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

Strengthening Resilience for Energy Transition

Annual Report **2023**

A Strategic Global Investor in the Energy Sector

Power Assets Holdings Limited ("Power Assets" or the "Group") is a global investor in energy and utility-related businesses, with interests in the transmission of electricity, gas and oil, the distribution of electricity and gas, and the generation of energy from thermal, waste, and other renewable sources.

From our origins in Hong Kong over a century ago, the Group also has a presence today in the United Kingdom, Australia, New Zealand, Mainland China, Thailand, the Netherlands, Canada and the United States, bringing clean, reliable, and affordable energy to about 19.8 million homes and businesses. The bulk of our business derives from our interests in 503,100 km of power, gas and oil networks, supplemented by investments in around 9,700 MW of power generation facilities.

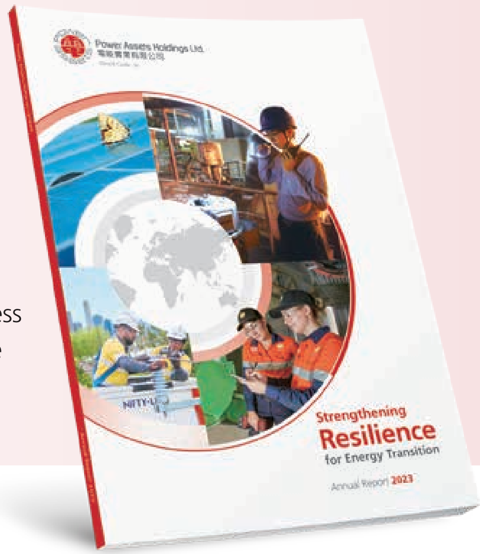
Our investments comprise primarily of acquisitions, supplemented by green-field development activities. We follow an active yet prudent strategy for sustainable growth over the long-term by focusing on appropriately-priced companies operating in well-regulated and mature markets that deliver predictable income streams.

A global transition to green energy is needed to support the carbon neutrality ambitions of markets around the world. As a key player in the energy sector, we invest extensively in innovation and technology to catalyse this transition with minimal compromise on reliability and affordability.

Listed on the Stock Exchange of Hong Kong as a constituent share of the Hang Seng Index, Power Assets has been a constituent of the Hang Seng Corporate Sustainability Index since 2010.

Strengthening Resilience
for Energy Transition

Our multi-talented and diverse people are celebrated on the cover of the 2023 annual report. The design also pays homage to the extensive work of our operating companies around the world to enable the energy transition with the resilience needed to address environmental, macro-economic, and climate change risks.



Contents

Business Review

Corporate Governance

Financial Statements

Other Information

Performance Highlights

NUMBER OF CUSTOMERS **19,790,000**

114,900 km
GAS / OIL PIPELINE LENGTH

388,200 km
POWER NETWORK LENGTH

879 MW
GENERATION CAPACITY - RENEWABLE ENERGY / ENERGY-FROM-WASTE

5,262 MW
GENERATION CAPACITY - GAS-FIRED

3,567 MW
GENERATION CAPACITY - COAL / OIL-FIRED

Financials	2023 HK$	2022 HK$
Profit attributable to shareholders (million)	**6,003**	5,649
Earnings per share	**2.82**	2.65
Dividends per share	**2.82**	2.82
Total equity (million)	**88,752**	86,857
Cash on hand (million)	**4,201**	5,894
Debts (million)	**3,097**	3,236
Net debt to net total capital ratio	**Net Cash**	Net Cash
S&P credit rating	**A / Stable**	A / Stable

Our Business Portfolio

Europe

United Kingdom

UK Power Networks (UKPN)

Network Length	190,300 km
Customers	8,500,000
Joined / Interest	2010 / 40%

Northern Gas Networks (NGN)

Gas Pipeline Length	36,300 km
Customers	2,900,000
Joined / Interest	2005 / 41.29%

Wales & West Utilities (WWU)

Gas Pipeline Length	35,200 km
Customers	2,600,000
Joined / Interest	2012 / 36%

Seabank Power (SPL)

Installed Capacity	1,148 MW
Joined / Interest	2010 / 25%

Energy Developments Pty Ltd (EDL)

Installed Capacity	45 MW 12 MW in Greece
Joined / Interest	2017 / 20%

Netherlands

Dutch Enviro Energy Holdings B.V.
(which owns AVR-Afvalverwerking B.V. (AVR))

Installed Capacity	
Waste-to-Energy Units	140 MW*
Biomass-Fired Units	28 MW
Joined / Interest	2013 / 27%

* 117 MW is temporarily out of service for repairs

North America

Canada

Canadian Power Holdings (Canadian Power)

Meridian

Installed Capacity	220 MW
Joined / Interest	2007 / 50%

TransAlta

Installed Capacity	1,064 MW
Joined / Interest	2007 / 25%

Okanagan Wind Power

Installed Capacity	30 MW
Joined / Interest	2021 / 50%

Husky Midstream Limited Partnership (Husky Midstream)

Oil Pipeline Length	2,300 km
Oil Storage Capacity	5.9 million barrels
Pipeline Gathering System Capacity	409,000 barrels/day
Joined / Interest	2016 / 48.75%

Energy Developments Pty Ltd (EDL)

Installed Capacity	11 MW
Joined / Interest	2017 / 20%

United States of America

Energy Developments Pty Ltd (EDL)

Installed Capacity	149 MW
Joined / Interest	2017 / 20%

LEGENDS

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

Oceania

Australia

SA Power Networks (SAPN)

Network Length	90,500 km
Customers	917,000
Joined / Interest	2000 / 27.93%

Victoria Power Networks (VPN)
(which owns Powercor and CitiPower)

Powercor

Network Length	77,400 km
Customers	921,000
Joined / Interest	2000 / 27.93%

CitiPower

Network Length	4,600 km
Customers	350,000
Joined / Interest	2002 / 27.93%

Australian Gas Networks (AGN)
(a member of Australian Gas Infrastructure Group (AGIG))

Gas Pipeline Length	27,000 km
Customers	1,399,000
Joined / Interest	2014 / 27.51%

Dampier Bunbury Pipeline and AGI Development Group (DBP)
(a member of AGIG)

Gas Pipeline Length	4,100 km
Joined / Interest	2017 / 20%

Multinet Gas (MG)
(a member of AGIG)

Gas Pipeline Length	10,000 km
Customers	723,000
Joined / Interest	2017 / 20%

United Energy (UE)

Network Length	13,500 km
Customers	716,000
Joined / Interest	2017 / 20%

Energy Developments Pty Ltd (EDL)

Installed Capacity	760 MW
Joined / Interest	2017 / 20%

Australian Energy Operations (AEO)

Network Length	71 km
Joined / Interest	2012 / 50%

New Zealand

Wellington Electricity Lines (WELL)

Network Length	4,800 km
Customers	175,000
Joined / Interest	2008 / 50%

Asia

Mainland China

Jinwan Power

Installed Capacity	1,200 MW
Joined / Interest	2009 / 45%

Dali Wind Power

Installed Capacity	48 MW
Joined / Interest	2007 / 45%

Laoting Wind Power

Installed Capacity	49.5 MW
Joined / Interest	2008 / 45%

Hong Kong

HK Electric

Installed Capacity	3,403 MW
Network Length	7,000 km
Customers	589,000
Established / Interest	1889 / 33.37%

Thailand

Ratchaburi Power Company (RPCL)

Installed Capacity	1,400 MW
Joined / Interest	2001 / 25%

Chairman's Statement

Full year results

Power Assets Holdings Limited (the Group) achieved a robust performance in 2023. Our diverse portfolio of electricity and gas businesses, largely operating under regulatory regimes or long-term offtake agreements, continues to generate steady returns for the Group.

The audited profit attributable to shareholders amounted to HK$6,003 million during the period under review (2022: HK$5,649 million), a year-on-year increase of 6%.

In terms of the macro-economic market conditions, geopolitical tensions have continued to dominate the global landscape. An inflationary environment with high interest rates has persevered and the general sentiment is one of uncertainty. Against this backdrop, the Group has demonstrated the resilience of our business model that is underpinned by quality regulated assets which are immune from inflationary risks. This allows us to continue to provide affordable and reliable energy while facilitating the energy transition of our businesses globally.

Dividends

The Board of Directors has recommended a final dividend of HK$2.04 (2022: HK$2.04) per share, payable on 11 June 2024 to shareholders whose names appear in the Company's Register of Members on 28 May 2024. This, together with the interim dividend of HK$0.78 per share, takes the total dividend for the year to HK$2.82 (2022: HK$2.82) per share.

International Energy Portfolio

In 2023, our operating companies delivered satisfactory results across the board. The electricity businesses – spanning the United Kingdom, Australia, Hong Kong, Mainland China, Canada, New Zealand and Thailand – performed well during the year and made progress in decarbonisation initiatives. The gas transmission and distribution businesses in the United Kingdom and Australia also achieved their regulatory targets and performance parameters.

United Kingdom Portfolio

The United Kingdom represents the Group's largest market of operation and achieved profit contribution of HK$2,808 million (2022: HK$2,517 million). Although the market suffered from inflationary pressures, the regulatory frameworks under which our businesses operate ensured stable contributions during the period under review.

During the year, UK Power Networks (UKPN) commenced a new regulatory price control RIIO-ED2 (the second set of price controls for electricity distribution networks, implemented under the 'Revenue = Incentives + Innovation + Outputs' model) which will remain through to 31 March 2028. Under this framework, UKPN will focus on enabling the UK's green transition. Over the previous period, UKPN led the sector in safety, network reliability, customer service, stakeholder engagement, innovation, and efficiency.

The Group's gas distribution businesses, namely Northern Gas Networks (NGN) and Wales & West Utilities (WWU), both performed well in 2023. The companies continued to work in partnership with other industry players to promote the acceptance of hydrogen as an energy source for heating. Thanks to projects like H21, East Coast Hydrogen and Hyline Cymru, the public and industry are now more receptive to the use of hydrogen as a source of green energy and the UK government also views hydrogen as part of the green evolution to put the country on the path to net-zero emissions by 2050. In terms of operations, performance improvements and cost savings were achieved by NGN and WWU.

Seabank Power delivered stable revenues during the year under review, while exceeding targets on availability, efficiency and starting performance.

The UK government has made a strong commitment to net-zero emissions by 2050, outlining expected parameters and targets for the energy sector. The Group's businesses in the UK are focusing on efforts into meeting, and where possible exceeding, these targets. The incentives offered by the government under its net-zero emission objectives, as well as the growing sectors of sustainable and renewable energy, provide exciting opportunities for growth.

Australian Portfolio

Profit contribution from the Group's Australian portfolio was HK$1,265 million for the year under review (2022: HK$1,342 million). Albeit the Australian dollar remained relatively weak against the Hong Kong dollar, operating results of the businesses were satisfactory, generating steady returns for the Group.

There has been growing demand for renewable energy in the Australian market and the Group's electricity distribution companies have been actively facilitating consumer-side renewable generation projects.

In 2023, Victoria Power Networks (VPN) completed the rollout of Rapid Earth Fault Current Limiters, a new bushfire mitigation technology, across more than 17,000 kilometres of power lines in Victoria. United Energy (UE) upgraded its ability to meet peak demand through the installation of new pole-top batteries. SA Power Networks (SAPN) has conducted extensive planning and stakeholder engagement on how to most efficiently enable the energy transition.

Australian Gas Infrastructure Group (AGIG) progressed to design and construct the Hydrogen Park Murray Valley project which will produce renewable hydrogen for gas blending for homes and businesses within AGIG's Albury network. Dampier Bunbury Pipeline exceeded targets for reliability of its compressor stations and asset utilisation.

Energy Developments Pty Ltd (EDL) completed the Limestone and Lorrain renewable natural gas projects, contributing to emissions abatement by utilising landfill gas.

It is clear that the demand for greener energy solutions in the Australian market offers extensive opportunities for the organic growth of our businesses.

Other Portfolios

During the year, the Canadian portfolio continued to provide stable contributions to the Group, alongside its decarbonisation journey.

Husky Midstream generated a good return through establishing long-term contractual agreement with customers and focused on achieving safe and reliable operations. Canadian Power's Meridian cogeneration power station also completed a major gas turbine rotor replacement for one of its units, with a second replacement scheduled for 2024.

In the Netherlands, AVR-Afvalverwerking B.V. (AVR) reported a fire at the Rozenburg plant in September 2023. No casualties were reported during the fire incident and the costs of rebuilding the plant and the resulting income loss are expected to be substantially covered by insurance. Part of the operations has restarted at the end of 2023.

Wellington Electricity, the Group's investment in New Zealand, generated a solid return and has submitted an asset management plan to meet the overall emissions reduction strategy required by the regulator and the New Zealand government.

In Thailand, Ratchaburi Power Plant functioned above expectations in plant performance and operation.

In Mainland China, the Jinwan co-generation power plant returned to profitability in 2023 alongside a lower coal cost during the year. The two wind farms in Dali and Laoting jointly avoided 145,200 tonnes of carbon emissions.

Investment in Hong Kong

HK Electric Investments and its wholly-owned subsidiary HK Electric continued to provide reliable and affordable power to residential and business customers in Hong Kong.

2023 marked the successful conclusion of the 2019-2023 Development Plan of HK Electric. Under the HK$26.6 billion blueprint, three new gas-fired generating units and a joint-venture offshore liquefied natural gas (LNG) terminal were built, enabling HK Electric to increase the proportion of electricity generated from natural gas to around 70% from 2024 onwards and contributing to the city's carbon reduction efforts. It is also making progress on deployment of smart meters across the territory and around 60% of its customers are now fitted with smart meters.

In 2023, the government concluded an interim review of the current Scheme of Control Agreement for 2019-2033, which provides a stable and predictable return for the power sector. The Agreement also provides a structured framework for investments in decarbonisation. HK Electric has committed to investing another HK$22 billion under its 2024-2028 Development Plan to further enhance its decarbonisation strategy and support its sustainability pathway.

Embedding Sustainability in Our Business

With the challenges presented by climate change, the entire energy industry is undergoing a fundamental shift to expedite decarbonisation and to seek more sustainable solutions to meet energy demands. All of our operating companies in OECD member countries are committed to achieving net-zero emissions by 2050.

We are also in full support of the Sustainable Development Goals (SDGs) laid down by the United Nations and have identified six SDGs most relevant to the Group's sustainability strategy.

Initiatives have been taken to improve staff training and education on sustainability. Many of our operating companies organise mandatory sustainability training for all their employees to attend. At HK Electric, a system is in place to encourage and incentivise staff to submit innovative and sustainable ideas to optimise operations.

Across our markets, we are investing in smart grid technologies to ensure maximum efficiency and energy optimisation. Our networks in Hong Kong, the UK and Australia all deploy sensors, meters and communications to gather data, monitor electricity flows and other parameters to ensure grid stability and improve energy efficiency.

The Group is also working to supplement natural gas with greener alternatives such as hydrogen and bio-fuel. The wider deployment of green hydrogen technology has been piloted by our companies in the UK and Australia receiving government endorsement.

We are also innovating to address issues – such as intermittency and storage that are experienced by renewable energy solutions with schemes like the 'Flexible Export' at SAPN.

With a firm commitment to embedding sustainability objectives into the tapestry of our businesses, we are proactively collaborating with government, industry, businesses and customers to identify green energy alternatives and develop innovative solutions to reduce emissions and promote sustainable practices.

The industry shift towards increasing sustainability presents significant growth opportunities. Our existing businesses are being incentivised under their respective regulatory regimes to invest in new technology and infrastructure to meet the net-zero targets.

Maintaining Strong Financial Foundation

We continue to maintain a strong financial foundation, enabling the Group to respond in an agile and nimble manner to new growth opportunities.

Alongside a net cash position, our "A" credit rating from Standard & Poor's has been reaffirmed. Funds from operations remain robust and healthy, ensuring we are well-positioned to acquire new projects as they arise.

Outlook

Inflationary pressures and geopolitical tensions will continue to create uncertainties in the global economic landscape. However, this may offer opportunities for major infrastructure players like the Power Assets Group as our businesses are protected from inflation by the regulatory regimes under which they operate. There may also be more opportunities to acquire new quality projects which often occur in times of volatility or crisis.

In terms of acquisition growth, our investment criteria remain unchanged: we look for projects with secure revenue flows under sophisticated regulatory regimes or long-term offtake contracts; operations in mature and well-established energy markets; and track records with environmental, social and governance credentials.

With our strong cash and financial position, we are able to build upon our investment strategy to grow a well-balanced and globally diversified portfolio that will maximise long-term return without incurring undue risk. At the same time, we are committed to ensuring our investment strategy aligns with our sustainability objectives.

We have established a strong track record in successfully partnering with fellow companies under the CK Group and will continue to pursue opportunities for co-investment in the future.

I extend my deepest gratitude to our board, management, shareholders and employees worldwide for their support and dedication throughout this year.

Fok Kin Ning, Canning
Chairman
Hong Kong, 20 March 2024

(Mr. Fok Kin Ning, Canning retired as Chairman of the Company and Executive Director with effect from 1 April 2024, and Mr. Andrew John Hunter, an Executive Director, succeeded as Chairman of the Company on the same date.)

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.

Four key principles underpin our growth and development

Grow shareholder value through expertise and innovation

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 improve energy affordability and reliability, and to minimise emissions.

Serve as a catalyst for the green energy transition

We are an active participant in the worldwide effort to combat climate change. We aim to transition the industry into the net-zero carbon era by investing in a range of strategies that support government efforts to decarbonise. These include smart metering and grid technology, and improving emissions reduction and energy efficiency technologies.

In addition, we seek to decarbonise our generation portfolio by phasing out coal-fired generation, replacing it with natural gas, and by using cleaner fuels and expanding renewable energy (RE), waste-to-energy, and carbon capture and utilisation capacity. We are modernising and digitising our electricity networks to accommodate the projected influx of distributed renewable sources as well as the anticipated surge in charging requirements for a massive uptake of electric vehicles. Our gas companies are blending hydrogen and biogas into existing gas networks and ultimately replacing natural gas with hydrogen and biogas to achieve the net zero targets of local governments. We remain committed to exploring sizeable RE investment opportunities and developing RE ventures through our operating companies.

