Mr. Ip Yuk-keung, Albert (84.776871%), Mr. Li Tzar Kuoi, Victor (66.266601%), Mr. Tsai Chao Chung, Charles (94.706443%) and Mr. Lui Wai Yu, Albert (99.007959%) as Directors;

– Re-appointment of KPMG as auditor and authorisation of Directors to fix their remuneration (96.204839%); and

– General mandates to Directors to issue and dispose of additional shares of the Company (64.097725%) and to repurchase shares of the Company (99.789979%), and extension of the general mandate to issue shares (64.771102%).

Special Resolution

– Amendments to the articles of association of the Company (99.652781%)

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

Company's Website

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

Articles of Association

At the 2020 Annual General Meeting of the Company held on 13 May 2020, the Company's articles of association were amended by passing of a special resolution in order to allow the Company to hold general meetings as hybrid meetings where shareholders may participate by means of electronic facilities in addition to physical attendance, and to provide for other flexibility in relation to the conduct of general meetings.

The updated version of the articles of association of the Company is available on the Company's and HKEX's websites.

Interests and Short Positions of Shareholders

As at 31 December 2020, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

Substantial Shareholders

Long Positions in Shares of the Company

Name	Capacity	Number of Shares Held		Approximate % of Shareholding
Venniton Development Inc.	Beneficial owner	153,797,511	*(Note 1)*	7.21%
Interman Development Inc.	Beneficial owner	186,736,842	*(Note 1)*	8.75%
Univest Equity S.A.	Beneficial owner	279,011,102	*(Note 1)*	13.07%
Monitor Equities S.A.	Beneficial owner & interest of controlled corporation	287,211,674	*(Note 1)*	13.46%
Hyford Limited	Interest of controlled corporations	767,499,612	*(Note 2)*	35.96%
CK Infrastructure Holdings Limited	Interest of controlled corporations	767,499,612	*(Note 2)*	35.96%
Hutchison Infrastructure Holdings Limited	Interest of controlled corporations	767,499,612	*(Note 3)*	35.96%
CK Hutchison Global Investments Limited	Interest of controlled corporations	767,499,612	*(Note 3)*	35.96%
CK Hutchison Holdings Limited	Interest of controlled corporations	767,499,612	*(Note 3)*	35.96%

Notes:

(1) These are direct or indirect wholly-owned subsidiaries of Hyford Limited ("Hyford") and their interests are duplicated in the same 767,499,612 shares of the Company held by Hyford described in Note (2) below.

(2) CK Infrastructure Holdings Limited ("CKI") is deemed to be interested in the 767,499,612 shares of the Company as referred to in Note (1) above as it holds more than one-third of the issued share capital of Hyford indirectly. Its interests are duplicated in the interest of CK Hutchison Holdings Limited ("CK Hutchison") in the Company described in Note (3) below.

(3) CK Hutchison is deemed to be interested in the 767,499,612 shares of the Company as referred to in Note (2) above as it holds more than one-third of the issued voting shares of CK Hutchison Global Investments Limited ("CKHGI"). Certain subsidiaries of CKHGI hold more than one-third of the issued voting shares of Hutchison Infrastructure Holdings Limited which in turn holds more than one-third of the issued share capital of CKI.

Save as disclosed above, as at 31 December 2020, there was no other person (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Public Float

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

Continuing Connected Transactions during 2020

Services Agreements between HMGP and Husky Energy's affiliates

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

On 16 March 2018 and following the entering into of supplemental agreements to expand the businesses and affairs of the HMLP Group to cover the management of gas processing projects and related activities, (a) HMLP and its subsidiaries HMGP, HoldCo, PipeCo and FinanceCo and its general partner GPCo entered into a revised annual cap agreement with HOOL, HEMP and Blender GP# (each a wholly-owned subsidiary of Husky Energy) (the "Revised Annual Cap Agreement") to revise the annual caps for the continuing connected transactions under the HMGP Services Agreements; and (b) HMGP and HOOL entered into a midstream services agreement as set out in no. (6) in the below table (the "Midstream Services Agreement").

Services Agreement *(Parties)*	**Nature of Services**	**Payment**
(1) Management and Operating Services Agreement *(HMLP, HMGP, GPCo*, PipeCo*, HoldCo*, FinanceCo* and HOOL*)*	HOOL is engaged to provide operating services in respect of the pipeline and terminal system and any other assets owned by HMGP and management services to the relevant subsidiaries of HMLP, including but not limited to exercising and performing HMGP's rights and obligation under various HMGP Services Agreements, preparing and submitting various budgets, plans and proposals to GPCo and conducting businesses on its behalf.	HMLP and its relevant subsidiaries is required to pay their respective shares of all costs and expenses incurred by HOOL in the performance of its duties and responsibilities, including reasonable professional, legal, accounting and administrative costs and expenses, on at costs basis.
(2) Construction Services Agreement *(HMGP and HOOL)*	HOOL is engaged as the contractor to provide engineering, procurement and construction services and to perform necessary works to complete certain specified projects of HMGP.	HMGP is required to reimburse HOOL for all costs and expenses incurred by HOOL in performing or completing any work or otherwise under the agreement, other than any construction capital incurred by HOOL in excess of the target costs for a project. If the actual construction capital incurred is less than the target cost, HOOL is entitled to the amount equal to the target cost for the project.

Services Agreement *(Parties)*	Nature of Services	Payment
(3) Blending Services Agreement# *(HMGP and HEMP#)*	HEMP is provided with access to the HMGP system to carry out blending services on behalf of HMGP in respect of all procurement, administrative and other activities required relating to the blending of dry crude delivered by shippers with diluent to allow for transportation of blend on the HMGP system, and is granted the sole and exclusive right to conduct ancillary blending activities on the HMGP system on its sole account.	HEMP is required to pay HMGP a pre-agreed annual fee (or a pro-rated amount for any contract year that is not an entire 12-month period).
(4) Transportation and Terminalling Services Agreement *(HMGP and HEMP (as shipper))*	HMGP provides transportation and terminalling services for HEMP, including the receipt, blending and commingling of products, provision of laboratory services and the facilitation of measurement of products.	HEMP is required to pay HMGP a pre-agreed annual revenue amount based on expected volume throughput and tariffs. If the revenue generated from/by HEMP's throughput and tariffs is less than such amount, HEMP is required to pay the pre-agreed amount and is entitled to receive credits to use for reducing the base tariff amount in any subsequent month where the revenue generated from HEMP's throughput is greater than the pre-agreed amount. If the amount paid by HEMP based on actual throughput and tariffs in a year less the total amount of all credits received by HEMP (due to throughput and tariffs in earlier months being less than the pre-agreed amount) exceeds the pre-agreed amount, HEMP is entitled to a rebate equal to 25% of the amount of such difference.
(5) Storage Agreement *(HMGP and HEMP)*	HMGP provides storages services to HEMP, including but not limited to the receipt, delivery and transfer of products, making available capacity in the storage facilities owned or operated by HMGP (including designated storage tanks, on a sole and exclusive basis, and additional storage capacity in the non-dedicated facilities, on a non-exclusive basis).	HEMP is required to pay HMGP a pre-agreed fee for reservation and utilisation of storage capacity in storage tanks for HEMP's use regardless of the volume of product delivered into or withdrawn in a month, and agreed tolls in respect of non-dedicated storage facilities.

Services Agreement *(Parties)*		Nature of Services	Payment
(6)	Midstream Services Agreement *(HMGP and HOOL)*	HMGP provides services to HOOL in connection with receiving, processing and handling petroleum, natural gas, natural gas liquids and related hydrocarbons (the "Inlet Substances") in the natural gas processing facility near Edson, Alberta and the outlet residue pipelines and related ancillary facilities; delivery of substances processed from the Inlet Substances to specified delivery points; and handling, transportation, disposal and delivery of all associated waste substances removed from the Inlet Substances.	HOOL is required to pay to HMGP a monthly service fee payable in the sum of the fee for processing a fixed amount of Inlet Substances which HMGP commits to process monthly for HOOL; HOOL's share of the monthly budgeted operating costs; and an additional fee for processing the Inlet Substances produced by third parties. If the fee payable for the first component is less than the monthly threshold amount prescribed under the Midstream Services Agreement, HOOL will be required to pay HMGP an amount equivalent to the shortfall.

The original contracting party was Husky Blend General Partnership ("Blender GP"), a wholly-owned subsidiary of Husky Energy. On or about 1 January 2020, Blender GP assigned its entire right, title and interest under the Blending Services Agreement to Husky Energy Marketing Partnership ("HEMP"), another wholly-owned subsidiary of Husky Energy, by virtue of which HEMP became the succeeding contracting party.

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

HMLP is considered as a material joint venture of the Company. For the year ended 31 December 2020, Husky Energy was a connected person of the Company, and the transactions under the HMGP Services Agreements (as amended by the Revised Annual Cap Agreement with the revised annual caps) and the Midstream Services Agreement constituted continuing connected transactions (the "HMGP Continuing Connected Transactions") for the Company under the Listing Rules. The annual caps applicable to the Management and Operating Services Agreement, the Construction Services Agreement, the Blending Services Agreement, the Transportation and Terminalling Services Agreement, the Storage Agreement and the Midstream Services Agreement were CAD55.5 million, CAD21.5 million, CAD30.0 million, CAD238.0 million, CAD33.8 million and CAD29.0 million respectively, and the amount paid/received in respect of such year subject to annual review requirements under the Listing Rules were approximately CAD28.5 million, approximately CAD2.5 million, CAD30.0 million, approximately CAD169.9 million, approximately CAD32.0 million and approximately CAD17.4 million respectively.

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

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

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

CKCI is an indirect wholly-owned subsidiary of CKI, a substantial shareholder of the Company, and therefore CKCI's provision of the services to Outram constituted continuing connected transactions (the "Outram Continuing Connected Transactions") for the Company under the Listing Rules. The aggregate amount paid for the year ended 31 December 2020 attributable to the Outram Continuing Connected Transactions subject to annual review requirements under the Listing Rules was approximately HK$19.98 million.

All the Independent Non-executive Directors have reviewed the HMGP Continuing Connected Transactions and the Outram Continuing Connected Transactions in the 2020 financial year and confirmed that those transactions had been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance to the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the auditor of the Company have been engaged to report on the HMGP Continuing Connected Transactions and the Outram Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor have issued an unqualified letter to the Board containing their finding and conclusions in respect of the HMGP Continuing Connected Transactions and the Outram Continuing Connected Transactions, in which they have confirmed that nothing has come to their attention that caused them to believe that the continuing connected transactions in the 2020 financial year (i) had not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing such transactions; and (iii) had exceeded the annual cap amount for the 2020 financial year.