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 Oceania 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

2023 JANUARY - JUNE





1. AVR opens a 4,500 m^2 transhipment hall in Utrecht, where waste trucks can unload directly for cranes to transfer the waste to the barge.

2. VPN's Beon Energy Solutions completes the design, construction, and commissioning of the 240-MW Avonlie Solar Farm. As part of Beon's First Nations Engagement and Participation programme, this project employs more than 30 Aboriginal Australians.

3. UE continues introducing major improvements to its critical electrical infrastructure, including a A$6.4 million upgrade to the Sandringham Zone Substation, which replaces the ageing switchboard and relays with a new, prefabricated control building.

4. EDL achieves 25% female participation across its global workforce.

5. Following a highly rare service interruption, HK Electric conducts a thorough review into the incident and implements preventive measures to avoid future recurrences.

6. WWU is among the first organisations to achieve British Standards Institution certification with the Inclusive Service Kitemark, demonstrating its commitment to supporting vulnerable customers.

7. A new power storage project at the Jinwan Power Plant combines a 16MW/18MWh battery with a 4MW/0.67MWh supercapacitor, allowing the plant's two generation units to quickly adapt to frequency modulations in the grid, while taking in more renewable power.

8. For National Energy Action's Fuel Poverty Awareness Day, NGN refers over 600 vulnerable customers facing fuel poverty for financial support, while providing essential equipment to help people stay warm at home.

9. Powercor completes the construction of a 2.5 metre-high, 150-metre-long levee to protect the Castlemaine Zone Substation in Victoria that will help reduce the risk of severe floods and maintain power supplies to communities.

10 In the aftermath of January's unprecedented flooding, EDL's operation teams work to minimise the risk of liquified natural gas supply interruption by overhauling power generation assets and installing supplementary generation capacity to manage increased consumer load.

11 MG continues its pipeline infrastructure improvement programme, replacing 53 kilometres of cast iron and unprotected steel mains with polyethylene, compared to 32.8 kilometres in 2022.

12 RPCL conducts a basic first-aid training project for 1,500 students from 27 schools surrounding the power plant.

13 UKPN's green power upgrade enables electrification of up to 150 buses at Abellio London's Twickenham Bus Depot, cutting carbon emissions and improving roadside air quality.

14 AGN completes a mains replacement programme, marking a significant safety and customer service milestone by replacing 164 kilometres of cast iron and unprotected steel pipeline mains with polyethylene pipes.

15 AEO signs a connection agreement with FRV Australia to allow a 250-MW battery energy storage system to be connected to the grid.

16 UKPN earns a spot as the only utility among the Top 50 of the UK Customer Satisfaction Index. With a score of 84.1, it places above retail giants like eBay, Apple, and Costco.

17 EDL's Jabiru Hybrid Renewable Power Station is named Project of the Year – Northern Territory at the Engineers Australia's 2023 Excellence Awards.

18 AGIG kicks off the construction of Hydrogen Park Gladstone, Australia's first city-wide renewable hydrogen blending project, which will benefit nearly 800 homes and businesses.

19 Orion and WELL's joint presentation on residential flexibility at the Electricity Engineers' Association Conference in Ōtautahi Christchurch receives the Best Paper – Member award.

20 SAPN commences construction of a new Tonsley East Substation for the Department of Infrastructure and Transport. The construction timeframe for a second substation is slated for 2025-2027.

CEO's Report

Tsai Chao Chung, Charles
Chief Executive Officer

EDL's Moranbah North Power Station in Queensland captures and combusts waste coal mine gas and converts it to electricity for the national market.

Power Assets is a leading energy investor with a presence in stable, well-regulated markets around the world. Our operating companies yield long-term assured income streams in the electricity generation, transmission and distribution, gas transmission and distribution, and oil storage and transmission businesses.

Our operations are highly diversified. We have a presence in eight countries and across numerous sub-sectors within the energy space. Despite facing very different local conditions, stages of development and regulatory structures, all our operating companies are united in seeking to achieve sustainable long-term growth while supporting the global transition to net-zero carbon.

The natural gas market continued to evolve in 2023. The work done by Northern Gas Networks (NGN) and Wales & West Utilities (WWU) has been instrumental in changing the UK government's view on hydrogen use as an essential energy source for the journey to reaching net-zero emissions by 2050. NGN and WWU are collaborating with other UK gas networks, formulating roll-out plans, and identifying areas for larger scale proof of concept deployments.

The electricity market also witnessed substantial transformation due to the rise of renewable energy sources like wind and solar power. This shift has led our electricity distribution networks to evolve into a more decentralised grid, with distributed energy resources and smart grids gaining prominence. Energy storage technologies are also evolving, addressing the intermittent nature of renewable sources.

Adverse weather impacted operations around the world. In the UK in particular, severe coldness affected network operations during winter, while major storms affected New Zealand and Hong Kong. Our Australian operations faced extreme summer conditions which significantly increased solar power input into the grid.

Geopolitical tensions and energy security concerns continued to influence global markets, leading to price volatility and concerns about global energy security.

Most significantly, the transition to cleaner energy sources drove continued policy changes, with countries adopting carbon reduction targets and carbon pricing mechanisms. In this context, all our operating companies delivered on their goals in 2023.

EUROPE

UNITED KINGDOM

The UK remains the Group's biggest market, with operating companies spanning electricity generation, and electricity and gas distribution sectors, serving a total of 14 million domestic, commercial and industrial customers. Our companies have all delivered robust performance, steady contribution, and consistent growth over the years, with outputs either regulated or governed by long-term contracts.

UKPN is rated the country's most reliable Distribution Network Operator, scoring an average of 9 points out of 10 in customer rankings.

The power sector in the UK is dynamic and has seen several significant regulatory changes in recent years. Following its establishment about a decade ago, the eight-year RIIO-ED1 incentive and price control framework for electricity distributors ended on 31 March 2023. A new price control for the five-year regulatory period RIIO-ED2 was agreed during the year following extensive review and consultation.

The RIIO-GD2 price control, which governs gas distributors, will end in March 2026 and a new RIIO-GD3 price control will be introduced, whose duration will be five years. The Group's two gas distributors, NGN and WWU, will be required to submit a proposal for RIIO-GD3 by December 2024, which will include plans to align with the latest government thinking and decisions on net-zero carbon.

UK Power Networks

UK Power Networks (UKPN) is one of the largest electricity distribution network owners in the UK, covering an area of over 29,000 km^2. It accounts for 28% of the UK's total electricity distribution with 8.5 million customers. UKPN also operates private electricity networks for major airports and railways.

UKPN delivered excellent performance over the eight years of RIIO-ED1 and secured positive outcomes for the upcoming RIIO-ED2 regime. The company's £5 billion business plan was accepted by Ofgem with minimal changes and the market's smallest reduction in total proposed expenditure. UKPN also received an incentive award in recognition of the quality of the business plan.

UKPN provides the electrical expertise behind the Northumberland County Council's new solar carport, while powering council buildings nearby.

UKPN was ranked the country's most reliable Distribution Network Operator outperforming statutory targets by 30% for the lowest in number and duration of customer interruptions across the eight years of the RIIO-ED1 price control period from 2015 to 2023. Its performance was the best in the sector across safety, network reliability, customer service, stakeholder engagement, innovation and efficiency.

UKPN delivers around 71,459 GWh of electricity, constituting 28% of Great Britain's total electricity distribution. Peak demand stood at 13,466 MW. During 2023 the company achieved its highest-ever level of customer satisfaction with a sector-leading score of 94% in the regulator's customer surveys. Apart from achieving operational performance goals the company also made progress on environmental goals. Around 88.5% of waste was diverted from landfill, and 99.9% of street works were recycled. Overall business carbon footprint was 36% lower than the baseline year (2014/15).

UKPN has a key role to play in the UK's net-zero carbon journey, ensuring there is sufficient electrical network capacity to allow the connection of low-carbon technologies such as electric vehicles (EVs), heat pumps and solar generation. Through cross-industry collaboration, the company supported a number of schemes to make it easier for customers to install the necessary infrastructure to make the switch.

To fast-track low carbon energy projects from within the community and support the commitment to net zero, UKPN continued to run the Green Recovery programme, investing £66 million to connect more than 85 green infrastructure projects to its distribution network. With over 5 million EVs expected to connect to the UKPN network by 2030, another key priority was to provide increased capacity for public chargepoints.

As part of its RIIO-ED2 commitment, during the period under review, UKPN has established an independent Distribution System Operator (DSO), whose key role is to find the most cost-effective way of managing the network. The DSO will balance an increasingly complex, interconnected, and low carbon electricity network, while ensuring the customers have access to reliable and affordable electricity.

Aiming for net-zero with SBTi targets

UKPN has ambitious environmental targets not just as part of its regulatory commitments but also with the aim to be a leader in carbon reduction strategies. The company became the UK’s first electricity distributer to have its carbon reduction plan and targets externally verified by the Science Based Targets initiative (SBTi).

To date, UKPN has recorded a 36% reduction in business carbon footprint from 2014/15. Building on this foundation, it is committed to more stringent environmental targets by 2028/29. Overall carbon footprint will be reduced by a further 28% from 2018/19 levels, Scope 1, 2 and 3 emissions will be reduced by 25%, and nitrogen oxide (NOx) by a third.

Recycling is an important component of UKPN’s sustainability strategy. The company aims to recycle 80% of office, depot and network waste and 99.5% of street works material, with no recoverable waste to landfill by 2025.

Achieving these specific targets will enable UKPN to not only support government net-zero goals but also set best practices in sustainability within the electricity distribution sector in the UK.

Northern Gas Networks

Northern Gas Networks (NGN) runs the North of England Gas Distribution Network, one of the eight distribution networks in the UK. It supplies gas to 2.9 million customers with 36,300 km of gas distribution pipelines. It maintains and modernises gas mains within its network and provides essential gas connections and gas emergency services.

NGN’s throughput for 2023 was 57,154 GWh (2022: 63,754 GWh). It was benchmarked by Ofgem and the Health & Safety Executive as a leader in safety and efficiency. Customer satisfaction remained strong with customers giving NGN a score of 9.2 out of 10 in Ofgem surveys. All mandatory operational targets and licence standards of service were met or exceeded.

During 2023, NGN invested £190.1 million in capital projects for network improvement and replacement, and IT infrastructure. This included the annual replacement of over 500 km of old iron mains to improve the future efficiency, reliability and safety of the network.

Following a third-party review of progress on societal and environmental matters aligned with the United Nations Sustainable Development Goals, NGN established a sustainability committee with the goal of achieving the Task Force on Climate-Related Financial Disclosures (TCFD) compliance by 2024 as well as other sustainability objectives. The company’s carbon footprint stood at 355,694 tCO_2e (2022: 391,487 tCO_2e).

19 youngsters spend an afternoon learning about AI and robotics innovation in gas and engineering at NGN’s inaugural Young Innovators Council meet-up at Thorpe Park, Leeds.

NGN colleagues at a gas mains replacement job in Harrogate town centre, which is part of its programme to replace thousands of kilometres of ageing mains with upgraded, modern pipes.

NGN collaborated with other industry partners to accelerate the adoption of hydrogen blending with natural gas for household and industrial heating. Following the successful completion of a number of key projects, including a pilot at Winlaton under which a community with 668 homes used hydrogen blended with natural gas, the government has taken a strategic policy decision to support hydrogen blending within the gas network. This success can help kick-start the hydrogen economy and socialise the use of hydrogen amongst the general public.

Wales & West Utilities

Wales & West Utilities (WWU) is a gas distribution network operator, serving Wales and South West England with 2.6 million customers and covering an area of 42,000 km^2.

In 2023, WWU achieved a gas throughput of 49,900 GWh (2022: 54,300 GWh) and continued to deliver performance improvements and cost savings despite the challenging parameters of the RIIO-GD2 price control mechanism.

With excellence in customer service as a core value, WWU maintained its ServiceMark accreditation from the Institute of Customer Service, ranking alongside leading household brands and leading all gas distribution networks in customer satisfaction scores for emergency response services.

In 2022-2023, WWU replaced 438 km of metallic mains. WWU has achieved a 7% CO_2e reduction from baseline by the end of 2022-2023. This marks good progress towards the target of 10% reduction in gas shrinkage by the end of the RIIO-GD2 period in 2026.

The interest in biomethane as a greener alternative to natural gas continued to increase. Twenty biomethane plants are presently connected to the WWU network, decarbonising the gas supplied to more than 151,000 homes. The 21st biomethane site was connected in 2023, comprising the first entry site connected in South Wales.

Another major operational priority is to connect gas-fired rapid reaction power stations to the network, which will generate electricity as a backup when renewable energy sources fail. A total of 25 enquiries were received in 2023, and a 3-km connection was completed to reinforce the supply to a power plant in Crewkerne in South-West England.

In response to increased commercial interest, WWU implemented a software platform to model the operations of hydrogen-blended networks. Using the platform, WWU will be able to understand the changes that will have to be made to regulations, systems, and processes to accommodate hydrogen in the network.

WWU employees examine Hyline Cymru plans for a major hydrogen pipeline in south Wales, which will facilitate delivery of low-carbon hydrogen to industrial and residential gas customers.

Increasing the reliability of a green economy

Globally, energy networks are becoming much more closely integrated and are interacting in more complex and dynamic ways. For example, when weather conditions do not permit wind- or solar-powered generating units to function, distribution networks need to seamlessly switch the supply from intermittent renewable power to flexible gas-fired generation.

WWU has seen demand from power plants for gas connections increase significantly in recent years. In 2023, the company received inquiries from 25 power plants to support flexible generation. Since 2020, more than 290 inquiries have been received in total. 57 power plants are presently connected to the network.

WWU's gas network acts as a virtual 'energy battery' and allows more green electricity to be connected to the grid by taking up the role of balancing for the intermittency of renewable supply, helping achieve the country's sustainability goals. This demand varies significantly across the month depending on the availability of resources such as wind and solar energy.

Seabank Power

Seabank Power (SPL) is the Group's UK generation business, operating two gas-fired combined-cycle gas turbine units with a capacity of 1,148 MW. SPL's output is governed by a multi-year Power Purchase Agreement via a long-term contract with a single customer.

SPL generated 3,966 GWh (2022: 4,724 GWh) of power during the year against a budget of 3,875 GWh, based on a running regime determined by its customer.

The number of starts and operating hours exceeded budget, reflecting higher demand and more flexible plant operations to balance supply conditions in the market. The customer dispatched the station at a higher load factor, but at lower output levels, making use of SPL's ability to generate flexibly.

SPL's performance was compliant with the standards of the UK's Environment Agency and ISO 14001.

EUROPE

NETHERLANDS

Dutch Enviro Energy Holdings B.V.

Dutch Enviro Energy Holdings B.V., which owns AVR-Afvalverwerking B.V. (AVR), is an energy-from-waste producer in the Netherlands. AVR's operations process biomass, industrial waste water, municipal solid waste, commercial waste, and hazardous waste, accounting for nearly a quarter of total residual waste incinerated in the Netherlands. With these fuels AVR produces electricity, steam, and heat for industrial and municipal customers.

AVR treated 1,589 kT of residual waste during the year and produced 5,608 TJ of energy. It supplied 347 GWh of electricity to the national grid, equivalent to the consumption of 80,000 households. Renewable heat sent to the grid was equivalent to the consumption of nearly 100,000 households.

AVR expanded its Utrecht facility with the launch of a new 4,500 m^2 transhipment hall that will simplify the process of waste intake. Works are under way to expand its steam processing infrastructure in response to increasing demand. The extension will be ready for launch in 2025.

In collaboration with a partner, AVR moved to the final stages of an EU-funded pilot project to reprocess bottom ash into cement filler and recover any extra metals for further industrial use. If it proves a successful replacement for cement, this project can help reduce CO_2 emissions from the concrete industry.

In September 2023, a fire broke out in the incineration plant at the Rozenburg location. It was extinguished with no injuries. A full investigation was carried out and root cause analysis is currently under way. The biomass and water treatment facilities, and waste separation lines reopened for operations in the last quarter of 2023. The residual waste installation, including its energy off-take, is currently in progress of restoration.

The AVR waste-to-energy plant in Duiven, Netherland captures CO_2 and supplies it to the local horticulture sector.

OCEANIA

AUSTRALIA

Since entering the Australian market in 2000, the Group has steadily increased its presence across renewables, electricity generation, transmission and distribution, and gas transmission and distribution. Our operating companies in the market serve approximately five million households and businesses. With large-scale deployment of solar power, hybrid energy systems for remote communities, and generation of energy from landfill gas, the Australian market is a world leader in decarbonisation.

2023 saw the Australian Energy Regulator (AER) publish the performance benchmarks, investment parameters, and allowed rate of return for electricity companies for the next five-year regulatory period. The new standards provide our Australian electricity distribution companies with a stable framework to make critical decisions and investments in the coming years.

The migration to renewables, especially solar generation, continued. In the last quarter of 2023, renewable output across the grid, including solar power, reached a record high. Our electricity distribution companies deployed a range of strategies to ensure network loads were balanced and established seasonal preparedness plans with backups available in case of adverse weather conditions.

Our gas businesses continued to research and innovate to progress towards lower carbon. Our two major focus areas were blending green hydrogen with natural gas to make greener heating available, and connecting more landfill gas to the grid.

DBP staff carry out operational works on a gas pipeline at Tanami, Northern Territory of Australia, to ensure gas is delivered safely to customers.

An SAPN employee in front of power cable drums and other materials stored at Angle Park Warehouse, Adelaide.

SA Power Networks

SA Power Networks (SAPN) is an electricity distributor in the state of South Australia. SAPN serves 917,000 residential and business customers, and manages about 90,500 km of electricity transmission networks.

SAPN distributed 9,769 GWh of electricity in 2023 (2022: 9,832 GWh), and connected more than 428 MW of renewable energy resources to the grid. The company continued to invest in a range of measures to meet its goal of doubling the amount of solar power on the network by 2025, and support South Australia's target of 100% net-renewables by 2030. Reliability, customer satisfaction and other key metrics met regulatory targets.