Other Transactions

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

Non-competition Deed with HK Electric Investments Limited

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

The Company has complied with the Non-competition Deed during 2020 and has, in accordance with the Non-competition Deed, provided HK Electric Investments Limited with its annual written confirmation.

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

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

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

In accordance with the Investment Opportunity Deed, a committee comprising all its independent non-executive directors has reviewed the compliance by CKI with the terms of the deed and any decision by the Group regarding any exercise of the rights under the deed. Having considered the Company's internal control framework of ensuring the deed's compliance, Internal Audit's compliance review report, CKI's annual compliance confirmation to the Company and other relevant documents, the committee has confirmed its view that during 2020, CKI complied with the terms of the Investment Opportunity Deed and the Group's decisions regarding any exercise of the rights under the deed are made in accordance with the requirements thereof.

Risk Management

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

Risk Management Framework

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

Governance & Oversight

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

Risk Management Framework Governance

Independent Assurance from Internal and External Auditors

Oversight by the Board / Audit Committee

Assisted by Risk Management Committee and Management

Identify & Manage Risks at Corporate Level

"Top-down"

"Bottom-up"

Business Units

Identify, Manage & Report Risks at Business Unit Level

THE BOARD (Through Audit Committee)

The Board / Audit Committee Oversight

- Has overall responsibility for the Group's risk management and internal control systems
- Determine and evaluate the nature and extent of the risks that the Group is willing to accept in pursuit of the Group's strategic and business objectives
- Discuss the risk management and internal control systems with management to ensure management has performed its duty to have effective systems

RISK MANAGEMENT COMMITTEE (Chaired by the Chief Executive Officer)

Risk Review, Communication & Confirmation to the Board / Audit Committee

- Oversee the Group's risk profile and assess if key risks are appropriately mitigated
- Ensure that an ongoing review of the effectiveness of the risk management and internal control systems have been conducted and provide such confirmation to the Board, via the Audit Committee

MANAGEMENT

Risk & Control Monitoring

- Responsible for designing, implementing and monitoring the risk management and internal control systems
- Identify and monitor key corporate risks
- Provide confirmation to the Risk Management Committee on the effectiveness of the systems

BUSINESS UNITS

Front-Line Risk & Control Ownership

- Design, implement and monitor risks at business unit level, escalate promptly on relevant risk issues
- Provide assurance to the Risk Management Committee on the effectiveness of risk management and internal control activities at business unit level
- Seek continuous process improvement and re-assessment

Risk Management Process

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

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

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

Fundamental to achieving our business goals is how we can effectively manage existing and emerging risks in different economic, social and political environments. A description of these risk factors is shown on pages 57 to 59 of this Annual Report. The Group works to continually improve its risk management framework in order to keep pace with the changing business environment.

Risk Factors

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

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

Global Economy and Macro-Economic Conditions

The ongoing COVID-19 pandemic has brought global economic activity to a near-standstill as countries impose measures such as lockdown, social distancing and quarantine to halt the spread of the virus. Escalating trade protectionism, heightening uncertainty over economic policy, rising geopolitical tensions, and volatility in financial market movements have also brought uncertainties to the world economy and global financial market.

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

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

Outbreak of Highly Contagious Disease

Due to the severe impact of COVID-19, the countries where our businesses operate are significantly affected by various social distancing and lockdown restrictions, bringing about declines in business activities and consumption. Depending on the severity and extent of the pandemic, it may have a lingering and adverse impact on our operations and overall business outcomes.

As the essential service provider of energy generation, transmission and distribution across four continents, we have continuity plans, procedures and guidelines in place to minimise the adverse impact on our core operations and services. Precautionary measures, such as social distancing and working from home, were introduced to help reduce the spread of the virus. The Group remains vigilant and is closely monitoring the impact on the business caused by the COVID-19 pandemic and continuously reviews and improves the guidelines and procedures and provides necessary support to meet changing domestic needs and requirements.

Currency Markets and Interest Rates

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

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

The Group is also exposed to interest rate risk on its interest-bearing assets and liabilities. Volatility in interest rate markets may adversely affect the Group's financial conditions and results of operations.

The Group's treasury policy guides the measures it undertakes to manage the above exposure. Details of the Group's current practices to manage currency and interest rate risks are in the Financial Review on pages 60 to 61.

Cyber Security

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

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

Health and Safety

The Group's investments, and the nature of its operations, expose it to a range of significant health and safety risks. During the COVID-19 pandemic, we are placing special attention on the health and safety of our employees and endeavor to provide essential and emergency services to customers in need.

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

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

Mergers and Acquisitions

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

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

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

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

Infrastructure Market

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

Impact of Local, National and International Regulations

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

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

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

Reliability of Supply

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

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

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

Climate Change

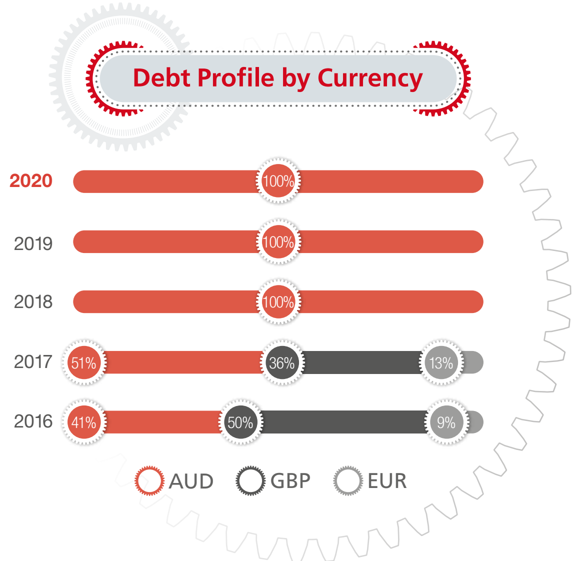
The Group is exposed to risks related to extreme weather events, failure of the ecosystem to adapt to climate change and natural catastrophes that can cause physical threats in specific regions and countries as well as economic hazards associated with climate change transition. The countries and regions that the Group has operations may be vulnerable to water stress, prolonged periods of drought, heat waves leading to wildfires, or physical effects of global warming such as severe tropical cyclones and flooding.

The Group has a long-term plan in place to address climate change risk by decarbonising our generation portfolio to reduce greenhouse gas emissions, help slow global warming and reduce the physical impacts of climate change. The Group is embracing the hydrogen economy with business plans already in place in some of its operations for zero-carbon readiness in 2035, to achieve a carbon-free vision for 2050.

Financial Review

Financial Position, Liquidity and Financial Resources

The Group's financial position remained strong. Capital expenditure and investments were primarily funded by cash from operations, dividends and other repatriation from investments. Interest in joint ventures and associates at the year end were HK$85,552 million (2019: HK$86,142 million). Total unsecured bank loans outstanding at the year end were HK$3,640 million (2019: HK$3,319 million). In addition, the Group had bank deposits and cash of HK$5,427 million (2019: HK$4,876 million). The Group did not maintain any undrawn committed bank facility at the year end (2019: HK$Nil).



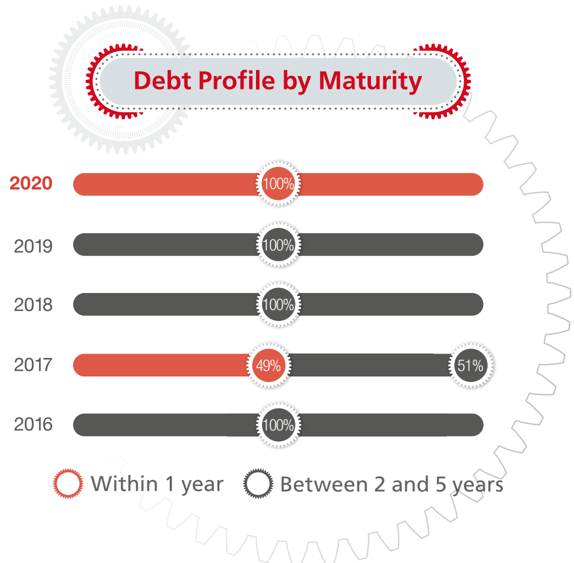
Treasury Policy, Financing Activities and Debt Structure

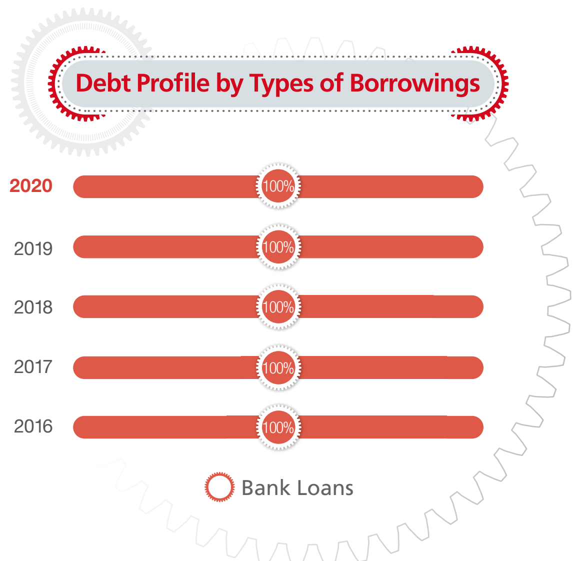
The Group manages its financial risks in accordance with guidelines laid down in its treasury policy, which is approved by the Board. The treasury policy is designed to manage the Group's currency, interest rate and counterparty risks. Surplus funds, which arise mainly from dividends and other repatriation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

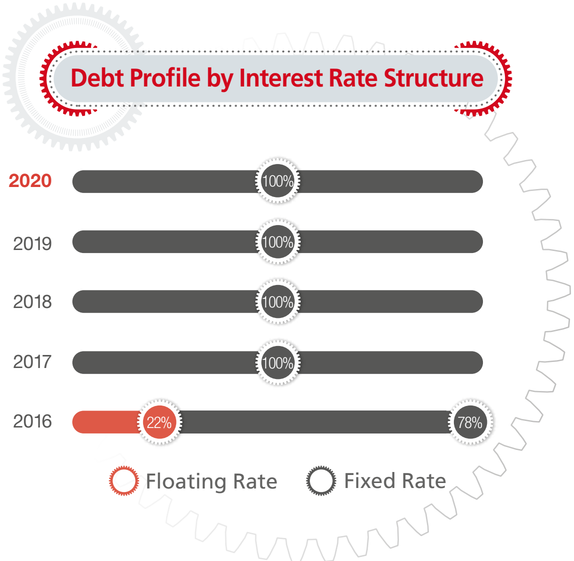
The Group's financial profile remained strong during the year. On 28 December 2020, Standard & Poor's reaffirmed the "A" long-term issuer credit rating and the "Stable" outlook of the Company, unchanged since September 2018.