Some parts of the South Australian distribution network experienced reverse power flows due to the very high penetration of distributed energy resources (solar and battery systems) connected to them, and are reaching their maximum capacity to host solar exports. This can cause disruption or malfunctions of customers' solar systems, voltage issues for non-solar customers, or in extreme cases even overload or damage to the network.

In order to increase the capacity of the network to smoothly integrate solar energy while maintaining reliability, SAPN launched a consumer scheme called "Flexible Exports", which is enabled by smart, internet-connected inverters.

Consumers taking up the scheme have a variable limit for exporting solar power to the grid that adapts automatically to available network capacity as well as the installed inverter capacity at the customer's location throughout the day, so they can match exports to available grid capacity.

SAPN laid the groundwork for its proposal for the 2026-2031 regulatory price review with a range of meetings with different groups to ensure stakeholders' needs and priorities are heard, understood and reflected.

A crew from SAPN's Kingscote depot arrives at sunrise to scope a worksite near Emu Bay, Kangaroo Island.

Victoria Power Networks

Victoria Power Networks (VPN) through CitiPower and Powercor Australia is an electricity distributor in Australia's Victoria state, managing 82,000 km of networks and serving 1.27 million customers.

VPN introduces a new Bell 407 helicopter to its fleet, expanding the aerial services under its vegetation management and bushfire mitigation programme.

VPN distributed 16,391 GWh of electricity during 2023 (2022: 16,518 GWh). The network continued to experience customer growth with 16,227 new connections and reduced greenhouse gas emissions to 0.988mT CO_2e, a 17% reduction against 2019 baseline levels.

The first neighbourhood battery installed on VPN's distribution network commenced commercial operations. Charged by both network electricity and local rooftop solar generation, the 120-kW/360-kWh battery can support about 170 nearby homes for up to three hours during peak electricity demand periods.

Activities moved forward in preparation for VPN's proposal for the 2026-2031 regulatory price review. These included engagement with a diverse range of customers including urban, regional, rural, and First Nations, with a focus on maintaining affordable, reliable energy supplies as the energy transition progresses.

Beon Energy Solutions continued to deliver large-scale renewables, utility and infrastructure projects across Australia, completing Melbourne Water's solar farms and nearing completion of a project to connect the Kidston pumped hydro project to the grid.

Completion of REFCL technology rollout

Over half of VPN's infrastructure is within Hazardous Bushfire Risk areas, as identified by the Victorian Country Fire Authority. The company uses robust management systems and technologies covering asset maintenance, vegetation management, and bushfire mitigation, to minimise risks and keep communities safe.

To reduce the likelihood of power line-related bushfires, VPN has installed Rapid Earth Fault Current Limiters (REFCL) technology, which works like a large safety switch, across the network. They detect when part of a power line has fallen to the ground or touches trees and almost instantly reduce the voltage on that line to limit energy into the fault. This substantially reduces fire risk.

In 2023, the company completed rollout of REFCL technology across more than 17,000 kilometres of power lines in central, northern and western Victoria. It has been installed in 22 zone substations in some of the networks' highest-risk areas. The project involved hundreds of employees and 3.3 million hours of work, and protects more than a third of Powercor customers.

Australian Gas Networks

Australian Gas Networks (AGN) distributes natural gas to approximately 1.4 million customers across Victoria, South Australia, Queensland, New South Wales and the Northern Territory. It has a network length of nearly 27,000 km.

AGN's total gas deliveries in 2023 stood at 91.6 million GJ (2022: 98 million GJ). The residential sector showed lower demand due to warmer weather conditions. Net capital expenditure for the year was A$310.6 million, compared to A$298.3 million the preceding year. Operating parameters such as leak repairs, gas interruptions, and emergency response all surpassed regulatory targets.

In July 2023, the Victorian government announced a ban on new gas connections for residential, mixed-use properties and government buildings from 1 January 2024. AGN responded to the government focussing on renewable gas, and hydrogen-ready infrastructure.

Major projects progressed on schedule in South Australia, Queensland and Victoria. These included the continued construction of a 16-km polyethylene main in Caboolture, Queensland to supply a new residential development, and the replacement of more than 215 km of old pipelines with mostly polyethylene, which will reduce leaks, maintenance costs, and supply interruptions while being fully ready for the transport of hydrogen.

An AGN engineer working at Hydrogen Park South Australia, an award-winning project that receives international recognition for furthering the transition to a hydrogen economy.

CK William

CK William owns and operates four energy companies across electricity and gas distribution, and sustainable distributed energy production. These include Dampier Bunbury Pipeline and AGI Development Group (collectively known as "DBP"), Multinet Gas (MG), one of Victoria's three gas distribution networks, and United Energy (UE), an electricity distribution business in Victoria. Energy Developments Pty Ltd (EDL) is a global generation company specialising in energy from sustainable sources including wind, solar, waste, coal mine gas and more.

DBP achieved average gas throughput of 1,115 TJ/day (2022: 1,090 TJ/day). The compressor stations achieved 99.84% reliability and the asset utilisation was 81.88%, exceeding their targets.

EDL's total installed capacity is 977 MW, of which 78% is in Australia. Its global generation output in 2023 was 4,358 GWh, a drop of 5.1% from 2022 due to the conversion of two power stations to renewable natural gas (RNG), declines in fuel availability and lower customer demand. Global land-filled and waste-coal mine gas production in 2023 increased by 26% mainly due to new RNG assets. The company's output avoids about 3,387 thousand tonnes of CO_2 emissions.

Key projects launched across Australia include the North Weipa solar battery project in Queensland, expansion of the Sunrise Dam power station in Western Australia and the new waste coal mine gas power station in New South Wales.

MG made gas deliveries of 48,510 TJ in 2023, a reduction of 11% from 2022 largely due to lower volumes in the residential sector resulting from warmer weather. About 102 km of old mains were replaced with mostly polyethylene pipes. The Victorian government is currently progressing through a big build project including the removal of 110 railway level crossings, the Melbourne Metro Tunnel and the North East Link Project. Works commenced on relocating a range of MG assets in order to allow the works to progress.

EDL's Broome Power Station in Western Australia is a hub for LNG storage facility, a 12.2-km gas pipeline, and 5 power stations that serves remote Aboriginal communities.

UE distributed 7,457 GWh (2022: 7,723 GWh) of electricity during the year, due to milder weather. The network continued to grow with 7,000 new connections, and was modernised with the installation of 25,000 smart meters. The company achieved a 22% reduction in greenhouse gas emissions against 2019 baseline levels to 33kt CO_2e.

Australian Energy Operations

Australian Energy Operations (AEO) builds, owns and operates electricity transmission lines and terminal stations that connect the Mt Mercer, Ararat, Moorabool and Elaine wind farms to the national power grid.

AEO achieved strong availability for Mt Mercer, Ararat, Moorabool and Elaine wind farms. A synchronous condenser is under construction to improve system strength and resilience.

UE initiates one of its largest customer works programmes, supporting activities including supply upgrades, asset relocations, and connections for a range of critical projects.

Ballarat Base Hospital project

The Ballarat Base Hospital is a public hospital located in Ballarat, Victoria. The government is investing A$595 million to redevelop and expand it, developing a new emergency department, a women and children's hub, state-of-the-art theatre suite and an extra 100 beds. Once completed, the upgraded hospital will have the capacity to treat at least 18,000 more emergency patients and an extra 14,500 inpatients per year.

To support this huge increase in services, a major electrical infrastructure upgrade is needed. VPN is delivering this project, which will more than triple the capacity of the hospital's power supply from 2.9 MVA to 9.3 MVA. The project also involves upgrading a back-up line from a separate zone substation and improving the local surrounding network, which helps support more domestic rooftop solar panels and electric vehicles.

OCEANIA

NEW ZEALAND

Wellington Electricity Lines

Wellington Electricity Limited (WELL) serves over 175,000 domestic, commercial, and industrial customers in the Wellington region in New Zealand. Its customers include the New Zealand Parliament, Wellington Airport and the Wellington hospital.

WELL delivered 2,317 GWh of electricity (2022: 2,279 GWh) and maintained a network of approximately 4,835 km. Revenues and network performance met expectations. Despite severe weather affecting electricity distribution companies in the region during winter, WELL's network is on track to beat all performance limits. The company was recognised by the market regulator, the Electricity Authority, as the best cost reflective pricing performer of New Zealand's 27 lines businesses.

Planned maintenance and renewal works continued to ensure safe and reliable network operation with the associated planned outages staying in line with annual targets. To reduce carbon emissions, WELL's own fleet was renewed with pure electric vehicles replacing a mix of electric and hybrid vehicles.

EV growth continues to gain momentum in New Zealand. There was a 60% increase in EV sales to consumers and businesses within the Wellington area in 2023. WELL shared an industry roadmap for the integration of EVs onto the network with regulatory and industry groups, including strategies to shift EV load away from periods of peak electricity demand.

Electricity demand in WELL's service area is expected to more than double by 2050. WELL refined a data model to understand the level of investment and regulatory funding needed over a 30-year timeframe to meet this demand while delivering on New Zealand's climate goals. The model will be used to develop WELL's submission to the regulator during the next reset in 2025.

WELL continues to engage local artists and schools to paint interesting, colourful murals on its substation buildings most prone to being tagged by graffiti.

ASIA

HONG KONG

HK Electric

HK Electric generates and supplies electricity to residential and commercial customers on Hong Kong Island and Lamma Island. Established more than 130 years ago, it is the Group's flagship company and is part of the infrastructure that makes Hong Kong a world-class financial centre.

HK Electric delivered a total of 10,040 GWh (2022: 9,941 GWh) of electricity in 2023, to a base of more than 589,000 residential and commercial customers, of which about 56% was gas-fired. The company has completed all the major capital projects under its 2019-2023 Development Plan including three new 380-MW combined cycle gas-fired generating units, and an offshore LNG terminal.

Thanks to investments under the HK$26.6 billion Plan, HK Electric has increased gas-fired generation capacity and improved energy efficiency to reduce carbon emissions by 21% from the baseline year of 2018. All the major targets under the Plan were successfully achieved despite operational disruptions due to the COVID-19 pandemic. Another key focus was supporting those in need. Since 2019, more than 300,000 people have benefitted from various funds and schemes, offered under the Company's 'Smart Power Services' umbrella.

To support the government's Climate Action Plan and Clean Air Plan 2035, HK Electric will invest a further HK$22 billion under the new 2024-2028 Development Plan. Its goal is to enable the company to steadily improve emissions performance while maintaining system reliability in the face of increasingly frequent extreme weather events and flooding.

An LNG shipment (left) arrives at Hong Kong's first offshore LNG terminal, and is loaded onto the floating storage and regasification unit vessel (right), the Bauhinia Spirit, for regasification.

"A Square", a community-led transitional housing project in Stanley, Hong Kong participates in HK Electric's Feed-in Tariff Scheme by installing solar panel systems at its rooftop.

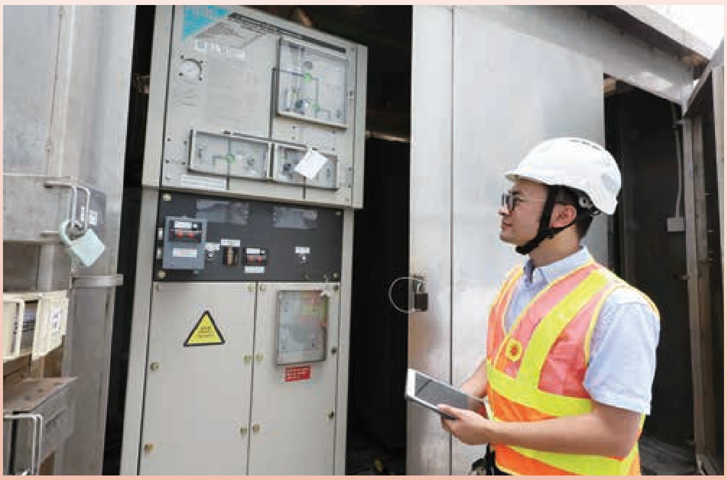
The year also saw the completion of the first interim review of the 15-year Scheme of Control Agreement (SCA) that governs the operations of electricity companies in the city. The SCA has provided the regulatory stability essential to make long-term investments in the green transition. The review concluded with both government and HK Electric agreeing to certain additional modifications.

Two severe rainstorms affected Hong Kong in 2023, causing extensive flood damage. A range of proactive anti-flooding measures meant power was maintained throughout the period. However, an unexpected service interruption occurred during the year, affecting about 44,000 customers for up to 48 minutes. Following a detailed review, a range of actions was implemented to further enhance supply reliability.

An ongoing focus for HK Electric is to enable the community as a whole to reduce emissions by supporting electric transportation and encouraging energy saving behaviours.

The company offered free EV charging at 12 public stations, and technical support to a range of private car park and public transport operators for the installation of charging facilities at various public transport interchanges and public ferry piers. The company's Feed-in Tariff scheme connected 160 new rooftop solar installations to the grid and provided advantageous tariffs to encourage investment in renewables.

Enabling green construction



Hong Kong's buildings account for about 60% of carbon emissions in the city, and the construction processes and materials account for up to 20% of buildings' life-cycle carbon footprint. Diesel generators, which are commonly used at construction sites for powering construction equipment, are a key carbon emission source during construction.

Helping the sector decarbonise with grid-electricity supply is the goal of HK Electric's Smart Power for Construction Site (SPCS) service. The service replaces diesel generators at construction sites with grid-electricity supply, thereby cutting carbon emissions of each unit of electricity used by more than 60%, while making them quieter, safer, and more efficient.

The SPCS service has transformed the process of getting grid-electricity supply. Planning ahead with developers at the initial stage of building projects, well before construction work commences, allows timely provision of power from the grid to cope with site demand.

Since its launch in April 2021, HK Electric's SPCS service has connected 25 sites with grid-electricity supply, removing around 10,000 tonnes of embodied carbon from the construction industry.

ASIA

MAINLAND CHINA

Our assets in Mainland China consist of one coal-fired power plant in Jinwan (Guangdong province) and two wind farms in Dali (Yunnan province) and Laoting (Hebei province).

Stable coal prices benefitted the sector after pricing and supply reform in the upstream coal market.

Jinwan Power Plant

The Jinwan co-generation power plant operates two coal-fired heat and power generating units with a total capacity of 1,200 MW in Guangdong Province.

The Jinwan power plant sold 6,313 GWh of electricity during the year (2022: 6,052 GWh), due to higher market demand and high temperatures. The plant generated approximately 3.99 million GJ of steam (2022: 4.65 million GJ) to local industrial consumers. A new battery storage solution was commissioned in late 2023, which successfully strengthened frequency control to the power grid.

All statutory emission caps were met throughout the year. An "AAAAA" certification was achieved for good practices and process standardisation from the China Electricity Council.

Jinwan Power Plant continuously and significantly outperforms all statutory emission caps and attains "AAAAA" certification from the China Electricity Council for maximum management efficiency in its field.

Dali & Laoting Wind Farms

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

Dali wind farm operates 64 sets of 750-kW stall controlled wind turbines. Laoting wind farm operates 33 sets of 1.5-MW wind turbines with double fed induction generators.

The two wind farms met their operating targets for output and safety. The renewable power generated avoids about 145,200 tonnes of carbon emissions.

Our wind farm in Laoting, Hebei province of Mainland China, helps avoid 80,300 tonnes of carbon emissions in 2023.

ASIA
THAILAND

Ratchaburi Power Company

Ratchaburi Power Company (RPCL) is a 1,400-MW generation company located in the Ratchaburi province in Thailand. Its revenues are guaranteed by a 25-year take-or-pay Power Purchase Agreement with Thailand's Electricity Generating Authority.

RPCL generated 608 GWh (2022: 1,075 GWh) of electricity during the year. In addition, the power plant was able to achieve additional revenue attributable to fuel cost savings arising from plant's performance better than the target. The availability of the plant is in line with the production plan.

An RPCL worker performs preventive maintenance fuse checks for a solar rooftop project at an administration building.

NORTH AMERICA

CANADA

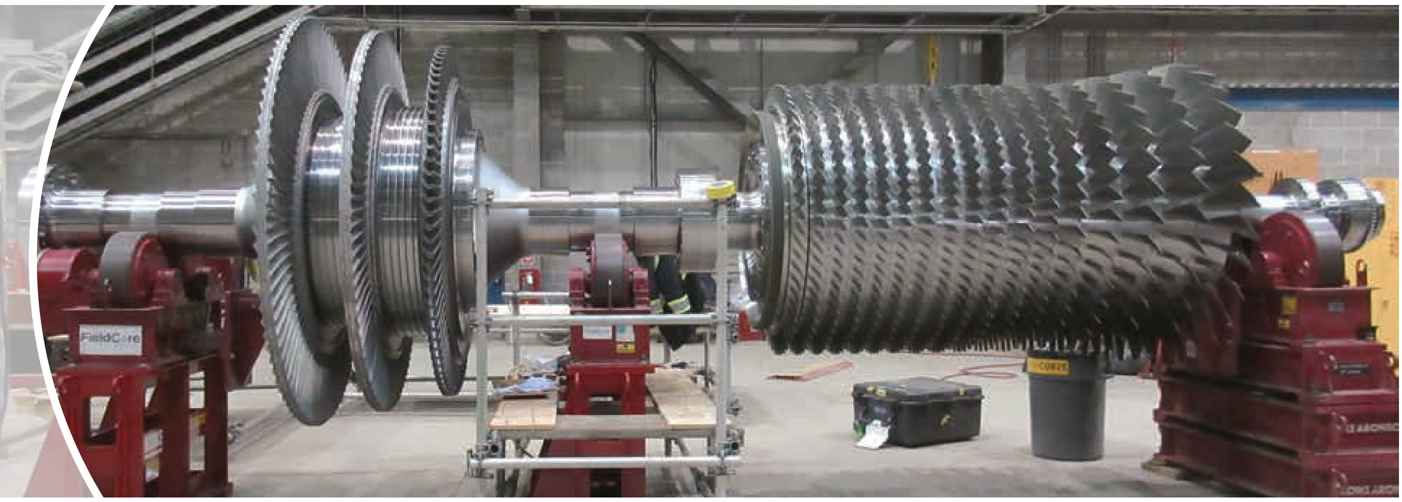
Canada is a stable and mature energy market with a strong focus on decarbonisation. In October 2023, the Canadian Energy Regulator released the 2023 Canada's Energy Future report, which focuses on achieving net-zero greenhouse gas emissions by 2050. The report used economic and energy models to explore net-zero scenarios covering all energy commodities across Canada. The Group is monitoring these publications closely and will take appropriate actions to support Canada's net-zero pathways.

The North American commodities market performed well in 2023, with price stability in crude oil and natural gas, bringing a respite from the unsettled conditions prevalent in 2022. A strong economy resulted in customers achieving stable production. Consequently our operating companies delivered steady revenue streams and throughput volumes that were ahead of budget.

Canadian Power Holdings

Canadian Power Holdings (Canadian Power) owns a portfolio of power plants and wind farms with a total capacity of 1,314 MW. It serves a total of eight customers under long-term offtake agreements, including five for electricity, two for heating, and one for power and steam.

The Sheerness, Fort Saskatchewan, Ottawa, Windsor, and Meridian plants produced a total of 3,524 GWh of electricity in 2023 (2022: 3,564 GWh). The two wind farms operated by Okanagan Wind sent out 71 GWh of green electricity, avoiding 797 tonnes of carbon emissions. Canadian Power established an environmental, social and governance committee in 2023 to further strengthen sustainability initiatives and prepare for full compliance with evolving carbon emission regulations in Canada.



A Meridian gas turbine receives a new rotor in 2023. Regular maintenance allows the turbine to continue powering some of Saskatchewan's largest cities.

The Meridian plant completed its first gas turbine rotor replacement outage in 2023, which will enable the plant to continue to provide reliable service to its electricity and thermal energy customers in the years ahead. This major replacement activity was performed seamlessly and completed ahead of schedule and under budget. A second gas turbine rotor replacement is scheduled for 2024.

Husky Midstream Limited Partnership

Husky Midstream Limited Partnership (Husky Midstream) operates approximately 2,300 km of crude oil-gathering systems and pipelines in Alberta and Saskatchewan. Its crude oil pipelines have a capacity of approximately 409,000 barrels per day and serve 12 customers. Additional systems support synthetic crude and condensate transportation. Husky Midstream also operates storage terminals in Lloydminster and Hardisty with a storage capacity of approximately 5.9 million barrels serving 67 customers within the Hardisty Terminal.

Husky Midstream continued to operate its midstream pipeline and terminal assets in east-central Alberta and west-central Saskatchewan and its gas infrastructure assets in Alberta safely and reliably. The focus in 2023 was on safe and reliable operations and optimisation of the entire system for efficiency in order to facilitate future growth.

The throughput of the Hardisty terminal was approximately 665,000 barrels per day.

Canadian Power's Okanagan Wind, the first wind generation facility in Kelowna, comprises 10 wind turbines with a combined generating capacity of 30 MW.

Following the completion of several major expansion projects in 2022 including the Onion Lake Lateral project, the Spruce Lake North Lateral project, and tank connectivity projects in the Hardisty terminal, there was minimal expansion capital spending in 2023.

Husky Midstream's Safety and Sustainability Committee, established in 2022, has the mandate to sharpen the company's commitment to environmental, social, and governance best practice. Many projects were implemented in 2023 to ensure continuous improvement of the safety, reliability, and integrity of its assets to minimise impact on the environment. All firefighting foam was replaced with environmentally-friendly PFAS-free foam to provide effective fire suppression while reducing contamination and protecting water resources.

With a storage capacity of 1 million barrels, Husky Midstream's Lloydminster Terminal serves as the central hub for the oil gathering systems in Cold Lake and Saskatchewan.

Board of Directors and Management Team

Board of Directors

Executive Directors

Andrew John HUNTER *Chairman*

Aged 65. Appointed to the Board in 1999 and became the Chairman in April 2024. Prior to his appointment to the Board of the Company, Mr. Hunter was Finance Director of the Hutchison Property Group. Mr. Hunter was Group Finance Director from January 1999 to January 2006, and is a Director of certain joint ventures of the Company. Mr. Hunter is currently an Executive Director of CK Hutchison Holdings Limited ("CK Hutchison") and Deputy Managing Director of CK Infrastructure Holdings Limited ("CKI"). The companies mentioned above are listed companies. Mr. Hunter 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. 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 Hong Kong Institute of Certified Public Accountants ("HKICPA"). He has over 41 years of experience in accounting and financial management.

TSAI Chao Chung, Charles *Chief Executive Officer*

Aged 66. 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 61. 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 HK Electric Investments Manager Limited ("HKEIML") which is the trustee-manager of HK Electric Investments ("HKEI"), and HK Electric Investments Limited ("HKEIL"), and a Director of The Hongkong Electric Company, Limited ("HK Electric") which is a wholly-owned subsidiary of HKEIL. 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 the CK Group in January 1992. All the companies mentioned above, except HKEIML and HK Electric, 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 HKICPA, a fellow of the Association of Chartered Certified Accountants and also a member of the Institute of Certified Management Accountants (Australia).

CHENG Cho Ying, Francis

Aged 67. Appointed to the Board in July 2023. Mr. Cheng is a Director of most of the subsidiaries 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 HK Electric since 1979, and has over 40 years of experience in the power business, in particular the electricity business. He holds a Bachelor's degree in Chemistry and is a Fellow of the Royal Society of Chemistry in the United Kingdom, and a Fellow of The Hong Kong Institution of Engineers ("HKIE").

Neil Douglas MCGEE

Aged 72. 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, finance and management positions with the Group and the CK Hutchison Group. He is also a Director or Alternate Director of certain joint ventures of the Company. Mr. McGee holds a Bachelor of Arts degree and a Bachelor of Laws degree.

Non-executive Directors

LEUNG Hong Shun, Alexander

Aged 61. Appointed to the Board in May 2021. Mr. Leung is a practicing solicitor and notary public in Hong Kong and a China-Appointed Attesting Officer appointed by the Ministry of Justice of the People's Republic of China. He is presently a partner of Messrs. S.H. Leung & Co., Solicitors. Mr. Leung holds a Bachelor of Laws degree.

LI Tzar Kuoi, Victor

Aged 59. 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 has also been the Chairman and Group Co-Managing Director of CK Hutchison since May 2018 and was re-designated as the Chairman and Executive Director on 1 April 2024. Mr. Li is the Chairman and Managing Director, and the Chairman of the Executive Committee of CK Asset Holdings Limited ("CKA"), and 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, and the Member Deputy Chairman of Li Ka Shing (Canada) Foundation. Mr. Li serves as a member of the 14th National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China and a member of the Chief Executive's Council of Advisers of the Hong Kong Special Administrative Region. He is also Vice Chairman of the Hong Kong General Chamber of Commerce (the "Chamber"). Mr. Li is the Honorary Consul of Barbados in Hong Kong and is awarded the Grand Officer of the Order of the Star of Italy. 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. 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

Stephen Edward BRADLEY

Aged 65. Appointed to the Board in May 2022. Mr. Bradley is an Independent Non-executive Director of CKA, a listed company, a Director of CNEX (Shanghai CFETS-NEX International Money Broking Co., Ltd.) and Broad Lea Group Ltd, and Senior Advisor to CME Group. Mr. Bradley entered the British Diplomatic Service in 1981 and retired from the British Diplomatic Service in 2009, having served in various capacities including Director of Trade & Investment Promotion (Paris) from 1999 to 2002; Minister, Deputy Head of Mission & Consul-General (Beijing) from 2002 to 2003; and HM Consul-General (Hong Kong) from 2003 to 2008. He also worked in the private sector as Marketing Director, Guinness Peat Aviation (Asia) and Associate Director, Lloyd George Management (a part of BMO Global Asset Management). Mr. Bradley holds a Bachelor of Arts degree from Balliol College, University of Oxford, England and a post-graduate diploma from Fudan University, Shanghai.

IP Yuk-keung, Albert

Aged 71. 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 and Macau. He is a member of the Court of City University of Hong Kong and a member of the Court and Senior Advisor to the President of The Hong Kong University of Science and Technology ("HKUST"). He is also the Chairman of Business Career Development Advisory Committee of the College of Business of City University of Hong Kong, the Chairman of Career Development Advisory Council and Special Advisor to the Dean of the School of Business and Management of HKUST, a member of the Advisory Board for the Faculty of Business Administration of the University of Macau, and the Chairman of the HKUST Foundation. Mr. Ip is an Honorary Fellow of Vocational Training Council, an Honorary Fellow of and a Beta Gamma Sigma Honoree at City University of Hong Kong, and an Honorary Fellow of and a Beta Gamma Sigma Honoree at HKUST. Mr. Ip serves as a member of the Science and Technology Council, Macau Special Administrative Region. Mr. Ip is an Independent Non-executive Director of Eagle Asset Management (CP) Limited which is the manager of Champion Real Estate Investment Trust, New World Development Company Limited and Hutchison Telecommunications Hong Kong Holdings Limited. All the companies mentioned above except for Eagle Asset Management (CP) Limited are listed companies, and Champion Real Estate Investment Trust is a listed real estate investment trust. He is also an Independent Non-executive Director of Lifestyle International Holdings Limited which was delisted on 20 December 2022. Mr. Ip was formerly an Independent Non-executive Director of TOM Group Limited, a listed company. 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.

KOH Poh Wah

Aged 67. Appointed to the Board in May 2021. Ms. Koh has more than 30 years of working experience in the areas of operations management, technology, financial and business re-engineering. Ms. Koh is an Independent Non-executive Director of ARA Asset Management (Fortune) Limited which is the manager of Fortune Real Estate Investment Trust, a listed real estate investment trust. Ms. Koh is also 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. Ms. Koh was previously the Regional Accountant (Alpha Asia Pacific) of Alpha International, a non-profit organisation, from 2012 to 2015 in charge of the finance functions for Alpha Asia Pacific region, Alpha Singapore and AAP Publishing Pte. Ltd. Prior to this role she was a Director with Future Positive Pte. Ltd. working extensively on information technology and business re-engineering consultancy areas. Ms. Koh also worked for American International Assurance Co. Ltd. for 15 years during the period from 1986 to 2000, with her last position as Vice President – Quality Support & Operations Management. Ms. Koh holds a Master of Science in Management Science and Operational Research, a Bachelor of Arts Degree (Honours) in Accounting, and a Diploma from Institute for the Management of Information Systems (previously known as Institute of Data Processing Management, UK) and a Fellow of Life Management Institute (USA).

KWAN Chi Kin, Anthony

Aged 68. Appointed to the Board in May 2022. Mr. Kwan has over 40 years of experience in engineering. He joined the CK Group in May 1990 and was a member of Executive Committee and General Manager, Building Cost & Contract Department of CKA, a listed company, before his retirement in 2018. Mr. Kwan holds a Higher Diploma in Building Technology and Management. He is a Registered Professional Surveyor, a Registered Professional Engineer, a member of The Hong Kong Institute of Surveyors, a member of HKIE and a member of Hong Kong Institute of Construction Managers.

WU Ting Yuk, Anthony

Aged 69. Appointed to the Board in June 2014. Mr. Wu is a member of the Chamber Council, and was previously the chairman, of the Chamber. He serves as 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. Mr. Wu 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. He was formerly a member of Standing Committee of the 12th and 13th Chinese People's Political Consultative Conference National Committee, 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 and a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development 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, Agricultural Bank of China Limited and Guangdong Investment Limited. Mr. Wu is the Chairman and a Non-executive Director of Clarity Medical Group Holding Limited, the Chairman of the board of directors and an Independent Non-executive Director of Venus Medtech (Hangzhou) Inc., and an Independent Non-executive Director of China Taiping Insurance Holdings Company Limited, CStone Pharmaceuticals, Ocumension Therapeutics, Sing Tao News Corporation Limited and Hui Xian Asset Management Limited which is the manager of Hui Xian Real Estate Investment Trust. He is also an Independent Non-executive Director, and was previously the Chairman of the board of directors, of China Resources Medical Holdings Company Limited. All the companies mentioned above except for Hui Xian Asset Management Limited are listed companies, and Hui Xian Real Estate Investment Trust is a listed real estate investment trust. 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.

Management Team

CHAN Kee Ham, Ivan

Aged 61. 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 35 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 55. General Manager, 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 66. Senior Manager (International Business), joined the Group in 1981 and has been engaged in the development of various power and renewable projects. He is currently responsible for managing the Group's global investments with a focus on their sustainability development. 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, the Institution of Mechanical Engineers and the Energy Institute in the United Kingdom.

NG Wai Cheong, Alex

Aged 54. 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 25 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 59. 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 52. Senior Manager (Head of European 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. Ms. 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. Ms. Yu is also a Certified Environmental, Social and Governance Analyst of The European Federation of Financial Analysts Societies.

Corporate Governance Report

Corporate Governance

The Board 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 the Company and its ability to attract investment, protect the rights of shareholders and other stakeholders, and enhance shareholder value. The Group's corporate governance practices are designed to achieve these objectives and are 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 C1 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 2023.

Vision, Missions and Core Values

The Company has the vision to excel in the energy business in key international markets, and is dedicated to the missions of enhancing shareholder value, nurturing a harmonious, efficient and committed workforce, and caring for the environment and placing health and safety at the forefront of all its activities. Guided by the four core values – pursuit of excellence, integrity, respect and trust, and caring – the Group is committed to operating its business lawfully, ethically and responsibly.

The Company is committed to ensuring the long-term sustainability of the Group's business and has formulated the Sustainability Policy, which is published on the Company's website, to set out the sustainability approach for its operations.

Under the leadership of the Board, the Company instils these vision, missions, core values and sustainability approach in our staff and stakeholders while integrating them into the Group's day-to-day operations. Information on the Company's performance and the basis on which the Company generates value over the longer term and the strategy for delivering the above vision and missions are set out in the Chairman's Statement on pages 4 to 6, the Long-Term Development Strategy on page 7 and the CEO's Report on pages 10 to 29 of the Annual Report.

Board of Directors

The Board, led by the Chairman, is collectively responsible for the management and operations of the Company. Its responsibilities include 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 the management. Management, led by the Chief Executive Officer, is responsible for the day-to-day operations of the Group. The senior management of the Company, comprising the Executive Directors, is accountable to the Board, and ultimately to the shareholders.

Directors at all times have full and timely access to information of the Group, including board papers and related materials. 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 review.

All Directors, including the Non-executive Directors and the Independent Non-executive Directors, have independent access to the management team for information on the Group and unrestricted access to the advice and services of the Company Secretary 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.

The Company has arranged insurance coverage in respect of directors' liability for all Directors.

Board Composition

The Board currently comprises five Executive Directors (six Executive Directors before the retirement of Mr. Fok Kin Ning, Canning on 1 April 2024), two Non-executive Directors and five Independent Non-executive Directors. The number of Independent Non-executive Directors meets the one-third requirement under the Listing Rules, among which more than one of them have appropriate professional qualifications or accounting or related financial management expertise.

During 2023, Mr. Wan Chi Tin resigned as an Executive Director and Mr. Cheng Cho Ying, Francis was appointed as an Executive Director both with effect from 1 July 2023. Subsequent to the financial year end, Mr. Fok Kin Ning, Canning retired as the Chairman of the Company and an Executive Director with effect from 1 April 2024, and Mr. Andrew John Hunter, an Executive Director, succeeded Mr. Fok as the Chairman of the Company on the same date.

Biographical details of the Directors are set out in the Board of Directors and Management Team section on pages 30 to 34 of the Annual Report. An updated list of Directors containing their 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").

Board Committees

The Board is supported by four board committees, Audit Committee, Nomination Committee, Remuneration Committee and Sustainability Committee. Details of these committees are set out later in this report, and their terms of reference are published on the Company's website and the HKEX's website.

Board Proceedings

The Board has four regular meetings each year at approximately quarterly intervals and additional meetings will be held when warranted. Regular meetings 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 consider and approve matters by way of written resolutions, which are circulated to Directors together with explanatory 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.

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 for informed decisions 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 for their comments. The final minutes are kept by the Company Secretary and available for inspection by Directors. Copies are sent to Directors for their records within a reasonable time after each meeting. This arrangement also applies to meetings of the board committees.

Directors' Attendance of Meetings

Directors attend to the affairs of the Group through their participation at the Board and board committee meetings and the annual general meeting. In addition, the Chairman held meetings with the Independent Non-executive Directors without the presence of other Directors, to listen to their independent views on matters relating to the Group and its operations. The attendance record of the meetings during 2023 are as follows:

Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meeting	Sustainability Committee Meetings	Meetings between Chairman and Independent Non-executive Directors	Annual General Meeting held on 17 May 2023
Executive Directors							
Fok Kin Ning, Canning (Chairman) *(Retired on 1 April 2024)*	4/4	–	1/1	–	–	2/2	✓
Andrew John Hunter (Chairman) *(Appointed as the Chairman on 1 April 2024)*	4/4	–	–	–	–	–	✓
Tsai Chao Chung, Charles (Chief Executive Officer)	4/4	–	–	–	2/2	–	✓
Chan Loi Shun	4/4	–	–	–	2/2	–	✓
Cheng Cho Ying, Francis *(Appointed on 1 July 2023)*	2/2	–	–	–	–	–	–
Neil Douglas McGee	4/4	–	–	–	–	–	✓
Wan Chi Tin *(Resigned on 1 July 2023)*	2/2	–	–	–	–	–	✓
Non-executive Directors							
Leung Hong Shun, Alexander	4/4	–	–	–	–	–	✓
Victor T K Li	4/4	–	–	1/1	–	–	✓
Independent Non-executive Directors							
Stephen Edward Bradley	4/4	–	–	1/1	–	2/2	✓
Ip Yuk-keung, Albert	4/4	4/4	–	1/1	2/2	2/2	✓
Koh Poh Wah	4/4	4/4	1/1	–	–	2/2	✓
Kwan Chi Kin, Anthony	4/4	–	1/1	–	–	2/2	✓
Wu Ting Yuk, Anthony	4/4	3/4	–	–	–	2/2	✓

Each Director has confirmed that he/she has made contributions to the Group that are commensurate with his/her role and board responsibilities, devoted sufficient time and attention to the affairs of the Group, and disclosed their offices held in other public companies and organisations and updated the Company on any subsequent changes in a timely manner.