As at 31 December 2020, the net cash position of the Group was HK$1,787 million (2019: HK$1,557 million).

The profile of the Group's external borrowings as at 31 December 2020, after taking into account interest rate swaps, is set out in the tables below:







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

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

The Group's principal foreign currency exposures arise from its investments outside Hong Kong. Foreign currency transaction exposure also arises from settlement to vendors which is not material and is managed mainly through purchases in the spot market or utilisation of foreign currency receipts of the Group. Currency exposure arising from investments outside Hong Kong is, where considered appropriate, mitigated by financing those investments in local currency borrowings, or by entering into forward foreign exchange contracts or cross currency swaps. The fair value of such borrowings at 31 December 2020 was HK$3,640 million (2019: HK$3,319 million). The fair value of forward foreign exchange contracts and cross currency swaps at 31 December 2020 was a liability of HK$78 million (2019: asset of HK$1,061 million). Foreign currency fluctuations will affect the translated value of the net assets of investments outside Hong Kong and the resultant translation difference is included in the Group's reserve account. Income received from the Group's investments outside Hong Kong which is not denominated in Hong Kong dollars is, unless otherwise placed as foreign currency deposits, converted into United States dollars on receipt.

The contractual notional amounts of derivative financial instruments outstanding at 31 December 2020 amounted to HK$35,010 million (2019: HK$35,502 million).

Charges on Assets

At 31 December 2020, the Group's interest in an associate of HK$Nil (2019: HK$182 million) had been pledged as part of the security to secure financing facilities granted to the associate.

Contingent Liabilities

As at 31 December 2020, the Group had given guarantees and indemnities totalling HK$438 million (2019: HK$493 million).

Employees

The Group continues its policy of pay-for-performance and the pay levels are monitored to ensure competitiveness is maintained. The Group's total remuneration costs for the year ended 31 December 2020, excluding directors' emoluments, amounted to HK$25 million (2019: HK$24 million). As at 31 December 2020, the Group employed 13 (2019: 13) employees. No share option scheme is in operation.

Report of the Directors

(Expressed in Hong Kong dollars)

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2020.

Principal Activities and Business Review

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are investment in energy and utility-related businesses. Particulars of the Company's principal subsidiaries as at 31 December 2020 are set out in Appendix 2 on pages 134 to 135 of the financial statements. Further discussion and analysis of the Group's activities as required by Schedule 5 to the Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group, an indication of likely future developments in the Group's business and an overview of the Group's key environmental issues and performance, can be found in the Chairman's Statement on pages 4 to 6, CEO's Report on pages 10 to 29, Risk Management and Risk Factors on pages 55 to 59 and Financial Review on pages 60 to 61 of this Annual Report.

A discussion on the Group's relationships with its key stakeholders, and further information about its environmental policies and performance are contained in the Sustainability Report to be published at the same time as this Annual Report in April 2021, whilst its compliance with the relevant laws and regulations that have a significant impact on the Group are included in the Corporate Governance Report on pages 34 to 54 and Risk Factors on pages 57 to 59. These discussions also form part of this directors' report.

Results

The results of the Group for the year ended 31 December 2020 and the financial positions of the Group as at that date are set out in the financial statements on pages 69 to 138.

Dividends

An interim dividend of $0.77 (2019: $0.77) per ordinary share was paid to shareholders on 15 September 2020. The Directors recommend a final dividend of $2.04 (2019: $2.03) per ordinary share payable on 1 June 2021 to shareholders who are registered on the register of members on 18 May 2021.

Share Capital

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

Donations

Charitable and other donations made by the Group during the year amounted to $1 million (2019: $3 million).

Summary of Five-Year Financial Results

The summary of five-year financial results of the Group is set out on page 139.

Major Customers and Suppliers

Sales to the largest customer is 24.1% (2019: 23.0%) of the Group's total revenue, and sales to five largest customers combined is 75.4% (2019: 75.7%) of the Group's total revenue for the year ended 31 December 2020. The five largest customers for the year are the joint ventures or associates of the Company.

Purchases from the largest supplier is 33.1% (2019: 29.1%) of the Group's total purchases of revenue items, and purchases from the five largest suppliers combined is 64.5% (2019: 59.6%) of the Group's total purchases of revenue items for the year ended 31 December 2020.

Directors

The Directors in office during the year and up to the date of this report were Mr. Fok Kin Ning, Canning, Mr. Tsai Chao Chung, Charles, Mr. Chan Loi Shun, Mr. Andrew John Hunter, Mr. Ip Yuk-keung, Albert, Mr. Li Tzar Kuoi, Victor, Mr. Lui Wai Yu, Albert (appointed on 19 March 2020), Mr. Neil Douglas McGee, Mr. Ralph Raymond Shea, Mr. Wan Chi Tin, Mr. Wong Chung Hin (resigned on 19 March 2020) and Mr. Wu Ting Yuk, Anthony.

Mr. Wong Chung Hin, resigned as a Director of the Company during the year due to retirement, has no disagreement with the Board and does not have any matters in relation to his resignation that should be brought to the attention of the shareholders of the Company.

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

Permitted Indemnity

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

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

Directors' Material Interests in Significant Transactions, Arrangements or Contracts

There were no transactions, arrangements or contracts that are significant in relation to the businesses of the Company and its subsidiaries to which the Company or any of its subsidiary was a party and in which a Director of the Company or his connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Management Contracts

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

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

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's issued shares during the year (2019: Nil).

Arrangement to Purchase Shares or Debentures

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate (2019: Nil).

Equity-linked Agreements

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

Disclosure under Rule 13.22 of Chapter 13 of the Listing Rules

In relation to the provision of financial assistance by the Group to certain affiliated companies, a combined statement of financial position of the affiliated companies as at 31 December 2020 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

Combined statement of financial position of the affiliated companies as at 31 December 2020	**$ million**
Non-current assets	443,826
Current assets	28,341
Current liabilities	(49,016)
Non-current liabilities	(304,111)
Net assets	119,040
Share capital	50,117
Reserves	68,923
Capital and reserves	119,040

As at 31 December 2020, the consolidated attributable interest of the Group in these affiliated companies amounted to $60,294 million.

On behalf of the Board

Fok Kin Ning, Canning
Chairman
Hong Kong, 17 March 2021

KPMG

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Power Assets Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 69 to 138, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

Accounting for interests in associates and joint ventures

Refer to notes 14 and 15 to the consolidated financial statements and the accounting policy 2(e).	
The Key Audit Matter	How the matter was addressed in our audit
The Group's associates and joint ventures operate in Hong Kong and outside Hong Kong (including the United Kingdom, Australia, Thailand, the People's Republic of China, Canada, the Netherlands, New Zealand and the United States). The Group's share of profits less losses of associates and joint ventures for the year ended 31 December 2020 and the Group's interests in associates and joint ventures at that date are significant in the context of the Group's consolidated financial statements. The financial information of associates and joint ventures with operations outside of Hong Kong is prepared in accordance with the prevailing accounting standards in each relevant jurisdiction which may differ in certain respects from HKFRSs. Converting the financial information of these entities into HKFRSs for the purpose of equity accounting involves management making a number of manual adjustments some of which are complex in nature. We identified the accounting for interests in associates and joint ventures as a key audit matter because of the material impact that these entities have on the consolidated financial statements and also because of the complex nature of certain adjustments made by management which we consider increases the inherent risk of error.	Our audit procedures to assess the accuracy of the accounting for interests in associates and joint ventures included the following: • performing an audit of the consolidated financial statements of the Hong Kong based associate, HK Electric Investments Limited, in accordance with the requirements of HKSAs; • evaluating the independence and competence of the auditors of associates and joint ventures outside Hong Kong; • participating in the risk assessment process undertaken by the auditors in respect of their audits of significant associates and joint ventures outside Hong Kong; • understanding the procedures planned to be performed by the auditors of significant associates and joint ventures outside Hong Kong to address the significant risks identified and considering whether the planned procedures were appropriate for the purpose of the audit of the Group's consolidated financial statements; • obtaining reporting from the component auditors of significant associates and joint ventures outside Hong Kong and discussing with these auditors matters of significance in their audits which could impact the Group's consolidated financial statements, the work performed thereon and their conclusions; • evaluating significant manual adjustments made in respect of associates and joint ventures outside Hong Kong to convert their financial information into HKFRSs by comparing the adjustments to underlying documentation or by re-performing the calculations on which the adjustments were based; • assessing whether the financial information of associates and joint ventures outside Hong Kong after the adjustments made by management was prepared in accordance with the Group's accounting policies.

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

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

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG

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

17 March 2021

Consolidated Statement of Profit or Loss

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Note	2020 $ million	2019 $ million
Revenue	4	**1,270**	1,348
Other net income	5	**59**	582
Other operating costs	7	**(154)**	(170)
Operating profit		**1,175**	1,760
Finance costs	8	**(86)**	(96)
Share of profits less losses of joint ventures		**3,782**	4,186
Share of profits less losses of associates		**1,329**	1,324
Profit before taxation	9	**6,200**	7,174
Income tax:	10		
Current		**(12)**	(22)
Deferred		**(56)**	(21)
		(68)	(43)
Profit for the year attributable to equity shareholders of the Company		**6,132**	7,131
Earnings per share			
Basic and diluted	12	**$2.87**	$3.34

The notes on pages 74 to 138 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 24(b).

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	2020 $ million	2019 $ million
Profit for the year attributable to equity shareholders of the Company	**6,132**	7,131
Other comprehensive income for the year		
Items that will not be reclassified to profit or loss		
Remeasurement of net defined benefit asset/liability	**(3)**	10
Share of other comprehensive income of joint ventures and associates	**(1,856)**	730
Income tax relating to items that will not be reclassified to profit or loss	**358**	(114)
	(1,501)	626
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating operations outside Hong Kong, including joint ventures and associates	**3,120**	364
Net investment hedges	**(1,229)**	(285)
Cost of hedging	**73**	302
Cash flow hedges:		
Net movement of hedging reserve related to hedging instruments recognised during the current year	**(115)**	(173)
Share of other comprehensive income of joint ventures and associates	**(1,631)**	(195)
Income tax relating to items that may be reclassified subsequently to profit or loss	**401**	165
	619	178
	(882)	804
Total comprehensive income for the year attributable to equity shareholders of the Company	**5,250**	7,935

The notes on pages 74 to 138 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2020
(Expressed in Hong Kong dollars)

	Note	2020 $ million	2019 $ million
Non-current assets			
Property, plant and equipment and leasehold land	13	**17**	19
Interest in joint ventures	14	**59,147**	59,728
Interest in associates	15	**26,405**	26,414
Other non-current financial assets	16	**1,100**	1,100
Derivative financial instruments	21	**704**	1,212
Deferred tax assets	23(b)	**111**	77
Employee retirement benefit assets	22(a)	**6**	6
		87,490	88,556
Current assets			
Trade and other receivables	17	**635**	139
Bank deposits and cash	18(a)	**5,427**	4,876
		6,062	5,015
Current liabilities			
Trade and other payables	19	**(3,603)**	(4,276)
Current portion of bank loans and other interest-bearing borrowings	20	**(3,642)**	(3)
Current tax payable	23(a)	**(161)**	(45)
		(7,406)	(4,324)
Net current (liabilities)/assets		**(1,344)**	691
Total assets less current liabilities		**86,146**	89,247
Non-current liabilities			
Bank loans and other interest-bearing borrowings	20	**–**	(3,321)
Derivative financial instruments	21	**(1,181)**	(298)
Deferred tax liabilities	23(b)	**(57)**	–
Employee retirement benefit liabilities	22(a)	**(142)**	(136)
		(1,380)	(3,755)
Net assets		**84,766**	85,492
Capital and reserves			
Share capital	24(c)	**6,610**	6,610
Reserves		**78,156**	78,882
Total equity attributable to equity shareholders of the Company		**84,766**	85,492

Approved and authorised for issue by the Board of Directors on 17 March 2021.