Board Performance Evaluation

The Board conducts regular evaluation of its performance to ensure good corporate governance and board effectiveness. As part of the evaluation process, each Director completes a questionnaire to provide his/her views on the performance of the Board and the board committees and any suggestions for improving the board process, and the evaluation results are presented to the Board for review.

Subsequent to the financial year end, the Board conducted an evaluation of its performance for 2023 in the manner described above, and the results were reviewed at the Board meeting held in March 2024. The Directors considered the Board and the board committees continued to operate effectively.

Nomination, Appointment and Re-election

All Directors have been appointed on annual twelve-month basis (save for the initial period which is for a period up to 31 December in the year of appointment), 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 Director appointed to fill the casual vacancy shall hold office until the next following general meeting and in the case of an addition, until the next annual general meeting, and shall be eligible for re-election at that meeting.

Directors retiring by rotation at the forthcoming annual general meeting are Mr. Neil Douglas McGee and Mr. Wu Ting Yuk, Anthony. Mr. Cheng Cho Ying, Francis, who was appointed as a Director with effect from 1 July 2023, will also retire at the forthcoming annual general meeting. All the abovementioned retiring Directors offer themselves for re-election. Information relating to these Directors required to be disclosed under the Listing Rules is contained in the circular to be despatched to shareholders together with this Annual Report.

None of the Directors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Nomination Process

The following diagram outlines the nomination process for new appointments and re-election of Directors:

Nomination Committee

- considers candidates and existing Directors based on merit and attributes that he/she will bring to the Board with the skills, experience, expertise and diversity of perspectives appropriate for the Group's businesses, as well as 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
- makes recommendations to the Board on the appointment/nomination of additional, replacement or re-electing directors based on the above factors
- where an additional or replacement director is required, deploys multiple channels for identifying suitable candidates, including referral from Directors, shareholders, management, advisors and external executive search firms

Board

New Appointment	Re-election
• considers recommendations from the Nomination Committee and approves the appointment of directors during the year	• considers recommendations from the Nomination Committee and makes recommendation to shareholders for election or re-election of Directors

Shareholders

- approve the election or re-election of Directors at the Company's general meeting or annual general meeting
- may nominate a person other than a retiring Director to stand for election as a Director at a general meeting in accordance with article 122 of the Company's articles of association, the procedures for which are posted on the Company's website

Diversity

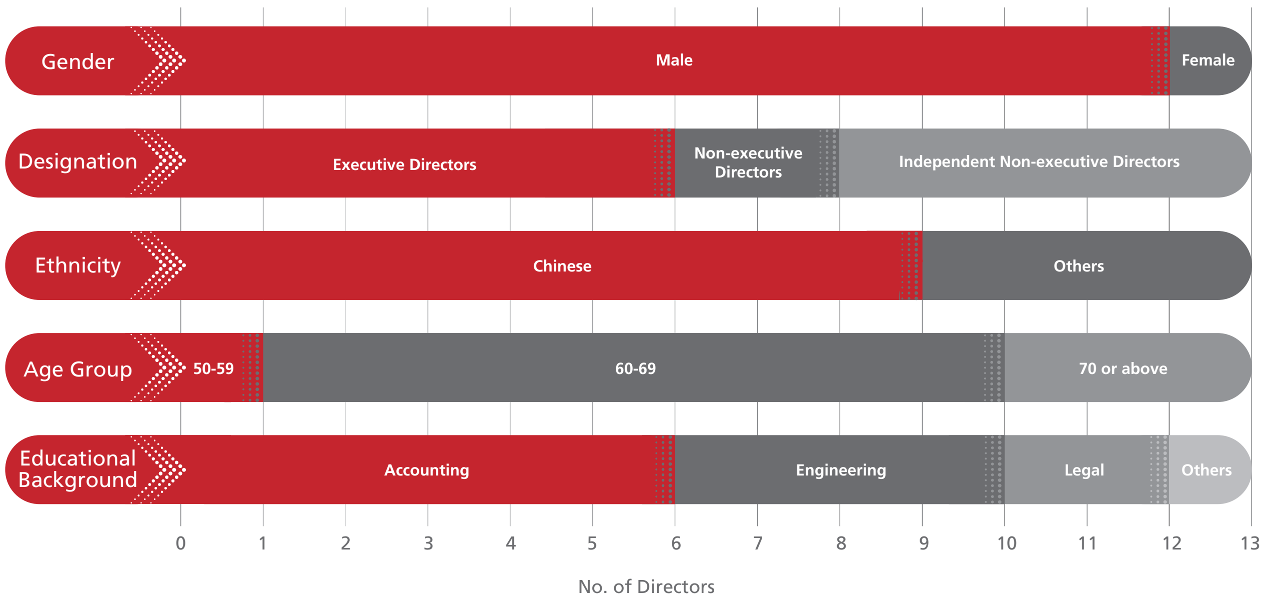
The Company recognises the importance of having qualified and competent Directors that possess a balance of skill set, experience, expertise and diversity of perspectives appropriate for its strategies, which can enhance decision-making capability and the overall effectiveness of the Board to achieve corporate strategy as well as promote shareholder value.

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. They have delegated their responsibility to the Nomination Committee, and established the Director Nomination Policy and the Board Diversity Policy, which are published on the Company's website, to provide guidance on the approach and procedure for these processes. The Nomination Committee reviews the implementation of these policies and makes recommendation on any revisions as may be required to the Board for approval to ensure their continued effectiveness.

Currently the Board has one female Independent Non-executive Director. It will continue to embrace gender diversity when making future board appointments but no specific targets or timelines to further enhance gender diversity have been set as it is of the view that all aspects of diversity should be considered as a whole in the selection of suitable candidates for appointment to the Board.

The same approach to gender diversity at the board level also applies to the Group's workforce, including the senior management. As of 31 December 2023, 64.3% and 35.7% of the Group's employees were male and female respectively. The Group recognises the value of gender diversity to promote a diverse and inclusive working environment and welcomes increased female representation at all levels. However, the Group currently does not consider it appropriate to set any specific gender target for its workforce. The availability of female candidates for many of the engineering positions is currently somewhat limited, and being an equal opportunity employer, the Group also considers other relevant factors in making its decision on fitting the right person to the right position.

The diversity profile of the Board as at 31 December 2023 is as follows:



Board Independence

The Company is committed to promoting strong Board independence.

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

Taking into consideration the confirmation of his/her independence with reference to the factors set out in Rule 3.13 of the Listing Rules (which also covers his/her immediate family members) provided by each Independent Non-executive Director to the Company for the financial year 2023, the Board continues to consider them to be independent.

The Board has put in place mechanisms to ensure independent views and inputs from Directors are available to the Board, and such mechanisms and their implementation during the financial year 2023 have been reviewed and considered effective by the Board. The Chairman holds meetings annually with Independent Non-executive Directors without the presence of other Directors to encourage them to voice out their independent views and promote an open and constructive dialogue. During the year, the Chairman had two such meetings with the Independent Non-executive Directors to discuss matters relating to the Group and its operations. In addition, all Directors, including Independent Non-executive Directors, provide valuable views and inputs to the Board through the board performance evaluation mentioned earlier in this report. Independent Non-executive Directors received fixed fees for their appointments as members of the Board and/or additional fees for sitting on each board committee, none of which are based on the performance of the Group. None of the Independent Non-executive Directors are financially dependent on the Group.

Directors' Interests in Competing Business

In 2023 the interests of Directors in businesses which may compete with the Group's business of energy and utility-related investment were as follows:

Name of Director	Name of Company	Nature of Interests
Fok Kin Ning, Canning *(Retired on 1 April 2024)*	CK Hutchison Holdings Limited CK Infrastructure Holdings Limited Cenovus Energy Inc.	Group Co-Managing Director[(a)(i)] Deputy Chairman Director[(a)(ii)]
Chan Loi Shun	CK Infrastructure Holdings Limited	Executive Director and Chief Financial Officer
Andrew John Hunter	CK Infrastructure Holdings Limited	Deputy Managing Director
Victor T K Li	CK Asset Holdings Limited CK Hutchison Holdings Limited CK Infrastructure Holdings Limited	Chairman and Managing Director Chairman and Group Co-Managing Director[(b)] Chairman

Notes:

(a) (i) Mr. Fok Kin Ning, Canning was appointed as Deputy Chairman of CK Hutchison Holdings Limited on 1 April 2024, and ceased to be Group Co-Managing Director and remains as an Executive Director of CK Hutchison Holdings Limited on the same date.

(ii) Mr. Fok Kin Ning, Canning retired as a Director of Cenovus Energy Inc. on 26 July 2023.

(b) Mr. Victor T K Li ceased to be Group Co-Managing Director and remains as the Chairman and Executive Director of CK Hutchison Holdings Limited on 1 April 2024.

The Board is of the view that the Group is capable of carrying on the business of energy and utility-related investment independent of, and at arm's length from the businesses of the above companies. When making decisions on the Group's business and in the performance of their duties as Directors of the Company, the above Directors have acted and will act in the best interest of the Group and its shareholders.

Directors' Professional Development and Induction

The Company Secretary updates Directors on the latest developments and changes to the Listing Rules and the applicable legal and regulatory requirements necessary in discharging their duties. The Company also 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. Directors attend external forums or briefing sessions, or complete courses organised by professional bodies on relevant topics from time to time, which count towards their continuous professional development training.

Directors have provided to the Company their records of continuous professional development training during 2023, and they have participated in the following training activities:

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

2. Reading materials, e-trainings and seminars on corporate governance, risk management and internal control

3. Reading materials on sustainability

Directors	1	2	3
Executive Directors			
Fok Kin Ning, Canning *(Retired on 1 April 2024)*	✓	✓	✓
Tsai Chao Chung, Charles	✓	✓	✓
Chan Loi Shun	✓	✓	✓
Cheng Cho Ying, Francis *(Appointed on 1 July 2023)*	✓	✓	✓
Andrew John Hunter	✓	✓	✓
Neil Douglas McGee	✓	✓	✓
Wan Chi Tin *(Resigned on 1 July 2023)*	N/A	N/A	N/A
Non-executive Directors			
Leung Hong Shun, Alexander	✓	✓	✓
Victor T K Li	✓	✓	✓
Independent Non-executive Directors			
Stephen Edward Bradley	✓	✓	✓
Ip Yuk-keung, Albert	✓	✓	✓
Koh Poh Wah	✓	✓	✓
Kwan Chi Kin, Anthony	✓	✓	✓
Wu Ting Yuk, Anthony	✓	✓	✓

For the new Executive Director, Mr. Cheng Cho Ying, Francis, who was appointed during the year, the Company provided him with 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. Mr. Cheng had obtained legal advice relating to director's duties and responsibilities under applicable laws and regulations on 6 June 2023 from a law firm qualified to advise on Hong Kong law pursuant to Rule 3.09D of the Listing Rules, and had confirmed that he understood his obligations as a Director of the Company.

Directors' Securities Transactions

The Company has established the Policy on Inside Information and Securities Dealing setting out the restrictions in securities dealing, and establishing preventive controls and reporting mechanism applicable to confidential or unpublished inside information in relation to the Group and its securities.

As stated in the policy, the Board has adopted the Model Code for Securities Transactions by Directors (the "Model Code") set out in Appendix C3 of the Listing Rules as the code of conduct regulating directors' securities transactions. In addition, senior managers, and other nominated managers and staff who, because of their respective positions in the Company, are likely to be in possession of inside information regarding the Company and its securities, are also required to comply with the Model Code. Reminders are sent during the year to these individuals on prohibitions against dealing in the securities of the Company during the "blackout period" specified in the Model Code.

All Directors have confirmed, following specific enquiry, that they have complied with the Model Code throughout the year ended 31 December 2023.

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 interim and annual results of the Company are published in a timely manner within two months and three 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, 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 appropriate 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 applicable requirements under the 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 once every three years at the annual general meeting. During 2023, the Chairman was Mr. Fok Kin Ning, Canning and the Chief Executive Officer was Mr. Tsai Chao Chung, Charles. Subsequent to the financial year end, Mr. Fok Kin Ning, Canning retired as the Chairman of the Company and an Executive Director with effect from 1 April 2024, and Mr. Andrew John Hunter, an Executive Director, succeeded Mr. Fok as the Chairman of the Company on the same date.

The Chairman and the Chief Executive Officer have distinct and separate roles as set out below:

Chairman	Chief Executive Officer
• provides leadership to, and oversees the functioning and effective running of, the Board to ensure that the Board acts in the best interests of the Group	• manages the businesses of the Group and assumes full accountability to the Board for all Group operations
• ensures that good corporate governance practices and procedures are established	• attends to the formulation and successful implementation of Group policies
• acts in an advisory capacity to the Chief Executive Officer in all matters covering the interests and management of the Group	• attends to developing strategic operating plans and ensures the maintaining of the operational performance of the Group
• 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	• 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
• maintains an ongoing dialogue with the Independent Non-executive Directors for their independent views	• maintains an ongoing dialogue with the Chairman and all other Directors to keep them informed of all major business development and issues

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

As at 31 December 2023, 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(Note)
Leung Hong Shun, Alexander	Beneficial owner	Personal	180,000	0.01%
Tsai Chao Chung, Charles	Beneficial owner	Personal	24,022	≃0%
Cheng Cho Ying, Francis	Beneficial owner	Personal	17,000	≃0%

Note: The approximate percentages of shareholding in this table were computed based on the number of issued shares of the Company as at 31 December 2023, being 2,131,105,154 shares.

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	Total	Approximate % of Issued Share Stapled Units
Li Tzar Kuoi, Victor	Interest of controlled corporation	Corporate	5,170,000 *(Note 1)*	7,870,000	0.08%
	Beneficiary of trusts	Other	2,700,000 *(Note 2)*		
Fok Kin Ning, Canning	Interest of controlled corporation	Corporate	2,000,000 *(Note 3)*	2,000,000	0.02%
Tsai Chao Chung, Charles	Beneficial owner	Personal	880	880	≃0%

Notes:

(1) Such share stapled units of HK Electric Investments and HK Electric Investments Limited ("SSUs") are held by Li Ka Shing Foundation Limited ("LKSF"). By virtue of the terms of the constituent documents of LKSF, Mr. Li Tzar Kuoi, Victor 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 SSUs are held by Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of The Li Ka-Shing Unity Trust ("UT1"). Each of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1", which is the trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1")) and Li Ka-Shing Unity Trustcorp Limited ("TDT2", which is the trustee of another discretionary trust ("DT2")) holds units in UT1 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT1 and DT2 are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard.

The entire issued share capital of TUT1, TDT1 and TDT2 are owned by Li Ka-Shing Unity Holdings Limited ("Unity Holdco"). Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-thirds of the entire issued share capital of Unity Holdco. TUT1 is only interested in the SSUs by reason only of its obligation and power to hold interests in those SSUs in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the SSUs independently without any reference to Unity Holdco or any of Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor as a holder of the shares of Unity Holdco as aforesaid.

As Mr. Li Tzar Kuoi, Victor is a discretionary beneficiary of each of DT1 and DT2, and by virtue of the above, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said SSUs held by TUT1 as trustee of UT1 under the SFO as a Director of the Company.

(3) Such SSUs 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 2023, 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.

Audit Committee

The Audit Committee comprises three Independent Non-executive Directors. It is chaired by Mr. Ip Yuk-keung, Albert, and the other members are Ms. Koh Poh Wah and Mr. Wu Ting Yuk, Anthony. None of the committee members is a partner or former partner of the Group's external auditor.

Responsibilities

The Audit Committee reports directly to the Board, and acts as the key representative body for overseeing relations with the external auditor. Its principal responsibilities are to assist the Board in fulfilling its duties through the review and supervision of the Group's financial reporting, the review of financial information, the consideration of issues relating to external auditor and their appointment, the review and the development of corporate governance functions and risk management and internal control systems. The Audit Committee also oversees the Company's whistleblowing procedure. Committee members may seek independent professional advice where necessary to discharge their duties.

Work Done

The Audit Committee held four meetings in 2023. Management are available at all of these meetings to assist with any information and resources as may be required to enable committee members to carry out their functions. During the year, members reviewed and considered matters including:

- the interim and annual results and reports, and the financial highlights;
- the risk management reports, the Environmental, Social and Governance ("ESG") Risk Management Framework, the assessments and declarations in respect of the effectiveness of the risk management and internal control systems and the sustainability governance and management, the effectiveness of the Company's internal audit function, the internal audit plan and all internal audit reports compiled during the year;
- compliance of the Deed of Non-competition with HK Electric Investments Limited;
- the corporate governance structure and compliance with the Corporate Governance Code and the ESG Reporting Guide;

- the continuous professional development activities (including trainings related to ESG) undertaken by Directors and senior managers, as well as the adequacy of resources, staff qualifications and trainings of accounting, internal audit and ESG performance and reporting functions;

- the report on engagement activities for shareholders and investors for assessment of the implementation and effectiveness of the Shareholder Communication Policy;

- auditor related matters (including fees for audit and non-audit services, engagement, independence, re-appointment, auditor's report and the adoption of the pre-approval policy and procedures for engaging independent auditor for non-assurance services); and

- the Group's outstanding litigation and claims, and the statistics and registers on illegal or unethical behaviour of the Group (including whistleblowing cases).

Representatives from KPMG, the external auditor, were invited to attended two of the meetings to discuss the 2022 audited financial statements, the 2023 audit plan and various accounting matters with the committee members. The Audit Committee also held private sessions with representatives from KPMG and the internal audit function respectively without the presence of management during the year.

Subsequent to the financial year end, the Audit Committee held a meeting in March 2024, at which it reviewed the Group consolidated financial statements for the year ended 31 December 2023 and the Annual Report 2023; and resolved to recommend the approval of the Group consolidated financial statements and the re-appointment of KPMG as the Company's external auditor for 2024.