Tsai Chao Chung, Charles
Director

Chan Loi Shun
Director

The notes on pages 74 to 138 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company					
$ million	Share capital (note 24(c))	Exchange reserve (note 24(d)(i))	Hedging reserve (note 24(d)(ii))	Revenue reserve (note 24(d)(iii))	Proposed/ declared dividend (note 24(b))	Total
Balance at 1 January 2019	6,610	(6,499)	(1,911)	81,000	4,333	83,533
Changes in equity for 2019:						
Profit for the year	–	–	–	7,131	–	7,131
Other comprehensive income	–	381	(203)	626	–	804
Total comprehensive income	–	381	(203)	7,757	–	7,935
Final dividend in respect of the previous year approved and paid (see note 24(b)(ii))	–	–	–	–	(4,333)	(4,333)
Interim dividend paid (see note 24(b)(i))	–	–	–	(1,643)	–	(1,643)
Proposed final dividend (see note 24(b)(i))	–	–	–	(4,333)	4,333	–
Balance at 31 December 2019 and 1 January 2020	**6,610**	**(6,118)**	**(2,114)**	**82,781**	**4,333**	**85,492**
Changes in equity for 2020:						
Profit for the year	**–**	**–**	**–**	**6,132**	**–**	**6,132**
Other comprehensive income	**–**	**1,964**	**(1,345)**	**(1,501)**	**–**	**(882)**
Total comprehensive income	**–**	**1,964**	**(1,345)**	**4,631**	**–**	**5,250**
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))	**–**	**–**	**–**	**(4,354)**	**4,354**	**–**
Balance at 31 December 2020	**6,610**	**(4,154)**	**(3,459)**	**81,415**	**4,354**	**84,766**

The notes on pages 74 to 138 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Note	**2020 $ million**	2019 $ million
Operating activities			
Cash (used in)/generated from operations	18(b)	**(33)**	122
Interest paid		**(91)**	(118)
Interest received		**1,125**	1,390
Tax paid for operations outside Hong Kong		**(43)**	(35)
Tax refunded for operations outside Hong Kong		**4**	64
Net cash generated from operating activities		**962**	1,423
Investing activities			
Payment for the purchase of property, plant and equipment		**(2)**	–
Increase in bank deposits with more than three months to maturity when placed		**(402)**	(1,637)
Investment in a joint venture		**(636)**	(306)
New loan to a joint venture		**–**	(29)
Repayment of loan from an associate		**–**	135
Repayment from a joint venture		**1,158**	41
Advance to an associate		**–**	(12)
Net cash (paid)/received on hedging instruments		**(934)**	426
Distribution from a joint venture		**1,379**	–
Dividends received from joint ventures		**3,073**	2,495
Dividends received from associates		**1,445**	1,407
Dividends received from equity securities		**53**	43
Net cash generated from investing activities		**5,134**	2,563
Financing activities			
Capital element of lease rentals paid	18(d)	**(3)**	(2)
Dividends paid to equity shareholders of the Company		**(5,976)**	(5,976)
Net cash used in financing activities		**(5,979)**	(5,978)
Net increase/(decrease) in cash and cash equivalents		**117**	(1,992)
Cash and cash equivalents at 1 January		**3,239**	5,229
Effect of foreign exchange rate changes		**32**	2
Cash and cash equivalents at 31 December	18(a)	**3,388**	3,239

The notes on pages 74 to 138 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1. General information

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

2. Significant accounting policies

(a) Statement of compliance

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

The HKICPA has issued certain amendments to 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 accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 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.

As at 31 December 2020, the Group was in a net current liabilities position of $1,344 million. Taking into consideration the continuous net cash inflows from operating activities and the Group's ability to renew or refinance the bank loans upon maturity, the Board of Directors is of the opinion that the Group has sufficient funds to meet its commitments and debt obligations. Accordingly, the consolidated financial statements of the Group for the year ended 31 December 2020 have been prepared on a going concern basis.

(c) Basis of consolidation

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

(d) Subsidiaries

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

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

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

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

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

2. Significant accounting policies (Continued)

(e) Joint ventures and associates (Continued)

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)). At each reporting date, the Group assess whether there is any objective evidence that the investment is impaired. 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.

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.

2. Significant accounting policies (Continued)

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

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.

(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.

2. Significant accounting policies (Continued)

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

(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.

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.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16, *Leases*. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

In 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. The current portion of lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after reporting period.

(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).

2. Significant accounting policies (Continued)

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

(i) Credit losses from financial instruments (Continued)

Measurement of ECLs (Continued)

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.

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.

2. Significant accounting policies (Continued)

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

(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.

(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.

2. Significant accounting policies (Continued)

(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.

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.

2. Significant accounting policies (Continued)

(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.

(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

The HKICPA has issued several 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:

- Amendments to HKFRS 3, *Definition of a business*
- Amendments to HKAS 1 and HKAS 8, *Definition of material*
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, *Interest rate benchmark reform*
- Amendments to HKFRS 16, *COVID-19-related rent concessions*

None of these developments have had 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 yet effective for the current accounting period.

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.

	2020 $ million	2019 $ million
Interest income	**1,217**	1,305
Dividend income	**53**	43
	1,270	1,348
Share of revenue of joint ventures	**16,528**	17,793

5. Other net income

	2020 $ million	2019 $ million
Interest income on financial assets measured at amortised cost	**56**	111
Net exchange loss	**(190)**	(25)
Sundry income	**193**	496
	59	582

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 132 to 133.

7. Other operating costs

	2020 $ million	2019 $ million
Staff costs	**30**	29
Depreciation	**4**	2
Cost of services and investment related expenses	**120**	139
	154	170

8. Finance costs

	2020 $ million	2019 $ million
Interest on borrowings and other finance costs	**86**	96

9. Profit before taxation

	2020 $ million	2019 $ million
Profit before taxation is arrived at after charging:		
Auditors' remuneration		
– audit and audit related work		
– KPMG	**3**	3
– other auditors	**1**	1
– non-audit work		
– KPMG	**1**	2
– other auditors	**4**	6

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

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

	2020 $ million	2019 $ million
Current tax – operations outside Hong Kong		
Provision for the year	**12**	22
Deferred tax (see note 23(b))		
Origination and reversal of temporary differences	**56**	21
	68	43

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:

	2020 $ million	2019 $ million
Profit before taxation	**6,200**	7,174
Less: Share of profits less losses of joint ventures	**(3,782)**	(4,186)
Share of profits less losses of associates	**(1,329)**	(1,324)
	1,089	1,664
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**111**	274
Tax effect of non-deductible expenses	**45**	15
Tax effect of non-taxable income	**(98)**	(253)
Tax effect of unused tax losses not recognised	**10**	7
Actual tax expense	**68**	43

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 (16) $ million	Retirement scheme contributions $ million	Bonuses $ million	2020 Total emoluments $ million	2019 Total emoluments $ million
Executive Directors						
Fok Kin Ning, Canning (3) (10) *Chairman*	**0.12**	**–**	**–**	**–**	**0.12**	0.12
Tsai Chao Chung, Charles (5) (11) *Chief Executive Officer*	**0.07**	**3.49**	**0.51**	**0.83**	**4.90**	4.92
Chan Loi Shun (5) (12) (15)	**0.07**	**5.50**	**–**	**–**	**5.57**	5.39
Andrew John Hunter	**0.07**	**0.11**	**–**	**–**	**0.18**	0.17
Neil Douglas McGee	**0.07**	**–**	**–**	**–**	**0.07**	0.07
Wan Chi Tin (13)	**0.07**	**–**	**–**	**–**	**0.07**	0.07
Non-executive Directors						
Victor T K Li (4) (14)	**0.07**	**–**	**–**	**–**	**0.07**	0.07
Ip Yuk-keung, Albert (1) (2) (4) (5) (8)	**0.14**	**–**	**–**	**–**	**0.14**	0.14
Lui Wai Yu, Albert (1) (3) (7) (9)	**0.07**	**–**	**–**	**–**	**0.07**	–
Ralph Raymond Shea (1) (2) (3) (4)	**0.16**	**–**	**–**	**–**	**0.16**	0.16
Wong Chung Hin (1) (2) (3) (6)	**0.03**	**–**	**–**	**–**	**0.03**	0.16
Wu Ting Yuk, Anthony (1) (2) (8)	**0.13**	**–**	**–**	**–**	**0.13**	0.07
Total for the year 2020	**1.07**	**9.10**	**0.51**	**0.83**	**11.51**	
Total for the year 2019	1.07	8.81	0.50	0.96		11.34

Notes:

(1) Independent Non-executive Director

(2) Member of the Audit Committee

(3) Member of the Remuneration Committee

(4) Member of the Nomination Committee (appointed with effect from 1 December 2020)

(5) Member of the Sustainability Committee (appointed with effect from 1 December 2020)

(6) Resigned as an Independent Non-executive Director and ceased to be a member of the Audit Committee and the Remuneration Committee with effect from 19 March 2020.

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

Notes: (Continued)

(7) Appointed as an Independent Non-executive Director with effect from 19 March 2020.

(8) Appointed as a member of the Audit Committee with effect from 19 March 2020.

(9) Appointed as a member of the Remuneration Committee with effect from 19 March 2020.

(10) 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.

(11) During the year, Mr. Tsai Chao Chung, Charles received director's emoluments of THB457,300 from Ratchaburi Power Company Limited, which is an associate of the Group. The director's emoluments received were paid back to the Company.

(12) During the year, Mr. Chan Loi Shun received director's emoluments of THB457,300 from Ratchaburi Power Company Limited and $3,378,100 from HK Electric Investments Limited, which are associates of the Group. The director's emoluments received were paid back to the Company.

(13) During the year, Mr. Wan Chi Tin received director's emoluments of $71,694 from HK Electric Investments Limited, which is an associate of the Group. The director's emoluments received were paid back to the Company.

(14) During the year, Mr. Victor T K Li received director's emoluments of $71,694 from HK Electric Investments Limited, which is an associate of the Group. The director's emoluments received were paid back to the Company.

(15) During the year, Mr. Chan Loi Shun received director's emoluments of $5,573,794 from the Company. The director's emoluments received were paid back to CK Infrastructure Holdings Limited, a substantial shareholder of the Company.

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

The five highest paid individuals of the Group included two directors (2019: two) whose total emoluments are shown above. The remuneration of the other three individuals (2019: three) who comprises the five highest paid individuals of the Group is set out below:

	2020 $ million	2019 $ million
Salary and other benefits	**9.3**	9.1
Retirement scheme contributions	**0.4**	0.4
	9.7	9.5

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

	2020 Number	2019 Number
$1,500,001 – $2,000,000	**3**	3
$3,000,001 – $3,500,000	**–**	1
$3,500,001 – $4,000,000	**2**	1

The remuneration of directors and senior management is as follows:

	2020 $ million	2019 $ million
Short-term employee benefits	**23**	23
Post-employment benefits	**1**	1
	24	24

At 31 December 2020 and 2019, 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 $6,132 million (2019: $7,131 million) and 2,134,261,654 ordinary shares (2019: 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 2020 and 2019.

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
Cost:						
At 1 January 2019, 31 December 2019 and 1 January 2020	**1**	**4**	**5**	**13**	**7**	**25**
Additions	**–**	**2**	**2**	**–**	**–**	**2**
At 31 December 2020	**1**	**6**	**7**	**13**	**7**	**27**
Accumulated amortisation and depreciation:						
At 1 January 2019	–	3	3	1	–	4
Charge for the year	–	–	–	–	2	2
At 31 December 2019 and 1 January 2020	**–**	**3**	**3**	**1**	**2**	**6**
Charge for the year	**–**	**1**	**1**	**–**	**3**	**4**
At 31 December 2020	**–**	**4**	**4**	**1**	**5**	**10**
Net book value:						
At 31 December 2020	**1**	**2**	**3**	**12**	**2**	**17**
At 31 December 2019	1	1	2	12	5	19

14. Interest in joint ventures

	2020 $ million	2019 $ million
Share of net assets of unlisted joint ventures	**46,531**	46,910
Loans to unlisted joint ventures (see note below)	**12,329**	12,722
Amounts due from unlisted joint ventures (see note below)	**287**	96
	59,147	59,728
Share of total assets of unlisted joint ventures	**141,570**	137,701

The loans to unlisted joint ventures are unsecured, interest bearing at rates ranging from 3.1% per annum to 11.0% per annum (2019: 4.3% 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 $8,814 million (2019: $9,322 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 136 to 137.

(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	
	2020 $ million	2019 $ million	2020 $ million	2019 $ million	2020 $ million	2019 $ million	2020 $ million	2019 $ million	2020 $ million	2019 $ million	2020 $ million	2019 $ million
Current assets	**6,915**	6,795	**4,733**	4,059	**5,704**	3,730	**336**	346	**658**	1,015	**4,419**	3,341
Non-current assets	**142,725**	132,638	**33,208**	31,446	**40,995**	38,841	**35,366**	31,015	**18,726**	18,004	**96,895**	88,812
Current liabilities	**(15,874)**	(9,738)	**(7,040)**	(5,647)	**(2,412)**	(1,191)	**(3,651)**	(766)	**(183)**	(966)	**(5,214)**	(8,677)
Non-current liabilities	**(75,651)**	(72,421)	**(21,099)**	(19,567)	**(42,539)**	(38,517)	**(18,475)**	(17,877)	**(7,157)**	(6,291)	**(74,576)**	(64,216)

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	
	2020 $ million	2019 $ million	2020 $ million	2019 $ million	2020 $ million	2019 $ million	2020 $ million	2019 $ million	2020 $ million	2019 $ million	2020 $ million	2019 $ million
Cash and cash equivalents	**3,081**	3,244	**220**	115	**4,676**	2,811	**42**	52	**182**	512	**1,828**	818
Current financial liabilities (excluding trade and other payables and provisions)	**(8,310)**	(978)	**(998)**	(630)	**–**	–	**(2,552)**	(907)	**–**	(64)	**(1,890)**	(5,666)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(56,522)**	(59,071)	**(16,892)**	(16,363)	**(37,064)**	(34,139)	**(15,666)**	(16,263)	**(6,619)**	(6,132)	**(65,729)**	(56,050)

	UK Power Networks		Northern Gas Networks		Wales & West Gas Networks		Australian Gas Networks		Husky Midstream L.P.		CK William	
	2020 $ million	2019 $ million	2020 $ million	2019 $ million	2020 $ million	2019 $ million	2020 $ million	2019 $ million	2020 $ million	2019 $ million	2020 $ million	2019 $ million
Revenue	**16,118**	15,832	**4,462**	4,763	**4,529**	4,777	**3,461**	3,348	**1,831**	1,866	**10,783**	10,418
Profit/(loss) from continuing operations	**4,129**	5,295	**662**	1,498	**(461)**	705	**955**	885	**974**	343	**947**	1,223
Other comprehensive income for the year	**(2,872)**	1,850	**(735)**	(223)	**(763)**	540	**(253)**	(282)	**(114)**	(70)	**(378)**	(412)
Total comprehensive income for the year	**1,257**	7,145	**(73)**	1,275	**(1,224)**	1,245	**702**	603	**860**	273	**569**	811
Dividends received from the joint ventures during the year	**969**	953	**320**	329	**–**	–	**303**	104	**734**	402	**27**	–

14. Interest in joint ventures (Continued)

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

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	
	2020 $ million	2019 $ million	2020 $ million	2019 $ million	2020 $ million	2019 $ million	2020 $ million	2019 $ million	2020 $ million	2019 $ million	2020 $ million	2019 $ million
Depreciation and amortisation	(2,849)	(2,681)	(855)	(843)	(753)	(825)	(631)	(615)	(616)	(813)	(2,851)	(2,482)
Interest income	268	287	–	6	29	22	1	2	6	7	18	19
Interest expense	(2,446)	(2,533)	(622)	(627)	(1,882)	(1,404)	(679)	(646)	(289)	(193)	(2,261)	(2,302)
Income tax (expense)/credit	(2,250)	(1,196)	(630)	(343)	(538)	(181)	(483)	(448)	1	(3)	(575)	(718)

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	
	2020 $ million	2019 $ million	2020 $ million	2019 $ million	2020 $ million	2019 $ million	2020 $ million	2019 $ million	2020 $ million	2019 $ million	2020 $ million	2019 $ million
Net assets of the joint ventures	58,115	57,274	9,802	10,291	1,748	2,863	13,576	12,718	12,044	11,762	21,524	19,260
Group's effective interest	40.0%	40.0%	41.29%	41.29%	36.0%	36.0%*	27.51%	27.51%	48.75%	48.75%	20.0%	20.0%
Group's share of net assets of the joint ventures	23,246	22,909	4,047	4,249	629	1,031	3,735	3,499	5,871	5,734	4,305	3,852
Consolidation adjustments	67	66	–	–	259	234	–	–	246	(95)	343	322
Carrying amount of the Group's interest in the joint ventures	23,313	22,975	4,047	4,249	888	1,265	3,735	3,499	6,117	5,639	4,648	4,174

* 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%.

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

	2020 $ million	2019 $ million
The Group's share of net assets	3,783	5,109
The Group's share of profit from continuing operations	1,057	583
The Group's share of other comprehensive income	(270)	63
The Group's share of total comprehensive income	787	646

15. Interest in associates

	2020 $ million	2019 $ million
Share of net assets		
– Listed associate	**16,160**	16,403
– Unlisted associates	**6,508**	6,590
	22,668	22,993
Loans to unlisted associates (see note below)	**3,642**	3,320
Amounts due from associates (see note below)	**95**	101
	26,405	26,414

The market value (level 1 fair value measurement (see note 25(f))) of above listed associate, HKEI, at 31 December 2020 is $22,501 million (2019: $22,648 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 (2019: 10.9% per annum to 11.2% 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 2020, the Group's interest in an associate of $Nil (2019: $182 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 138.

(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**	
	2020 $ million	2019 $ million	**2020 $ million**	2019 $ million	**2020 $ million**	2019 $ million
Current assets	**1,729**	2,178	**1,785**	1,687	**2,871**	2,076
Non-current assets	**109,838**	107,539	**43,397**	39,091	**54,940**	48,892
Current liabilities	**(8,341)**	(10,247)	**(5,298)**	(4,665)	**(11,263)**	(7,976)
Non-current liabilities	**(55,483)**	(50,998)	**(36,958)**	(33,297)	**(37,520)**	(34,686)

15. Interest in associates (Continued)

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

	HKEI		SA Power Networks		Victoria Power Networks	
	2020 $ million	2019 $ million	**2020 $ million**	2019 $ million	**2020 $ million**	2019 $ million
Revenue	**10,389**	10,739	**6,367**	6,381	**8,182**	7,842
Profit from continuing operations	**2,732**	2,327	**491**	655	**1,529**	1,472
Other comprehensive income for the year	**(671)**	586	**(380)**	(673)	**(587)**	(544)
Total comprehensive income for the year	**2,061**	2,913	**111**	(18)	**942**	928
Dividends received from the associates during the year	**945**	1,063	**58**	93	**284**	180

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	
	2020 $ million	2019 $ million	**2020 $ million**	2019 $ million	**2020 $ million**	2019 $ million
Net assets of the associates	**47,743**	48,472	**2,926**	2,816	**9,028**	8,306
Group's effective interest	**33.37%**	33.37%	**27.93%**	27.93%	**27.93%**	27.93%
Group's share of net assets of the associates	**15,934**	16,177	**817**	787	**2,520**	2,319
Consolidation adjustments	**226**	226	**–**	–	**–**	–
Carrying amount of the Group's interest in the associates	**16,160**	16,403	**817**	787	**2,520**	2,319

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

	2020 $ million	2019 $ million
The Group's share of net assets	**3,171**	3,484
The Group's share of loss from continuing operations	**(147)**	(47)
The Group's share of other comprehensive income	**(78)**	–
The Group's share of total comprehensive income	**(225)**	(47)

16. Other non-current financial assets

	2020 $ million	2019 $ million
Financial assets measured at FVPL		
– unlisted equity securities	**303**	303
– other investments	**797**	797
	1,100	1,100