The terms of reference of the Audit Committee were amended on 20 March 2024 to align with recent changes to the Corporate Governance Code effective on 31 December 2023. The revised terms of reference of the Audit Committee are published on the Company's website and HKEX's website.

Nomination Committee

The Nomination Committee comprises three members, a majority of which are Independent Non-executive Directors. It is chaired by Mr. Ip Yuk-keung, Albert (an Independent Non-executive Director), and the other members are Mr. Stephen Edward Bradley (an Independent Non-executive Director) and Mr. Victor T K Li (a Non-executive Director).

Responsibilities

The Nomination Committee reports directly to the Board. Its principal responsibilities 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 process and criteria in Director Nomination Policy and Board Diversity Policy as mentioned earlier in this report. Committee members may seek independent professional advice where necessary to discharge their duties.

Work Done

The Nomination Committee held a meeting in March 2023. During the year, members performed matters including:

- reviewed the structure, size and composition of the Board, the implementation and effectiveness of the Board Diversity Policy;

- reviewed the independence of the Independent Non-executive Directors;

- resolved to recommend the nomination of all the retiring Directors standing for re-election at the annual general meeting of the Company held on 17 May 2023 (the "2023 Annual General Meeting"); and

- considered and recommended the appointment of Mr. Cheng Cho Ying, Francis as an Executive Director to fill the vacancy following the resignation of Mr. Wan Chi Tin as an Executive Director.

Remuneration Committee

The Remuneration Committee comprises three members, a majority of which are Independent Non-executive Directors. It is chaired by Ms. Koh Poh Wah (an Independent Non-executive Director), and the other members are Mr. Andrew John Hunter (appointed as a member of the committee on 1 April 2024 following the retirement of Mr. Fok Kin Ning, Canning as the Chairman of the Company and an Executive Director and his cessation as a member of the committee) and Mr. Kwan Chi Kin, Anthony (an Independent Non-executive Director).

Responsibilities

The Remuneration Committee reports directly to the Board. Its principal responsibilities include the review and consideration of the Company's policy for remuneration of Directors and management team, and the determination of their individual remuneration packages.

The Board has adopted a Policy on Remuneration of Full Time Directors and Management Team to provide guidance on the determination of remuneration of Executive Directors and management team, with reference to the Company's performance and profitability, industry remuneration benchmarks and prevailing market conditions. Remuneration should be performance-based and, coupled with an incentive system, competitive to attract and retain talented employees. In the discharge of its duties the Remuneration Committee is assisted by relevant remuneration data and market conditions provided by the human resources function. Committee members may, if considered necessary, seek independent professional advice to perform their duties. The Group does not have any equity-based remuneration during the year.

Non-executive Directors and Independent Non-executive Directors receive fixed fees for their appointments as members of the Board and/or additional fees for sitting on each board committee. None of such fees are based on the performance of the Group.

Work Done

The Remuneration Committee held a meeting in December 2023, during which members under delegated responsibility from the Board considered and approved the 2024 wage and salary review proposal for the Group's employees. The Committee also considered and approved the performance-based bonus payable to full time Executive Directors and management team in respect of the 2023 financial year and their remuneration for 2024.

No Director and member of the management team participated in the determination of his/her own remuneration.

The emoluments paid to each Director for the 2023 financial year are shown in note 10 to the financial statements on pages 95 to 97 of the Annual Report. The remuneration paid to members of the management team for the 2023 financial year is disclosed by bands in the same note.

Sustainability Committee

The Sustainability Committee comprises three members. It 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).

Responsibilities

The Sustainability Committee reports directly to the Board. Its principal responsibilities are to oversee management of, and advise the Board on, the development and implementation of the sustainability initiatives of the Group, review the related policies and practices, and assess and make recommendations on matters concerning the Group's sustainability development and risks.

The Group's Sustainability Management Committee, a management-level committee chaired by the Chief Executive Officer, supports the Sustainability Committee to discharge its duties and drives and coordinates the Group's sustainability efforts, and promotes understanding of sustainability within the Group. Committee members may, if considered necessary, seek any information required from management or have access to independent professional advice.

Work Done

The Sustainability Committee held two meetings in 2023. During the year, members performed matters including:

- reviewed the Company's pledge towards the United Nations Global Compact;
- reviewed the Company's alignment to United Nations Sustainability Development Goals and its implementation of the sustainability strategies, and approved its alignment of an additional goal;
- reviewed the ESG Risk Management Framework and the resources and training on sustainability performance and reporting;
- assessed the Group's material sustainability issues, stakeholder engagement, health and safety management, environmental management and other sustainability areas; and
- reviewed the Sustainability Report 2022.

Subsequent to the financial year, the Sustainability Committee at a meeting held in March 2024 reviewed and recommended for the Board's approval the Sustainability Report 2023.

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. He 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 his relevant advice and service. Mr. Alex Ng, the Company Secretary of the Company, has knowledge of the Group's daily 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 Accounting and Financial Reporting Council Ordinance, have confirmed that they have been, for the year ended 31 December 2023, 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 the engagement partner servicing their client companies every seven years. The last rotation in respect of the Group took place in the audit of the 2021 financial statements and the next rotation will take place in the audit of the 2028 financial statements.

Reporting Responsibility

The reporting responsibilities of KPMG are stated in the Independent Auditor's Report on pages 69 to 72 of the Annual Report.

Remuneration

An analysis of the fees of KPMG and other external auditors for audit and non-audit services is shown in note 8 to the financial statements on page 93 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 the preceding three years.

Risk Management and Internal Control

Board Oversight

The Board has overall responsibility for evaluating and determining the nature and extent of the risks, including ESG risks that 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, financial reporting, and ESG performance and reporting functions; the process by which the Group evaluates its control environment and its risk assessment process, and the way in which current and emerging 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, and makes its recommendation to the Board for approval of the annual consolidated financial statements.

At the meetings held in March and July 2023, the Audit Committee reviewed the effectiveness of the risk management and internal control systems of the Group for the year 2022 and for the half year ended 30 June 2023 respectively, and considered the systems effective and adequate.

The Company's risk management and internal control functions outlined above is supported by the services including the relevant financial and accounting, treasury and internal audit services it shared with HK Electric Investments Limited, pursuant to an agreement dated 14 January 2014 with such company.

Risk Management

Effective risk management is fundamental to the achievement of the corporate strategic objectives, and an enterprise risk management policy is in place to outline the framework and processes adopted by the Group and 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. These key risks include risks in topics such as climate change, reliability of energy supply, health and safety, cyber security, mergers and acquisitions, and compliance with local, national and international laws and regulations which the Group considered to be key material ESG issues. More details are given in the Risk Management and Risk Factors on pages 60 to 64 of the Annual Report.

Internal Control Environment

The management encourages a risk aware and control conscious environment, setting objectives, performance targets or policies for the management of key risks including areas in strategic planning, business operations, acquisitions, investments, legal and regulatory compliance, expenditure control, treasury, environment, health and safety, customer service and cyber security.

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.

Internal Control Structure

The Company has a well-established organisational structure with defined levels of responsibility and authority and reporting procedures.

Executive Directors and senior executives are appointed to the boards and board committees of all major operating subsidiaries, associates and joint ventures for overseeing the operations and performance of those companies.

The internal control procedures of the Group include a comprehensive system for reporting information by those companies to the Company's management.

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

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 Group's treasury function, reporting to an Executive Director, oversees the investment and funding activities of the Group. It regularly reports 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.

Established guidelines for the acquisition of new businesses, including those on detailed appraisal and review procedures and due diligence processes, are in place.

Internal Control Assessment

Regarding the Group's Internal Control System, the Chief Executive Officer and an Executive Director 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 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 to arrange appropriate insurance coverage.

Internal Audit

The internal audit function, reporting to the Audit Committee and an Executive Director, 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 disciplines including accounting, engineering and information technology.

Internal audit prepares its annual audit plan by using risk assessment methodology, and taking into account the scope and nature of the Group's activities and changes in operating environment.

The audit plan is reviewed and approved by the Audit Committee. Depending on the business nature and risk exposure of the Group's business units, the scope of work on the Group's business units performed by internal audit includes financial, operations and information technology reviews, recurring and ad hoc audits, fraud investigations, productivity efficiency reviews and laws and regulations compliance reviews. Internal audit follows up audit recommendations on implementation by business units and the progress is reported to the Audit Committee regularly.

The internal audit function facilitates the bi-annual risk management and internal control self-assessment which enables the Chief Executive Officer and an Executive Director to review the profile of the significant risks and how these risks have been identified, evaluated and managed, 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. The results are presented to the Audit Committee.

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

Inside Information

There are 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 and Anti-corruption

The Group recognises the need to maintain a culture of corporate ethics and anti-corruption, and places great emphasis on ethical standards and integrity in all aspects of its operations.

The Group's Code of Conduct gives primary guidance in dealing with ethical issues, provides mechanisms to report unethical conduct and helps to foster a culture of honesty and accountability. All employees of the Group, and other stakeholders in certain situations, are required to adhere to the standards set out in the Code of Conduct. Guidance on specific matters are supplemented by other policies and procedures of the Group, as appropriate.

The Group has established the Anti-fraud and Anti-bribery Policy which, together with the Code of Conduct, prohibit 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, and make full disclosure of any dealings in case of potential or actual conflict. All Directors and employees who have access to and in control of the Group's information are required to provide adequate safeguard to prevent any abuse or misuse of that information, and not to use it to secure personal advantage.

The Group ensure procurement of supplies and services are conducted in a manner of high ethical standards to promote fair and open competition. There are procurement and tendering procedures in place to ensure impartial selection of suppliers and contractors, and the hire of services and purchase of goods are based solely upon price, quality, suitability and need. Business partners, and products and service providers are expected to adhere to a high level of ethical standards as set out in the Code of Practice for Suppliers, and no corruption will be tolerated.

Whistleblowing

To ensure high standards of openness, probity and accountability, the whistleblowing procedures, as set out in the Code of Conduct and Whistleblowing Procedure, allow employees as well as customers, suppliers, contractors, debtors and creditors to report any suspected violation of the Code of Conduct or improprieties, misconduct or malpractice within the Group, including fraud and illegal acts. Investigations are carried out on all reported cases. The results are reported to the Audit Committee and the Chief Executive Officer, and disciplinary and remedial actions are taken as appropriate. During 2023, the Group had no reported whistleblowing cases and no convicted case of corruption.

Shareholders

Articles of Association

The current version of the articles of association of the Company is available on the Company's and HKEX's websites. No changes were made during the year ended 31 December 2023.

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.

Engagement of Shareholders

Shareholders' Rights

Dividend Policy

The Board has adopted a dividend policy which outlines the principles of payment on dividend. 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 and its long-term growth prospects.

Rights relating to General Meeting

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. 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. In both of these cases, 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 in accordance with the statutory provisions. Shareholders can refer to the detailed requirements and procedures set forth in the relevant sections of the articles of association of the Company when making any requisitions or proposals for transaction at general meetings.

Registration and related matters

The Company handles share registration and related matters for shareholders, such as transfer of shares, change of address, change of dividend payment instruction, issue and/or loss of share certificates and death of shareholders, through Computershare Hong Kong Investor Services Limited, the Company's share registrar, whose contact details are set out on page 139 of the Annual Report.

Financial Calendar and Other Information

A financial calendar of the announced key dates for 2023 and 2024 and other relevant share information are set out on page 140 of the Annual Report.

Shareholders Communications

The Company has established the Shareholder Communication Policy, which is published on the website of the Company, to lay down the framework and put in place a range of communication channels between the Company and shareholders and investors to promote effective communication.

The Audit Committee at a meeting held in March 2024 reviewed the engagement activities for the shareholders or investors conducted in 2023, and was satisfied with the implementation and effectiveness of the Shareholder Communication Policy for the year ended 31 December 2023.

General Meetings
Annual general meeting and other general meetings are the primary forums for communications with shareholders and their participation and for Directors to develop a balanced understanding of their views.

2023 Annual General Meeting
The 2023 Annual General Meeting was held as a hybrid meeting. Shareholders had the option of attending, participating and voting at the meeting physically or through online access.

The notice of meeting, the annual report and the circular containing information on the proposed resolutions were sent to shareholders on 11 April 2023, more than 21 clear days (as required by the Company's articles of association) prior to the meeting.

The 2023 Annual General Meeting was attended by all Directors of the Company. The chairmen and members of all board committees as well as representatives from KPMG, the external auditor, were available at the meeting to answer questions from shareholders, which could either be raised at the meeting venue or online. A separate resolution was proposed in respect of each substantially separate issue and voted by way of a poll, and the poll voting procedure was explained fully to shareholders at the start of the meeting. Computershare Hong Kong Investor Services Limited, the Company's share registrar, acted as scrutineer for the poll.

All resolutions proposed at the meeting were ordinary resolutions and were passed by more than 50% of the votes, with the percentage of votes in favour set out below:

– Adoption of the audited Financial Statements, the Report of the Directors and the Independent Auditor's Report for the year ended 31 December 2022 (99.7923%);

– Declaration of a final dividend of HK$2.04 per share (99.7122%);

– Election of Mr. Stephen Edward Bradley (98.4918%), Mr. Andrew John Hunter (96.3525%), Mr. Ip Yuk-keung, Albert (93.1083%), Mr. Kwan Chi Kin, Anthony (99.4689%), Mr. Li Tzar Kuoi, Victor (90.0442%) and Mr. Tsai Chao Chung, Charles (94.5460%) as Directors;

– Re-appointment of KPMG as auditor and authorisation of Directors to fix their remuneration (96.8504%); and

– Granting of general mandates to Directors to issue and dispose of additional shares of the Company not exceeding 10% of the total number of shares in issue (97.2070%) and to repurchase shares of the Company (99.9405%).

The poll results, including the number of shares voted for and against each resolution, were announced to the meeting on its conclusion and subsequently posted on the Company's and HKEX's websites on the same day.

Financial and Other Reporting
The Company reports operating results for the first half of the financial year and the full financial year and produces interim and annual reports, and from time to time communicates other information with shareholders by way of announcement or circular, in accordance with the requirements of the Listing Rules and applicable laws. It also publishes sustainability report for the full financial year to report on its approach, commitments and strategy to sustainability, key achievements with regard to its sustainability performance during the year and plans and targets for the future.

Corporate Website
The Company's corporate website at www.powerassets.com is an information platform to facilitate communication with shareholders, the investor community and other stakeholders. It contains a wide range of information including financial results, annual and interim reports, sustainability reports, notices, announcements and circulars, press releases and other corporate publications. An e-subscription service is available to enable subscribers to register and receive notification when financial and sustainability reports and Listing Rules announcements are posted.

Shareholders may, as a standing or an ad hoc instruction, elect to receive certain corporate communications (such as the notices of general meetings and accompanying papers, circulars, annual reports and interim reports) by post. In the absence of any such instructions, they will receive a notification letter informing them of the release of the documents on the Company's and HKEX's websites, but may at any time notify the Company or the Company's share registrar by mail or email of any change in their choice of language (English or Chinese or both) and/or means of receiving (printed version or access through the Company's website) corporate communications. Shareholders are encouraged to access corporate communications through the Company's website to support the environment and reduce paper consumption.

Investor Relations
All shareholders may put enquiries to the Board at general meetings, whether they attend the meetings physically or through online access, and at other times by writing to the Company for the attention of an Executive Director, the Chief Financial Officer or the Company Secretary, whose contact channels are set out on page 139 of the Annual Report.

To facilitate communication with shareholders and the investment community and solicit their views, meetings, briefings and roadshows with investors and analysts are held from time to time, as appropriate.

Interests and Short Positions of Shareholders

As at 31 December 2023, 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[(4)]
Venniton Development Inc.	Beneficial owner	153,797,511 *(Note 1)*	7.22%
Interman Development Inc.	Beneficial owner	186,736,842 *(Note 1)*	8.76%
Univest Equity S.A.	Beneficial owner	279,011,102 *(Note 1)*	13.09%
Monitor Equities S.A.	Beneficial owner & interest of controlled corporation	287,211,674 *(Note 1)*	13.48%
Hyford Limited	Interest of controlled corporations	767,499,612 *(Note 2)*	36.01%
CK Infrastructure Holdings Limited	Interest of controlled corporations	767,499,612 *(Note 2)*	36.01%
Hutchison Infrastructure Holdings Limited	Interest of controlled corporations	767,499,612 *(Note 3)*	36.01%
CK Hutchison Global Investments Limited	Interest of controlled corporations	767,499,612 *(Note 3)*	36.01%
CK Hutchison Holdings Limited	Interest of controlled corporations	767,499,612 *(Note 3)*	36.01%

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.

(4) The approximate percentages of shareholding in this table were computed based on the number of issued shares of the Company as at 31 December 2023, being 2,131,105,154 shares.

Save as disclosed above, as at 31 December 2023, 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.

Connected Transactions

Subscriptions of shares in West Gas Networks Limited and Western Gas Networks Limited

As announced by the Company on 26 September 2023, Well Joint Investment Limited ("Well Joint", an indirect wholly-owned subsidiary of the Company), together with a wholly-owned subsidiary of each of CK Asset Holdings Limited ("CKA"), CK Hutchison and CKI have each on 26 September 2023 entered into (i) an equity commitment letter with West Gas Networks Limited ("West") and Western Gas Networks Limited ("Western") agreeing conditionally to subscribe for 27,333,720, 16,703,940, 2,277,810 and 29,611,530 new shares in each of West and Western respectively, at total subscription prices of £273,337,200, £167,039,400, £22,778,100 and £296,115,300 respectively, to be completed by 3 October 2023 (the "Share Subscription I"); and (ii) a further equity commitment letter with West and Western agreeing conditionally to subscribe for 5,400,000, 3,300,000, 450,000 and 5,850,000 new shares in each of West and Western respectively, at total subscription prices of £54,000,000, £33,000,000, £4,500,000 and £58,500,000 respectively, to be completed by 9 October 2023 (the "Share Subscription II", and together with Share Subscription I, the "Share Subscriptions"), in each case on a pro rata basis proportionate to the effective interests of the Group, the CKA Group, the CK Hutchison Group and the CKI Group in West and Western and on substantially the same terms. West and Western together indirectly hold 100% equity interest of Wales & West Utilities Limited ("WWU") which operates a gas distribution network that serves Wales and South West of England.

The Share Subscription I is part of a refinancing exercise of the WWU Group to refinance its existing debts under WWU's issued loan notes, and the Share Subscription II provides the WWU Group with additional funds, in both cases to be effected through the issue of new shares directly to the Group, the CKA Group, the CK Hutchison Group and the CKI Group with their effective interests in West and Western maintained. The Share Subscriptions therefore strengthened the financial resilience of the WWU Group.

For Well Joint, the subscription price for the Share Subscription I was indirectly satisfied by, and funded through, the repayment of the loan notes by WWU without the need for any additional resources from the Group, and the subscription price for the Share Subscription II was funded by internal resources of the Group.

As (i) CKI is a substantial shareholder of the Company; (ii) CK Hutchison is an associate of CKI; and (iii) CK Hutchison and CKI collectively hold 30% or more interest in each of West and Western (in addition to interests held through the Group), each of West and Western is an associate of CKI and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Share Subscriptions by Well Joint constituted connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratio of the Company in respect of the transactions under the Share Subscriptions by Well Joint, on an aggregated basis exceeds 0.1% but is less than 5%, the Share Subscriptions by Well Joint are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but are exempt from the independent shareholders' approval requirement.

Subscription of shares in UK Rails S.à r.l. and assignment of Portbrook Limited's recoverables owed from UK Rails S.à r.l.

As announced by CKI and the Company jointly on 13 December 2023, Full Main Development Limited ("PAH Subsidiary", an indirect wholly-owned subsidiary of the Company), together with two indirect wholly-owned subsidiaries of CKI, an indirect wholly-owned subsidiary of CK Hutchison and a wholly-owned subsidiary of CKA have each on 13 December 2023 entered into an equity commitment letter with UK Rails S.à r.l. ("UK Rails") agreeing conditionally to subscribe for 110,000,000, 550,000,000, 165,000,000, 55,000,000 and 220,000,000 new shares in UK Rails respectively, at the respective subscription prices of £110,000,000, £550,000,000, £165,000,000, £55,000,000 and £220,000,000 (the "Share Subscription").

On the same date, Portbrook Limited ("Portbrook", an investment holding company which holds 50% issued shares in UK Rails) entered into an assignment agreement with UK Rails and (among others) PAH Subsidiary, pursuant to which Portbrook agreed to assign its right of recovery under its recoverables owed from UK Rails (the "Portbrook Recoverables") to (among others) PAH Subsidiary in the amount of £110,000,000 (the "Portbrook Assigned Right of Recovery") at the consideration of £110,000,000 (the "Assignment to PAH

Subsidiary"). UK Rails owns the Eversholt UK Rails Limited ("Eversholt UK Rails") Group, which is a major rolling stock leasing company in the United Kingdom that leases regional, commuter and high-speed passenger trains on long-term contracts to train operating companies, as well as freight locomotives to freight operating companies.

The Share Subscription and the assignments of Portbrook Recoverables are part of a streamlining exercise of the UK Rails Group to simplify the structure of the Eversholt UK Rails Group for easier administration and facilitate more flexible funding structures for future investment in railway assets. The Share Subscription ensures the effective percentage interests held by the Group, the CK Hutchison Group (other than the CKI Group which is part of the CK Hutchison Group), the CKI Group and the CKA Group (including the interests attributable to them taking into account the arrangements under the Economic Benefits Agreements dated 31 August 2018 (the "Economic Benefits Agreement(s)", details of which as described in the Company's announcement dated 31 August 2018) respectively in the Eversholt UK Rails Group remain unchanged.

For PAH Subsidiary, the subscription price for the Share Subscription was settled by way of set-off against the Portbrook Assigned Right of Recovery and the consideration for the Portbrook Assigned Right of Recovery was funded in its entirety indirectly by the payments pursuant to the Economic Benefits Agreement, both without the need for any additional cash resources from the Group.

As (i) CKI is a substantial shareholder of the Company; (ii) CK Hutchison is an associate of CKI; and (iii) CK Hutchison and CKI collectively hold 30% or more interest in each of UK Rails and Portbrook (taking into account the arrangements under the Economic Benefits Agreements and excluding interests held through the Group), each of UK Rails and Portbrook is an associate of CKI and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Share Subscription by PAH Subsidiary and the Assignment to PAH Subsidiary constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratio of the Company in respect of the transactions under the Share Subscription by PAH Subsidiary and the Assignment to PAH Subsidiary exceeds 0.1% but is less than 5%, the Share Subscription by PAH Subsidiary and the Assignment to PAH Subsidiary are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but are exempt from the circular and independent shareholders' approval requirements.

Subscription of shares in CKI Spark Holdings No. Two Limited

As announced by the Company on 22 December 2023, Sigerson Business Corp. ("Sigerson", an indirect wholly-owned subsidiary of the Company), Chistar Investment Limited ("Chistar", an indirect wholly-owned subsidiary of CKI) and CKI Spark Holdings No. Two Limited ("CKI/PAH Partners Shareholder", a company held as to 54.76% by the Company through Sigerson and 45.24% by CKI through Chistar), together with (among others) two wholly-owned subsidiaries of CKI/PAH Partners Shareholder ("CKI/PAH Partners", both being partners of SA Power Networks Partnership ("SAPN")) and other partners of SAPN entered into a master implementation agreement on 22 December 2023 (the "Master Implementation Agreement") in relation to the recapitalisation of SAPN, pursuant to which, among other things, (i) Sigerson and Chistar agreed to subscribe for approximately 101.2 million and 83.6 million ordinary shares respectively in CKI/PAH Partners Shareholder on 1 January 2024 for the subscription prices of A$319,188,465 and A$263,741,535 respectively, on a pro rata basis proportionate to their shareholdings in CKI/PAH Partners Shareholder and on substantially the same terms (the "Share Subscription"); (ii) CKI/PAH Partners Shareholder agreed to subscribe for ordinary shares in its wholly-owned subsidiaries CKI/PAH Partners on 1 January 2024 at the subscription price of A$582,930,000; and (iii) CKI/PAH Partners and other partners of SAPN agreed to provide ordinary capital on 1 January 2024 in the amounts of A$582,930,000 and A$560,070,000 respectively to SAPN, on a pro rata basis proportionate to each partner's interest in SAPN and on substantially the same terms. CKI/PAH Partners Shareholder is an investment holding company, and indirectly holds a 51% attributable interest of SAPN, which is the electricity distributor in the State of South Australia in Australia.

The Share Subscription is part of a recapitalisation exercise of SAPN to streamline its existing capital structure in accordance with the terms of the Master Implementation Agreement. The Share Subscription, alongside with the other transactions under the Master Implementation Agreement, will deliver a longer term sustainable capital structure to SAPN to better support its assets and operations.

For Sigerson, the subscription price for the Share Subscription was indirectly satisfied by, and be funded through, the repayment of subordinated loan by SAPN in accordance with the terms of the Master Implementation Agreement without the need for any additional resources from the Group.

As CKI is a substantial shareholder of the Company and it holds more than 30% interest in CKI/PAH Partners Shareholder, CKI/PAH Partners Shareholder is an associate of CKI and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Share Subscription by Sigerson constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratio of the Company in respect of the transactions under the Share Subscription by Sigerson exceeds 0.1% but is less than 5%, the Share Subscription by Sigerson is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but is exempt from the circular and independent shareholders' approval requirement.

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 of HK Electric Investments and HK Electric Investments Limited), the business of generation, transmission, distribution and supply of electricity in Hong Kong.

The Company has complied with the Non-competition Deed during 2023 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 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 requires each of CKI and the Company to review the deed's implementation as part of its internal audit plan and each company's audit committee to review the deed's compliance. 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 for 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 2023, CKI complied with the terms of the Investment Opportunity Deed and the Group's decisions regarding any exercise of the rights under the deed were 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

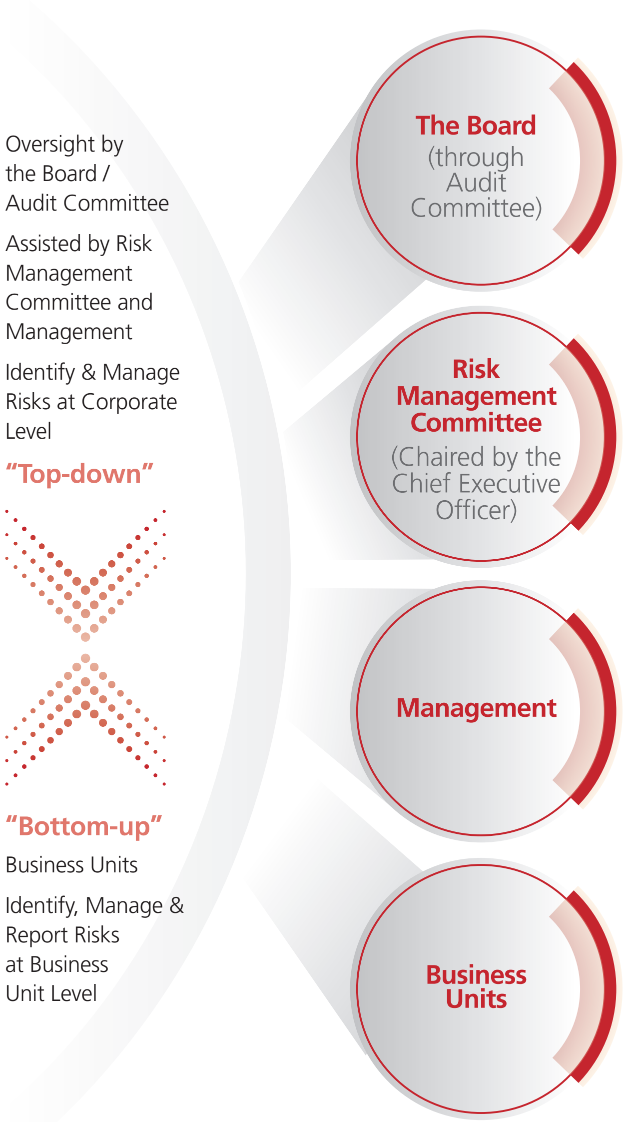
The Group has in place an Enterprise Risk Management (ERM) framework to effectively identify, assess, mitigate and monitor key business, financial, operational and compliance risks. The framework enables us to adopt a proactive and structured approach to identifying and managing risks across the organisation,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

Independent Assurance from Internal and External Auditors

Risk Management Framework Governance



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 including ESG 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 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 on-going 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

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

Front-Line Risk & Control Ownership

- Design, implement and monitor controls 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 on-going 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, laws and regulations, Group strategy, 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 on-going 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 62 to 64 of this Annual Report. The Group works to continually improve its risk management framework in order to keep pace with the changing business environment.

Strategic and Operational Objectives

Risk Factors

Risks and uncertainties can affect the Group's businesses, financial conditions, 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 threat of the rising inflation and commodity prices, volatile energy prices, tightening financial conditions, supply chain bottlenecks, trade protectionism, and geopolitical tensions may pose downside risks 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.

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 policy-driven transition risks that are creating material impact on the operations of our business and the value of our assets. The countries and regions in which 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.

To address the potential impact of climate-related risks and opportunities to our business, necessary steps recommended by the Task Force on Climate-related Financial Disclosures (TCFD) have been taken. The potential materiality of the risks and the opportunities have been identified and assessed for us to devise strategic plans to manage these risks and capture the opportunities. In 2023, we completed the TCFD scenario analysis and identified and assessed the physical and transition risks and opportunities. Details of the findings and the management framework are given in our Sustainability Report 2023.

The Group also has a long-term plan in place to address climate change risks by decarbonising our generation portfolio to reduce greenhouse gas emissions, help slow global warming, and reduce the physical impacts of climate change. We continue to modernise and digitise our electricity networks to accommodate the projected influx of distributed renewable energy sources, as well as the anticipated surge in charging networks for a massive uptake of electric vehicles. 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.

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 page 65.

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 cyber attacks. Resources and development efforts are focused on people, processes and various cyber security 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. Despite the government's lowering of the response level for the COVID-19 pandemic, we are still placing attention on the health and safety of our employees and endeavour 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.

Compliance with Local, National & International Laws and 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 Energy 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.

Outbreak of Highly Contagious Disease

Although most of the countries where our businesses operate have dropped their COVID-19 measures such as social distancing and travel restrictions, any rebound of the pandemic may adversely impact 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. The Group remains vigilant and is closely monitoring the impact on the business from any outbreak of highly contagious disease. We continuously review and improve guidelines and procedures to provide necessary support for changing domestic needs and requirements.

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$88,697 million (2022: HK$84,636 million). Total unsecured bank loans outstanding at the year end were HK$3,097 million (2022: HK$3,236 million). In addition, the Group had bank deposits and cash of HK$4,201 million (2022: HK$5,894 million). As at 31 December 2023, the net cash position of the Group was HK$1,104 million (2022: HK$2,658 million). The Group did not maintain any undrawn committed bank facility at the year end (2022: HK$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 13 February 2023, Standard & Poor's reaffirmed the "A" long-term issuer credit rating and the "Stable" outlook of the Company, unchanged since September 2018.

The profile of the Group's external borrowings as at 31 December 2023, after taking into account interest rate swaps, was as follows:

(1) 100% were in Australian dollars;

(2) 100% were bank loans;

(3) 100% were repayable between 2 and 5 years; and

(4) 90% were in fixed rate and 10% were in floating rate.

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 2023 was HK$3,097 million (2022: HK$3,236 million). The fair value of forward foreign exchange contracts and cross currency swaps at 31 December 2023 was an asset of HK$1,185 million (2022: asset of HK$2,608 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 2023 amounted to HK$32,223 million (2022: HK$33,262 million).

Contingent Liabilities

As at 31 December 2023, the Group had given guarantees and indemnities totalling HK$142 million (2022: HK$253 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 2023, excluding director's emoluments, amounted to HK$27 million (2022: HK$27 million). As at 31 December 2023, the Group employed 13 (2022: 14) 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 2023.

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 2023 are set out in Appendix 2 on page 134 of the financial statements. Further discussion and analysis of the Group's activities as required by Schedule 5 to the Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Chairman's Statement on pages 4 to 6, the CEO's Report on pages 10 to 29, Risk Management and Risk Factors on pages 60 to 64 and Financial Review on page 65 of this Annual Report, and also in the Sustainability Report to be published at the same time as this Annual Report in April 2024.

A discussion on the Group's relationships with its key stakeholders, and environmental policies and performance is contained in the Chairman's Statement on pages 4 to 6 and the CEO's Report on pages 10 to 29 of this Annual Report, and the Sustainability Report mentioned above, 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 35 to 59 and Risk Factors on pages 62 to 64 of this Annual Report. These discussions form part of this directors' report.

Results

The results of the Group for the year ended 31 December 2023 and the financial positions of the Group as at that date are set out in the financial statements on pages 73 to 137.

Dividends

An interim dividend of $0.78 (2022: $0.78) per ordinary share was paid to shareholders on 12 September 2023. The Directors recommend a final dividend of $2.04 (2022: $2.04) per ordinary share payable on 11 June 2024 to shareholders who are registered on the register of members on 28 May 2024.

Share Capital

Details of the share capital of the Company are set out in note 23(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 (2022: $1 million).

Summary of Five-Year Financial Results

The summary of five-year financial results of the Group is set out on page 138.

Major Customers and Suppliers

Sales to the largest customer is 23.3% (2022: 23.7%) of the Group's total revenue, and sales to five largest customers combined is 80.0% (2022: 79.7%) of the Group's total revenue for the year ended 31 December 2023. The five largest customers for the year are the joint ventures or associates of the Company which are jointly owned with CK Infrastructure Holdings Limited, CK Asset Holdings Limited and/or CK Hutchison Holdings Limited as the case may be.

The Group's five largest suppliers accounted for less than 30% of the Group's total purchases of revenue items for the year ended 31 December 2023.

Save as disclosed above, none of the Directors, their close associates, nor any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) has any interest in the Group's five largest customers.

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. Stephen Edward Bradley, Mr. Chan Loi Shun, Mr. Cheng Cho Ying, Francis (appointed on 1 July 2023), Mr. Andrew John Hunter, Mr. Ip Yuk-keung, Albert, Ms. Koh Poh Wah, Mr. Kwan Chi Kin, Anthony, Mr. Leung Hong Shun, Alexander, Mr. Li Tzar Kuoi, Victor, Mr. Neil Douglas McGee, Mr. Wan Chi Tin (resigned on 1 July 2023) and Mr. Wu Ting Yuk, Anthony.

During the year, Mr. Wan Chi Tin resigned as a Director due to retirement. He 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 "Our Leadership" in "About Us" section on the Company's website at www.powerassets.com.

Permitted Indemnity

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

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

Directors' Material Interests in Significant Transactions, Arrangements or Contracts

Save as otherwise disclosed under the section headed "Connected Transactions" in the Corporate Governance Report, there were no other transactions, arrangements or contracts that are significant in relation to the businesses of the Company and its subsidiaries to which the Company or any of its subsidiaries 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 securities during the year.

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.

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 2023 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 2023	**$ million**
Non-current assets	427,932
Current assets	31,138
Current liabilities	(52,528)
Non-current liabilities	(274,391)
Net assets	132,151
Share capital	33,481
Reserves	98,670
Capital and reserves	132,151

As at 31 December 2023, the consolidated attributable interest of the Group in these affiliated companies amounted to $58,521 million.

On behalf of the Board

Tsai Chao Chung, Charles
Chief Executive Officer and Executive Director
Hong Kong, 20 March 2024

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 73 to 137, which comprise the consolidated statement of financial position as at 31 December 2023, 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, comprising material accounting policy information and other explanatory information.

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 2023 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 13 and 14 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 results of associates and joint ventures for the year ended 31 December 2023 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 are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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 Lee Wai Shun, Wilson.