17. Trade and other receivables

	2020 $ million	2019 $ million
Trade debtors (see note below)	**–**	–
Interest and other receivables	**406**	137
	406	137
Derivative financial instruments (see note 21)	**226**	–
Deposits and prepayments	**3**	2
	635	139

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:

	2020 $ million	2019 $ million
Deposits with banks and other financial institutions with 3 months or less to maturity when placed	**3,332**	3,127
Cash at bank and on hand	**56**	112
Cash and cash equivalents in the consolidated cash flow statement	**3,388**	3,239
Deposits with banks and other financial institutions with more than 3 months to maturity when placed	**2,039**	1,637
Bank deposits and cash in the consolidated statement of financial position	**5,427**	4,876

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

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

	Note	2020 $ million	2019 $ million
Profit before taxation		**6,200**	7,174
Adjustments for:			
Share of profits less losses of joint ventures		**(3,782)**	(4,186)
Share of profits less losses of associates		**(1,329)**	(1,324)
Interest income	4,5	**(1,273)**	(1,416)
Dividend income from unlisted equity securities	4	**(53)**	(43)
Finance costs	8	**86**	96
Depreciation	7	**4**	2
Exchange losses/(gains)		**160**	(66)
Changes in working capital:			
Decrease/(increase) in trade and other receivables		**13**	(231)
(Decrease)/increase in trade and other payables		**(46)**	102
(Increase)/decrease in amounts due from joint ventures/associates		**(16)**	12
Increase in net employee retirement benefit liabilities		**3**	2
Cash (used in)/generated from operations		**(33)**	122

(c) Funds from Operations

Funds from operations represent net cash from operating activities and dividends received from joint ventures, associates and equity securities.

	2020 $ million	2019 $ million
Net cash generated from operating activities	**962**	1,423
Dividends received from joint ventures	**3,073**	2,495
Dividends received from associates	**1,445**	1,407
Dividends received from equity securities	**53**	43
	5,533	5,368

(d) 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 2019	3,444	80	3,524
Changes from financing cash flows:			
Capital element of lease rentals paid	(2)	–	(2)
Exchange adjustments	(118)	1	(117)
Changes in fair values	–	173	173
At 31 December 2019 and 1 January 2020	**3,324**	**254**	**3,578**
Changes from financing cash flows:			
Capital element of lease rentals paid	**(3)**	**–**	**(3)**
Exchange adjustments	**321**	**–**	**321**
Changes in fair values	**–**	**115**	**115**
At 31 December 2020	**3,642**	**369**	**4,011**

19. Trade and other payables

	2020 $ million	2019 $ million
Creditors measured at amortised cost (see note below)	**3,397**	4,165
Derivative financial instruments (see note 21)	**206**	111
	3,603	4,276

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

19. Trade and other payables (Continued)

Creditors' ageing is analysed as follows:

	2020 $ million	2019 $ million
Due within 1 month or on demand	**64**	752
Due after 1 month but within 3 months	**5**	72
Due after 3 months but within 12 months	**3,328**	3,341
	3,397	4,165

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

	2020 $ million	2019 $ million
Bank loans	**3,640**	3,319
Current portion of bank loans	**(3,640)**	–
	–	3,319
Lease liabilities	**2**	5
Current portion of lease liabilities	**(2)**	(3)
	–	2
	–	3,321

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 2020 and 2019, 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:

	2020 $ million	2019 $ million
Within 1 year to 2 years	**–**	3,321

21. Derivative financial instruments

	2020 Assets $ million	2020 Liabilities $ million	2019 Assets $ million	2019 Liabilities $ million
Derivative financial instruments used for hedging:				
Cash flow hedges				
Interest rate swaps	**–**	**(369)**	–	(254)
Forward foreign exchange contracts	**–**	**(10)**	–	(4)
Net investment hedges				
Cross currency swaps	**195**	**(549)**	473	(34)
Forward foreign exchange contracts	**735**	**(459)**	739	(117)
	930	**(1,387)**	1,212	(409)
Analysed as:				
Current	**226**	**(206)**	–	(111)
Non-current	**704**	**(1,181)**	1,212	(298)
	930	**(1,387)**	1,212	(409)

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.

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 2020 was determined in accordance with HKAS 19 (2011), *Employee benefits*.

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

	2020 **$ million**	2019 $ million
Present value of defined benefit obligations	**(357)**	(353)
Fair value of assets of the Schemes	**221**	223
	(136)	(130)
Represented by:		
Employee retirement benefit assets	**6**	6
Employee retirement benefit liabilities	**(142)**	(136)
	(136)	(130)

The assets of the Schemes did not include ordinary shares issued by the Company for the years ended 31 December 2020 and 2019.

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:

	2020 $ million	2019 $ million
At 1 January	**353**	370
Current service cost	**–**	–
Interest cost	**6**	7
Actuarial (gain)/loss due to:		
– changes in liability experience	**(1)**	3
– changes in financial assumptions	**14**	12
– changes in demographic assumptions	**5**	1
Benefits paid	**(24)**	(40)
Transfer in	**4**	–
At 31 December	**357**	353

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

	2020 $ million	2019 $ million
At 1 January	**223**	232
Interest income on the Schemes' assets	**3**	5
Return on Schemes' assets, excluding interest income	**15**	26
Benefits paid	**(24)**	(40)
Transfer in	**4**	–
At 31 December	**221**	223

The Group expects to contribute below $1 million to the Schemes in 2021.

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

	2020 $ million	2019 $ million
Net interest on net defined benefit asset/liability	**3**	3

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

	2020 $ million	2019 $ million
Other operating costs	**3**	3

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:

	2020 $ million	2019 $ million
At 1 January	**159**	169
Remeasurement of net defined benefit asset/liability recognised in the consolidated statement of comprehensive income during the year	**3**	(10)
At 31 December	**162**	159

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

	2020 $ million	2019 $ million
Hong Kong equities	**37**	36
European equities	**15**	17
North American equities	**47**	44
Asia Pacific and other equities	**18**	18
Global bonds	**103**	108
Deposits, cash and others	**1**	–
	221	223

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:

	2020	2019
Discount rate		
– The Pension Scheme	**1.0%**	1.8%
– The Guaranteed Return Scheme	**0.4%**	1.8%
Long-term salary increase rate	**Not applicable**	Not applicable
Future pension increase rate	**2.0%**	2.5%

(ix) Sensitivity analysis

(a) The Pension Scheme

	Increase/(decrease) in defined benefit obligations	
	2020	2019
	$ million	$ million
Actuarial assumptions		
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)**	(8)
Mortality rate applied to specific age		
– set forward 1 year	**(15)**	(14)
– set backward 1 year	**15**	14

(b) The Guaranteed Return Scheme

	Increase/(decrease) in defined benefit obligations	
	2020	2019
	$ million	$ million
Actuarial assumptions		
Discount rate		
– increase by 0.25%	**(1)**	(1)
– decrease by 0.25%	**1**	1
Interest to be credited		
– increase by 0.25%	**1**	1

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit 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.

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:

	2020 No. of years	2019 No. of years
The Pension Scheme	**10.5**	10.6
The Guaranteed Return Scheme	**6.8**	6.6

(b) Defined contribution retirement scheme

	2020 $ million	2019 $ million
Expenses recognised in profit or loss	**2**	1

No forfeited contributions have been received during the year (2019: $Nil).

23. Income tax in the consolidated statement of financial position

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

	2020 $ million	2019 $ million
Tax provision for the year	**12**	22
Provisional tax paid	**(43)**	(35)
Tax provision relating to prior years	**192**	58
Current tax payable	**161**	45

(b) Deferred tax assets/(liabilities)

The components of deferred tax assets/(liabilities) 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 2019	24	22	46
Charged to profit or loss	–	(21)	(21)
Credited to other comprehensive income	52	–	52
At 31 December 2019 and 1 January 2020	**76**	**1**	**77**
Charged to profit or loss	**–**	**(56)**	**(56)**
Credited/(charged) to other comprehensive income	**35**	**(2)**	**33**
At 31 December 2020	**111**	**(57)**	**54**

The Group had no material unrecognised deferred tax assets or liabilities as at 31 December 2020 and 2019.

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:

	2020 $ million	2019 $ million
Interim dividend declared and paid of $0.77 per ordinary share (2019: $0.77 per ordinary share)	**1,643**	1,643
Final dividend proposed after the end of the reporting period of $2.04 per ordinary share (2019: $2.03 per ordinary share)	**4,354**	4,333
	5,997	5,976

The final dividend proposed after the end of the reporting period is based on 2,134,261,654 ordinary shares (2019: 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.

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:

	2020 $ million	2019 $ million
Final dividend in respect of the previous financial year, approved and paid during the year, of $2.03 per ordinary share (2019: $2.03 per ordinary share)	**4,333**	4,333

(c) Share capital

	Number of shares	2020 $ million	2019 $ million
Issued and fully paid:			
Voting ordinary shares	2,134,261,654	**6,610**	6,610

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves

(i) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong, the effective portion of any foreign exchange differences arising from hedges of the net investment in these operations outside Hong Kong and the cost of hedging reserve. Under HKFRS 9, if the Group excludes the forward element of forward contracts and the foreign currency basis spread of financial instruments (the "excluded elements") from the designation of the hedging instruments, then the excluded elements may be separately accounted for as cost of hedging. The fair value changes of the excluded elements are recognised in a separate component of equity as cost of hedging reserve to the extent that it relates to the hedged items. The reserve is dealt with in accordance with the accounting policies set out in notes 2(i)(iii) and 2(u).

The following table provides a reconciliation of the exchange reserve in respect of cost of hedging, net investment hedges and translation on investment outside Hong Kong:

$ million	Cost of hedging	Net investment hedges	Translation on investment outside Hong Kong	Total
Balance at 1 January 2019	(393)	3,244	(9,350)	(6,499)
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
Balance at 31 December 2019 and 1 January 2020	**(91)**	**2,959**	**(8,986)**	**(6,118)**
Exchange differences on translating operations outside Hong Kong, including joint ventures and associates	**–**	**–**	**3,120**	**3,120**
Effective portion of changes in fair value of hedging instruments recognised in other comprehensive income (see note 25(d)(i))	**–**	**(1,229)**	**–**	**(1,229)**
Cost of hedging – changes in fair value recognised in other comprehensive income	**73**	**–**	**–**	**73**
	73	**(1,229)**	**3,120**	**1,964**
Balance at 31 December 2020	**(18)**	**1,730**	**(5,866)**	**(4,154)**

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).

	2020 $ million	2019 $ million
Balance at 1 January	**(2,114)**	(1,911)
Effective portion of the cash flow hedge recognised in other comprehensive income	**(1,827)**	(412)
Amounts reclassified to profit or loss (see note below)	**81**	44
Related tax	**401**	165
Balance at 31 December (see note below)	**(3,459)**	(2,114)

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 2020 and 2019 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 2020, the Group's strategy, which was unchanged from 2019, 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 2020, the net cash position of the Group amounted to $1,787 million (2019: $1,557 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.

25. Financial risk management (Continued)

(a) Credit risk (Continued)

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 2020 (2019: $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.

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:

		2020			2019		
$ million	Note	**Gross amounts of financial instruments in the consolidated statement of financial position**	**Related financial instruments that are not offset**	**Net amount**	Gross amounts of financial instruments in the consolidated statement of financial position	Related financial instruments that are not offset	Net amount
Financial assets	21						
Cross currency swaps		**195**	**–**	**195**	473	(9)	464
Forward foreign exchange contracts		**735**	**(226)**	**509**	739	(71)	668
Total		**930**	**(226)**	**704**	1,212	(80)	1,132
Financial liabilities	21						
Cross currency swaps		**549**	**–**	**549**	34	(9)	25
Interest rate swaps		**369**	**–**	**369**	254	–	254
Forward foreign exchange contracts		**469**	**(226)**	**243**	121	(71)	50
Total		**1,387**	**(226)**	**1,161**	409	(80)	329

(b) Liquidity risk

The Group operates a central cash management system for all its subsidiaries in order to achieve a better control of risk and minimise the costs of funds. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with loan covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding to meet its liquidity requirements in the short and longer term. The Group had bank deposits and cash $5,427 million (2019: $4,876 million) and no undrawn committed bank facilities at 31 December 2020 (2019: $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:

	2020 Contractual undiscounted cash outflow/(inflow)				
$ million	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Bank loans and other borrowings and interest accruals	**3,643**	**–**	**–**	**–**	**3,643**
Trade and other payables	**3,390**	**–**	**–**	**–**	**3,390**
Derivative financial instruments					
Net settled					
Interest rate swaps	**97**	**98**	**211**	**–**	**406**
Gross settled					
Forward foreign exchange contracts:					
– outflow	**9,004**	**–**	**4,235**	**3,150**	**16,389**
– inflow	**(9,118)**	**–**	**(4,368)**	**(3,482)**	**(16,968)**
Cross currency swaps and related interest accruals:					
– outflow	**304**	**3,114**	**6,162**	**6,166**	**15,746**
– inflow	**(332)**	**(3,133)**	**(6,166)**	**(6,054)**	**(15,685)**
	6,988	**79**	**74**	**(220)**	**6,921**

25. Financial risk management (Continued)

(b) Liquidity risk (Continued)

$ million	2019 Contractual undiscounted cash outflow/(inflow) Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Bank loans and other borrowings and interest accruals	58	3,325	–	–	3,383
Trade and other payables	4,159	–	–	–	4,159
Derivative financial instruments					
Net settled					
Interest rate swaps	61	61	184	10	316
Gross settled					
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

(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:

	2020	2019
Notional amount ($ million)	**3,638**	3,317
Maturity date	**2025**	2025
Weighted average fixed swap rates	**2.70%**	2.70%

The carrying amount of interest rate swaps at 31 December 2020 was a liability of $369 million (2019: $254 million).

(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 hedging instruments (see (i) above):

	2020 Weighted average interest rate %	**$ million**	2019 Weighted average interest rate %	$ million
Net fixed rate assets/ (liabilities)				
Loans to unlisted joint ventures/associates	**10.1**	**9,219**	9.8	9,772
Deposits with banks and other financial institutions	**0.5**	**5,371**	2.3	4,764
Bank loans and other borrowings	**3.6**	**(3,642)**	3.6	(3,324)
Cross currency swaps	**N/A**	**(354)**	N/A	439
		10,594		11,651
Net variable rate assets/ (liabilities)				
Loans to unlisted joint ventures/associates	**4.5**	**6,752**	5.4	6,270
Other receivable	**0.1**	**336**	–	–
Cash at bank and on hand	**–**	**56**	–	112
Other payable	**0.1**	**(156)**	1.5	(780)
		6,988		5,602

25. Financial risk management (Continued)

(c) Interest rate risk (Continued)

(iii) Sensitivity analysis

At 31 December 2020, 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 $64 million (2019: increased/decreased by approximately $55 million). Other components of consolidated equity would have decreased/increased by approximately $108 million (2019: decreased/increased by approximately $118 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 2019.

(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:

	2020	2019
Forward foreign exchange contracts:		
Notional amount ($ million)	**15,953**	17,490
Maturity date	**Ranging from 2021 to 2026**	Ranging from 2020 to 2026
Weighted average contract rate:		
EUR:USD	**–**	1.2722
GBP:USD	**1.5322**	1.5322
AUD:USD	**0.6910**	0.6794
USD:CAD	**1.3007**	1.3007
Cross currency swaps:		
Notional amount ($ million)	**14,404**	14,404
Maturity date	**Ranging from 2022 to 2027**	Ranging from 2022 to 2027
Weighted average contract rate:		
EUR:USD	**1.1728**	1.1728
GBP:USD	**1.3848**	1.3848
AUD:USD	**0.7518**	0.7518

The carrying amount of forward foreign exchange contracts at 31 December 2020 includes an asset of $735 million and a liability of $459 million (2019: an asset of $739 million and a liability of $117 million). The carrying amount of cross currency swaps at 31 December 2020 includes an asset of $195 million and a liability of $549 million (2019: an asset of $473 million and a liability of $34 million). The change in fair value of the forward foreign exchange contracts and cross currency swaps during 2020 was a loss of $1,229 million (2019: a loss of $285 million) which were the effective portion of the hedge on investments outside Hong Kong recognised in other comprehensive income (see note 24(d)(i)).

(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:

	2020 Exposure to foreign currencies				
'million	**USD**	**GBP**	**AUD**	**EUR**	**CAD**
Trade and other receivables	**52**	**19**	**4**	**1**	**1**
Bank deposits and cash	**476**	**27**	**–**	**–**	**66**
Trade and other payables	**(20)**	**–**	**(6)**	**–**	**–**
Gross exposure arising from recognised assets and liabilities	**508**	**46**	**(2)**	**1**	**67**
Notional amounts of forward foreign exchange contracts used as economic hedges	**87**	**(27)**	**–**	**–**	**(66)**
Overall exposure	**595**	**19**	**(2)**	**1**	**1**

	2019 Exposure to foreign currencies				
'million	USD	GBP	AUD	EUR	CAD
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	–

(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	2020 Effect on profit for the year and revenue reserve increase/(decrease)	2019 Effect on profit for the year and revenue reserve increase/(decrease)
Pounds Sterling	**19**	20
Australian dollars	**(1)**	13
Euro	**1**	10

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 2019.

(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.

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 2020 categorised into		
	Level 2	Level 3	Total
Financial assets			
Other non-current financial assets	–	1,100	1,100
Derivative financial instruments:			
– Cross currency swaps	195	–	195
– Forward foreign exchange contracts	735	–	735
	930	1,100	2,030
Financial liabilities			
Derivative financial instruments:			
– Interest rate swaps	(369)	–	(369)
– Cross currency swaps	(549)	–	(549)
– Forward foreign exchange contracts	(469)	–	(469)
	(1,387)	–	(1,387)

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

(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 (2019: decreased/increased by $13 million/$14 million). A 0.5% increase/decrease in growth rate, with other variable held constant, would have increased/decreased the Group's profit for the year and revenue reserve by approximately $14 million/$13 million (2019: increased/decreased by $14 million/$13 million).

Other investments were measured at fair value based on value inputs that are not observable market data but change of these inputs to reasonable alternative assumptions would not have material effect on the Group's results and financial position.

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 2020 and 2019.

26. Capital commitments

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

	2020 $ million	2019 $ million
Contracted for:		
Capital expenditure for property, plant and equipment	**–**	2
Investment in a joint venture	**36**	726
	36	728
Authorised but not contracted for:		
Investment in a joint venture	**–**	861

27. Contingent liabilities

	2020 $ million	2019 $ million
Guarantees given in respect of a joint venture	**438**	493

28. Material related party transactions

The Group had the following material transactions with related parties during the year:

(a) Shareholder

Outram Limited ("Outram"), a subsidiary of the Company, reimbursed a wholly-owned subsidiary of CK Infrastructure Holdings Limited ("CKI") $20 million (2019: $25 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.

(b) Joint ventures

Interest income received/receivable from joint ventures in respect of the loans to joint ventures amounted to $851 million (2019: $930 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 $366 million (2019: $375 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 (2019: $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 2020 with the associate was $4 million (2019: $3 million).

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, 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.

30. Critical accounting judgements and estimates (Continued)

(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.

(c) COVID-19 Pandemic

The COVID-19 pandemic has significantly impacted the global economy in 2020. As the Group's core energy and utility-related businesses are mostly regulated or secured by long-term contracts, despite worldwide disruptions of business operations, impact of the pandemic to the Group is modest.

No material impacts of the pandemic have been identified on the operating results and financial positions of the Group during the reporting period and at the date on which the Consolidated Financial Statements were authorised for issue. This assessment was based on assumptions and estimates for current and expected future conditions that the Group considers are relevant and reasonable. However, the severity, duration and economic consequences of the COVID-19 pandemic are still uncertain. The accounting estimates and assumptions involved in the assessment above may change over time in response to how market conditions develop. Actual results may differ significantly from those assumptions and estimates.

31. Company-level Statement of Financial Position

	Note	**2020 $ million**	2019 $ million
Non-current assets			
Property, plant and equipment		**4**	5
Investments in subsidiaries	31(a)	**30,103**	30,037
		30,107	30,042
Current assets			
Amounts due from subsidiaries	31(b)	**23,032**	28,250
Trade and other receivables		**3**	3
Bank deposits and cash		**988**	99
		24,023	28,352
Current liabilities			
Amounts due to subsidiaries	31(b)	**(1,637)**	(156)
Trade and other payables		**(360)**	(357)
Current portion of interest-bearing borrowings		**(2)**	(3)
Derivative financial instruments		**(10)**	(4)
		(2,009)	(520)
Net current assets		**22,014**	27,832
Total assets less current liabilities		**52,121**	57,874
Non-current liabilities			
Interest-bearing borrowings		**–**	(2)
Employee retirement benefit liabilities		**(142)**	(136)
		(142)	(138)
Net assets		**51,979**	57,736
Capital and reserves			
Share capital	24(c)	**6,610**	6,610
Reserves		**45,369**	51,126
Total equity attributable to equity shareholders of the Company	31(c)	**51,979**	57,736

Approved and authorised for issue by the Board of Directors on 17 March 2021.

Tsai Chao Chung, Charles
Director

Chan Loi Shun
Director

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

(a) Investments in subsidiaries

Particulars of the principal subsidiaries at the end of the reporting period are set out in Appendix 2 on pages 134 to 135.

(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 2019	6,610	51,087	4,333	62,030
Changes 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	–
Balance at 31 December 2019 and 1 January 2020	**6,610**	**46,793**	**4,333**	**57,736**
Changes in equity for 2020:				
Profit for the year	**–**	**223**	**–**	**223**
Other comprehensive income	**–**	**(4)**	**–**	**(4)**
Total comprehensive income	**–**	**219**	**–**	**219**
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))	**–**	**(4,354)**	**4,354**	**–**
Balance at 31 December 2020	**6,610**	**41,015**	**4,354**	**51,979**

The net profit for the year of the Company is $223 million (2019: $1,672 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 $2.04 per ordinary share, amounting to $4,354 million. (2019: a final dividend of $2.03 per ordinary share, amounting to $4,333 million).

32. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2020

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 2020 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, *Reference to the conceptual framework*	1 January 2022
• Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*	1 January 2022
• Amendments to HKAS 37, *Onerous contracts – Cost of fulfilling a contract*	1 January 2022
• Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
• Amendments to HKAS 1, *Classification of liabilities as current or non-current*	1 January 2022
• Amendments to HKFRS 10 and HKAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

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

Certain comparative figures in consolidated cash flow statement and related notes have been reclassified to conform to current period's presentation.

Appendix 1

Segment information

	2020							
		Investments						
$ million	Investment in HKEI	United Kingdom	Australia	Mainland China	Others	Sub-total	All other activities	Total
For the year ended 31 December								
Revenue								
Revenue	–	548	511	53	158	1,270	–	1,270
Other net income	–	–	–	–	6	6	(3)	3
Reportable segment revenue	–	548	511	53	164	1,276	(3)	1,273
Result								
Segment earnings	–	548	511	42	163	1,264	(141)	1,123
Depreciation and amortisation	–	–	–	–	–	–	(4)	(4)
Bank deposit interest income	–	–	–	–	–	–	56	56
Operating profit	–	548	511	42	163	1,264	(89)	1,175
Finance costs	–	74	(186)	–	26	(86)	–	(86)
Share of profits less losses of joint ventures and associates	912	1,785	1,029	61	1,320	4,195	4	5,111
Profit before taxation	912	2,407	1,354	103	1,509	5,373	(85)	6,200
Income tax	–	53	(25)	(5)	(91)	(68)	–	(68)
Reportable segment profit	912	2,460	1,329	98	1,418	5,305	(85)	6,132
At 31 December								
Assets								
Property, plant and equipment and leasehold land	–	–	–	–	–	–	17	17
Other assets	–	966	473	303	5	1,747	809	2,556
Interest in joint ventures and associates	16,160	38,171	20,330	1,221	9,661	69,383	9	85,552
Bank deposits and cash	–	–	–	–	–	–	5,427	5,427
Reportable segment assets	16,160	39,137	20,803	1,524	9,666	71,130	6,262	93,552
Liabilities								
Segment liabilities	–	(232)	(1,446)	(3)	(121)	(1,802)	(3,124)	(4,926)
Current and deferred taxation	–	–	(7)	–	(211)	(218)	–	(218)
Interest-bearing borrowings	–	–	(3,640)	–	–	(3,640)	(2)	(3,642)
Reportable segment liabilities	–	(232)	(5,093)	(3)	(332)	(5,660)	(3,126)	(8,786)

$ million	Investment in HKEI	Investments: United Kingdom	Investments: Australia	Investments: Mainland China	Investments: Others	Investments: Sub-total	All other activities	Total
	2019							
For the year ended 31 December								
Revenue								
Revenue	–	556	571	43	178	1,348	–	1,348
Other net income	–	–	–	–	6	6	465	471
Reportable segment revenue	–	556	571	43	184	1,354	465	1,819
Result								
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)
Reportable segment profit	777	3,489	1,445	415	576	5,925	429	7,131
At 31 December								
Assets								
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
Reportable segment assets	16,403	39,060	18,860	2,212	11,258	71,390	5,778	93,571
Liabilities								
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)
Reportable segment liabilities	–	(667)	(4,122)	(4)	(98)	(4,891)	(3,188)	(8,079)

(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 2020 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
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
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$45,952,603	100*	Australia	Investing
Hongkong Electric (Natural Gas) Limited	US$2	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

(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 2020 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
Husky Midstream Limited Partnership (note (g))	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
Northern Gas Networks Holdings Limited (note (h))	GBP71,670,980	41.29%	United Kingdom	Gas distribution	Equity
Transmission Operations (Australia) Pty Limited (note (i))	A$20,979,450	50%	Australia	Electricity transmission	Equity
Transmission Operations (Australia) 2 Pty Limited (note (i))	A$10,382,100	50%	Australia	Electricity transmission	Equity
UK Power Networks Holdings Limited (note (j))	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 (k))	GBP29,027	36%	United Kingdom	Gas distribution	Equity
Wellington Electricity Distribution Network Limited (note (l))	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.

(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) 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.

(h) Northern Gas Networks Holdings Limited operates a gas distribution network in the North of England.

(i) Australian Energy Operations Pty Ltd is the holding company of Transmission Operations (Australia) Pty Limited and Transmission Operations (Australia) 2 Pty Limited, which businesses include the design, build, own and operate transmission lines and associate terminal stations to transport the electricity generated from the Mt. Mercer Wind Farm and the Ararat Wind Farm in Victoria, Australia to the main power grid.

(j) 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.

(k) 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.

(l) Wellington Electricity Distribution Network Limited supplies electricity to Wellington, Porirua and Hutt Valley regions of New Zealand.

(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 2020 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.

Five-Year Group Profit Summary and Group Statement of Financial Position

Five-Year Group Profit Summary

HK$ million	**2020**	2019	2018	2017	2016
Revenue	**1,270**	1,348	1,555	1,420	1,288
Operating profit	**1,175**	1,760	1,528	2,557	252
Finance costs	**(86)**	(96)	(194)	(295)	(248)
Share of profits less losses of joint ventures and associates	**5,111**	5,510	6,356	6,154	6,401
Profit before taxation	**6,200**	7,174	7,690	8,416	6,405
Income tax	**(68)**	(43)	(54)	(97)	12
Profit attributable to equity shareholders of the Company	**6,132**	7,131	7,636	8,319	6,417

Five-Year Group Statement of Financial Position

HK$ million	**2020**	2019	2018	2017	2016
Property, plant and equipment and leasehold land	**17**	19	14	14	29
Interest in joint ventures and associates	**85,552**	86,142	79,422	81,004	66,941
Other non-current financial assets	**1,100**	1,100	5,100	67	67
Other non-current assets	**821**	1,295	1,426	342	869
Net current (liabilities)/assets	**(1,344)**	691	1,403	18,742	59,230
Total assets less current liabilities	**86,146**	89,247	87,365	100,169	127,136
Non-current liabilities	**(1,380)**	(3,755)	(3,808)	(4,589)	(8,725)
Net assets	**84,766**	85,492	83,557	95,580	118,411
Share capital	**6,610**	6,610	6,610	6,610	6,610
Reserves	**78,156**	78,882	76,947	88,970	111,801
Capital and reserves	**84,766**	85,492	83,557	95,580	118,411

Corporate Information

Board of Directors

Executive Directors

FOK Kin Ning, Canning *(Chairman)*
TSAI Chao Chung, Charles *(Chief Executive Officer)*
CHAN Loi Shun
Andrew John HUNTER
Neil Douglas MCGEE
WAN Chi Tin

Non-executive Director

LI Tzar Kuoi, Victor

Independent Non-executive Directors

IP Yuk-keung, Albert
LUI Wai Yu, Albert
Ralph Raymond SHEA
WU Ting Yuk, Anthony

Audit Committee

IP Yuk-keung, Albert *(Chairman)*
Ralph Raymond SHEA
WU Ting Yuk, Anthony

Remuneration Committee

Ralph Raymond SHEA *(Chairman)*
FOK Kin Ning, Canning
LUI Wai Yu, Albert

Nomination Committee

IP Yuk-keung, Albert *(Chairman)*
LI Tzar Kuoi, Victor
Ralph Raymond SHEA

Sustainability Committee

TSAI Chao Chung, Charles *(Chairman)*
CHAN Loi Shun
IP Yuk-keung, Albert

Company Secretary

Alex NG

Principal Bankers

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
MUFG Bank, Ltd.

Auditor

KPMG

Website

www.powerassets.com

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Share Registrar

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716,
17th Floor, Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong
Website: www.computershare.com/hk/contact

ADR (Level 1 Programme) Depositary

Citibank, N.A.
Shareholder Services
P.O. Box 43077, Providence,
Rhode Island 02940-3077, U.S.A.
Website: www.citi.com/dr
Email: citibank@shareholders-online.com

Investor Relations

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Ivan CHAN *(Chief Financial Officer)*

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Address: Unit 2005, 20th Floor, Cheung Kong Center,
2 Queen's Road Central, Hong Kong

Financial Calendar and Share Information

Financial Calendar

Interim Results Announcement	5 August 2020
Annual Results Announcement	17 March 2021
Annual Report Despatch Date	On or before 7 April 2021
Closure of Register of Members – Annual General Meeting	7 May 2021 to 12 May 2021 (both days inclusive)
Annual General Meeting	12 May 2021
Ex-dividend Date	17 May 2021
Record Date for Final Dividend	18 May 2021
Dividend per Share	
Interim : HK$0.77	15 September 2020
Final : HK$2.04	1 June 2021

Share Information

Board Lot	500 shares
Market Capitalisation as at 31 December 2020	HK$89,639 million
Ordinary Share to ADR ratio	1:1

Stock Codes

The Stock Exchange of Hong Kong Limited	6
Bloomberg	6 HK
Refinitiv	0006.HK
ADR Ticker Symbol	HGKGY
CUSIP Number	739197200

This Annual Report has been printed in both the English and Chinese languages. If shareholders who have received an English copy of this Annual Report wish to obtain a Chinese copy, or vice versa, they may request for it by writing to the share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

This Annual Report has been posted in both the English and Chinese languages on the Company's website at www.powerassets.com. If, for any reason, shareholders who have chosen (or are deemed to have consented) to receive corporate communications through the Company's website have difficulty in gaining access to the Annual Report, they may request that a printed copy of this Annual Report be sent to them free of charge by mail.

Shareholders may at any time change their choice of language of all future corporate communications, or choose to receive all future corporate communications either in printed form or through the Company's website, by writing to the Company at Unit 2005, 20th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong or to the share registrar, Computershare Hong Kong Investor Services Limited at the address above-mentioned or by emailing to the Company's email address at mail@powerassets.com.

Power Assets Holdings Ltd.
電能實業有限公司