KPMG

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

20 March 2024

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023
(Expressed in Hong Kong dollars)

	Note	2023 $ million	2022 $ million
Revenue	4	1,292	1,265
Other operating costs	6	(161)	(101)
Operating profit		1,131	1,164
Finance costs	7	(143)	(104)
Share of results of joint ventures		3,582	2,994
Share of results of associates		1,682	1,784
Profit before taxation	8	6,252	5,838
Income tax	9	(249)	(189)
Profit for the year attributable to equity shareholders of the Company		6,003	5,649
Earnings per share			
Basic and diluted	11	$2.82	$2.65

The notes on pages 78 to 137 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 23(b).

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023
(Expressed in Hong Kong dollars)

	2023 $ million	2022 $ million
Profit for the year attributable to equity shareholders of the Company	6,003	5,649
Other comprehensive income for the year		
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit plan obligations	(6)	54
Share of other comprehensive income of joint ventures and associates	244	441
Income tax relating to items that will not be reclassified to profit or loss	(63)	(114)
	175	381
Items that are or may be reclassified subsequently to profit or loss		
Exchange differences on translating operations outside Hong Kong, including joint ventures and associates	2,446	(4,919)
Net investment hedges	(660)	2,019
Cost of hedging	(8)	(7)
Cash flow hedges:		
Net movement in hedging reserve	(45)	237
Share of other comprehensive income of joint ventures and associates	(23)	4,191
Income tax relating to items that may be reclassified subsequently to profit or loss	16	(1,321)
	1,726	200
	1,901	581
Total comprehensive income for the year attributable to equity shareholders of the Company	7,904	6,230

The notes on pages 78 to 137 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2023
(Expressed in Hong Kong dollars)

	Note	2023 $ million	2022 $ million
Non-current assets			
Property, plant and equipment and leasehold land	12	19	18
Interest in joint ventures	13	61,669	57,331
Interest in associates	14	27,028	27,305
Other non-current financial assets	15	1,100	1,100
Derivative financial instruments	20	1,521	1,887
Employee retirement benefit assets	21(a)	6	6
		91,343	87,647
Current assets			
Other receivables	16	158	986
Bank deposits and cash	17(a)	4,201	5,894
		4,359	6,880
Current liabilities			
Other payables	18	(3,018)	(3,934)
Current tax payable	22(a)	(231)	(104)
		(3,249)	(4,038)
Net current assets		1,110	2,842
Total assets less current liabilities		92,453	90,489
Non-current liabilities			
Bank loans and other interest-bearing borrowings	19	(3,097)	(3,236)
Lease liabilities		(1)	(1)
Derivative financial instruments	20	(199)	(27)
Deferred tax liabilities	22(b)	(301)	(275)
Employee retirement benefit liabilities	21(a)	(103)	(93)
		(3,701)	(3,632)
Net assets		88,752	86,857
Capital and reserves			
Share capital	23(c)	6,610	6,610
Reserves		82,142	80,247
Total equity attributable to equity shareholders of the Company		88,752	86,857

Approved and authorised for issue by the Board of Directors on 20 March 2024.

Tsai Chao Chung, Charles
Director

Chan Loi Shun
Director

The notes on pages 78 to 137 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company					
$ million	Share capital (note 23(c))	Exchange reserve (note 23(d)(i))	Hedging reserve (note 23(d)(ii))	Revenue reserve (note 23(d)(iii))	Proposed/ declared dividend (note 23(b))	Total
Balance at 1 January 2022	6,610	(4,413)	(2,573)	82,789	4,354	86,767
Changes in equity for 2022:						
Profit for the year	–	–	–	5,649	–	5,649
Other comprehensive income	–	(2,907)	3,877	(389)	–	581
Total comprehensive income	–	(2,907)	3,877	5,260	–	6,230
Final dividend in respect of the previous year approved and paid (see note 23(b)(ii))	–	–	–	–	(4,354)	(4,354)
Interim dividend paid (see note 23(b)(i))	–	–	–	(1,665)	–	(1,665)
Proposed final dividend (see note 23(b)(i))	–	–	–	(4,347)	4,347	–
Buy-backs and cancellation of shares (see note 23(c))	–	–	–	(121)	–	(121)
Balance at 31 December 2022 and 1 January 2023	**6,610**	**(7,320)**	**1,304**	**81,916**	**4,347**	**86,857**
Changes in equity for 2023:						
Profit for the year	**–**	**–**	**–**	**6,003**	**–**	**6,003**
Other comprehensive income	**–**	**1,778**	**(52)**	**175**	**–**	**1,901**
Total comprehensive income	**–**	**1,778**	**(52)**	**6,178**	**–**	**7,904**
Final dividend in respect of the previous year approved and paid (see note 23(b)(ii))	**–**	**–**	**–**	**–**	**(4,347)**	**(4,347)**
Interim dividend paid (see note 23(b)(i))	**–**	**–**	**–**	**(1,662)**	**–**	**(1,662)**
Proposed final dividend (see note 23(b)(i))	**–**	**–**	**–**	**(4,348)**	**4,348**	**–**
Balance at 31 December 2023	**6,610**	**(5,542)**	**1,252**	**82,084**	**4,348**	**88,752**

The notes on pages 78 to 137 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2023
(Expressed in Hong Kong dollars)

	Note	2023 $ million	2022 $ million
Operating activities			
Cash used in operations	17(b)	**(1)**	(207)
Interest paid		**(170)**	(108)
Interest received		**1,403**	1,128
Tax paid for operations outside Hong Kong		**(96)**	(92)
Tax refunded for operations outside Hong Kong		**2**	51
Net cash generated from operating activities		**1,138**	772
Investing activities			
Payment for the purchase of property, plant and equipment		**(2)**	(1)
Decrease/(increase) in bank deposits with more than 3 months to maturity when placed		**1,266**	(2,642)
Investment in joint ventures		**(638)**	(266)
Repayment of loan from a joint venture		**233**	56
Repayment of loan from an associate		**179**	–
Net cash (paid)/received on hedging instruments		**(153)**	1,494
Distribution from an associate		**–**	667
Dividends received from joint ventures		**2,202**	3,324
Dividends received from associates		**1,456**	1,318
Dividends received from equity securities		**69**	58
Net cash generated from investing activities		**4,612**	4,008
Financing activities			
Repayment of bank loans	17(d)	**(179)**	–
Capital element of lease rentals paid	17(d)	**(2)**	(2)
Payment for buy-back of shares	23(c)	**–**	(121)
Dividends paid to equity shareholders of the Company		**(6,009)**	(6,019)
Net cash used in financing activities		**(6,190)**	(6,142)
Net decrease in cash and cash equivalents		**(440)**	(1,362)
Cash and cash equivalents at 1 January		**2,883**	4,241
Effect of foreign exchange rate changes		**13**	4
Cash and cash equivalents at 31 December	17(a)	**2,456**	2,883

The notes on pages 78 to 137 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. Material 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. Material accounting policies adopted by the Group are disclosed 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 2023 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 29.

(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. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. 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.

When the group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests ("NCI") and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

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 in which the Group has joint control, whereby the Group has the rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. An associate is an entity in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

An interest in a joint venture or an associate is accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group classified as held for sale). They are initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those investees, until the date on which significant influence or joint control ceases.

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 expected credit loss ("ECL") model to such other long-term interests where applicable (see note 2(l)(i))).

(f) Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see note 2(l)(ii)).

2. Material accounting policies (Continued)

(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 24(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 ECLs, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is reclassified from equity to profit or loss.

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

Equity investments

An investment in equity securities is classified as at FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable 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

The Group holds derivative financial instruments to manage its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial assets and certain criteria are met.

Derivative financial instruments are initially measured at fair value. Subsequently, they are measured at fair value with changes therein recognised in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation (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

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve within equity. The effective portion that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion is recognised immediately in profit or loss.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve is removed from the reserve and is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve is reclassified through other comprehensive income to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss. If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting is discontinued, 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 future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve is immediately reclassified through other comprehensive income to profit or loss.

2. Material accounting policies (Continued)

(i) Hedging (Continued)

(iii) Hedge of net investments in foreign operations

The effective portion of any foreign exchange gains or losses on the borrowings is recognised in other comprehensive income and presented in the exchange reserve within equity. Any ineffective portion is recognised immediately in profit or loss. The amount accumulated in the exchange reserve is fully or partially reclassified through other comprehensive income to profit or loss as a reclassification adjustment on disposal or partial disposal of the foreign operation, respectively.

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.

(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
Properties leased for own use	Shorter of the unexpired term of lease and the properties' estimated useful life

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)).

2. Material accounting policies (Continued)

(k) Leased assets (Continued)

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.

In the Group's consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within 12 months after reporting period.

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for ECLs on the financial assets measured at amortised cost.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

– fixed-rate financial assets, other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof; and

– variable-rate financial assets: current effective interest rate.

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

ECLs are measured on either of the following bases:

– 12-month ECLs: these are the portion of ECLs that result from default events that are possible within 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); 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.

The Group measures loss allowance at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

– financial instruments that are determined to have low credit risk at the reporting date; and

– other financial instruments (including loan commitments issued) for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for other receivables and contract assets are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk
When determining whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of default occurring on the loan to which the loan commitment relates.

The Group considers a financial asset to be in default when:

– the debtor 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

– the financial asset is 90 days past due.

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) that does not reduce the carrying amount of the financial asset in the statement of financial position.

2. Material accounting policies (Continued)

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

(i) Credit losses from financial instruments (Continued)

Credit-impaired financial assets
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 being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; 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 or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

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

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

(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) Other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and 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 and including 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) Other payables

Other payables are initially recognised at fair value. Subsequent to initial recognition, other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

2. Material accounting policies (Continued)

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

(q) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Defined benefit scheme obligations

The Group has the following two categories of defined benefit plans:

– defined benefit retirement plans registered under the Hong Kong Occupational Retirement Schemes Ordinance (the "ORSO plans"); and

– Long Service Payment ("LSP") under the Hong Kong Employment Ordinance.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. For ORSO plans, the net obligation is after deducting the fair value of plan assets. For LSP obligations, the estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's Mandatory Provident Fund ("MPF") contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

The calculation of defined benefit obligation is performed by a qualified actuary using the "Projected Unit Credit Method". For ORSO plans, when the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements arising from defined benefit plans, which comprise actuarial gains and losses, the return on plan assets in ORSO plans (excluding interest) and the effect of any asset ceiling (excluding interest), are recognised immediately in other comprehensive income. Net interest expense for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

(r) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

– temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

– taxable temporary differences arising on the initial recognition of goodwill; and

– those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

2. Material accounting policies (Continued)

(s) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

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

(t) Revenue recognition

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

Interest income is recognised using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(u) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

However, foreign currency differences arising from the translation of the following items are recognised in other comprehensive income:

– a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and

– qualifying cash flow hedges to the extent that the hedges are effective.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Hong Kong dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Hong Kong dollars at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognised, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(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.

(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.

2. Material accounting policies (Continued)

(w) Related parties (Continued)

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

(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 a number of amendments to HKFRSs that are first effective for the current accounting period of the Group and new guidance on the abolition of the MPF-LSP offsetting mechanism.

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 in this financial report. 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 and dividends from other financial assets.

	2023 $ million	2022 $ million
Interest income	**1,223**	1,207
Dividend income	**69**	58
	1,292	1,265
Share of revenue of joint ventures	**18,943**	18,345

5. 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 three reportable segments (United Kingdom, Australia 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.

6. Other operating costs

Other operating costs represents cost of service and investment related expenses, other income and expenses.

7. Finance costs

	2023 $ million	2022 $ million
Interest on borrowings and other finance costs	**143**	104

8. Profit before taxation

	2023 $ million	2022 $ million
Profit before taxation is arrived at after charging/(crediting):		
Interest income on financial assets measured at amortised cost	**(218)**	(68)
Net exchange (gain)/loss	**(35)**	30
Staff costs	**32**	32
Depreciation	**4**	3
Auditors' remuneration		
– audit and audit related work		
– KPMG	**3**	3
– other auditors	**1**	1
– non-audit work		
– KPMG	**1**	1
– other auditors	**2**	1

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

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

	2023 $ million	2022 $ million
Current tax – operations outside Hong Kong		
Provision for the year	219	59
Deferred tax (see note 22(b))		
Origination and reversal of temporary differences	30	130
	249	189

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:

	2023 $ million	2022 $ million
Profit before taxation	6,252	5,838
Less: Share of results of joint ventures	(3,582)	(2,994)
Share of results of associates	(1,682)	(1,784)
	988	1,060
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	175	154
Tax effect of non-deductible expenses	269	180
Tax effect of non-taxable income	(205)	(154)
Tax effect of unused tax losses not recognised	10	9
Actual tax expense	249	189

10. 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 [20] $ million	Retirement scheme contributions $ million	Bonuses $ million	2023 Total emoluments $ million	2022 Total emoluments $ million
Executive Directors						
Fok Kin Ning, Canning [3] [13]						
Chairman	0.12	–	–	–	0.12	0.12
Tsai Chao Chung, Charles [5] [14]						
Chief Executive Officer	0.09	3.72	–	1.07	4.88	5.00
Chan Loi Shun [5] [15] [18]	0.09	5.84	–	–	5.93	5.73
Cheng Cho Ying, Francis [11] [19]	0.04	–	–	–	0.04	–
Andrew John Hunter	0.07	0.15	–	–	0.22	0.24
Neil Douglas McGee	0.07	–	–	–	0.07	0.07
Wan Chi Tin [12] [16]	0.03	–	–	–	0.03	0.07
Non-executive Directors						
Victor T K Li [4] [17]	0.09	–	–	–	0.09	0.09
Stephen Edward Bradley [1] [4] [8]	0.09	–	–	–	0.09	0.06
Ip Yuk-keung, Albert [1] [2] [4] [5]	0.18	–	–	–	0.18	0.18
Koh Poh Wah [1] [2] [3] [10]	0.16	–	–	–	0.16	0.15
Kwan Chi Kin, Anthony [1] [3] [9]	0.09	–	–	–	0.09	0.06
Leung Hong Shun, Alexander	0.07	–	–	–	0.07	0.07
Lui Wai Yu, Albert [1] [3] [7]	–	–	–	–	–	0.03
Ralph Raymond Shea [1] [2] [3] [4] [6]	–	–	–	–	–	0.07
Wu Ting Yuk, Anthony [1] [2]	0.14	–	–	–	0.14	0.14
Total for the year 2023	1.33	9.71	–	1.07	12.11	
Total for the year 2022	1.36	9.38	0.31	1.03		12.08

Notes:

(1) Independent Non-executive Director

(2) Member of the Audit Committee

(3) Member of the Remuneration Committee

(4) Member of the Nomination Committee

(5) Member of the Sustainability Committee

(6) Resigned as an Independent Non-executive Director and ceased to be the Chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee with effect from the conclusion of the annual general meeting of the Company held on 18 May 2022 (the "2022 AGM").

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

Notes: (Continued)

(7) Resigned as an Independent Non-executive Director and ceased to be a member of the Remuneration Committee with effect from the conclusion of the 2022 AGM.

(8) Appointed as an Independent Non-executive Director and a member of the Nomination Committee with effect from the conclusion of the 2022 AGM.

(9) Appointed as an Independent Non-executive Director and a member of the Remuneration Committee with effect from the conclusion of the 2022 AGM.

(10) Appointed as the Chairman of the Remuneration Committee with effect from the conclusion of the 2022 AGM.

(11) Appointed as an Executive Director with effect from 1 July 2023.

(12) Resigned as an Executive Director with effect from 1 July 2023.

(13) 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.

(14) During the year, Mr. Tsai Chao Chung, Charles received director's emoluments of THB474,371 from Ratchaburi Power Company 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 THB474,371 from Ratchaburi Power Company Limited and $3,579,500 from HK Electric Investments Limited, which are associates of the Group. The director's emoluments received were paid back to the Company.

(16) During the year, Mr. Wan Chi Tin received director's emoluments of $44,630 from HK Electric Investments Limited, which is an associate of the Group. The director's emoluments received were paid back to the Company.

(17) During the year, Mr. Victor T K Li received director's emoluments of $90,000 from HK Electric Investments Limited, which is an associate of the Group. The director's emoluments received were paid back to the Company.

(18) During the year, Mr. Chan Loi Shun received director's emoluments of $5,927,100 from the Company.

(19) During the year, Mr. Cheng Cho Ying, Francis received director's emoluments of $45,370 from HK Electric Investments Limited, which is an associate of the Group. The director's emoluments received were paid back to the Company.

(20) 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 (2022: two) whose total emoluments are shown above. The remuneration of the other three individuals (2022: three) who comprises the five highest paid individuals of the Group is set out below:

	2023 $ million	2022 $ million
Salary and other benefits	**10.2**	10.0
Retirement scheme contributions	**0.5**	0.5
	10.7	10.5

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

	2023 Number	2022 Number
$1,500,001 - $2,000,000	**1**	2
$2,000,001 - $2,500,000	**2**	1
$3,500,001 - $4,000,000	**1**	1
$4,000,001 - $4,500,000	**1**	1

The remuneration of directors and senior management is as follows:

	2023 $ million	2022 $ million
Short-term employee benefits	**25**	25
Post-employment benefits	**1**	1
	26	26

11. Earnings per share

The calculation of earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $6,003 million (2022: $5,649 million) and 2,131,105,154 ordinary shares (2022: weighted average of 2,133,515,443 ordinary shares) in issue during the year.

There were no dilutive potential ordinary shares in existence during the years ended 31 December 2023 and 2022.

12. 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 2022	1	6	7	13	6	26
Additions	–	1	1	–	–	1
At 31 December 2022 and 1 January 2023	**1**	**7**	**8**	**13**	**6**	**27**
Additions	**–**	**2**	**2**	**–**	**3**	**5**
At 31 December 2023	**1**	**9**	**10**	**13**	**9**	**32**
Accumulated amortisation and depreciation:						
At 1 January 2022	–	4	4	1	1	6
Charge for the year	–	1	1	–	2	3
At 31 December 2022 and 1 January 2023	**–**	**5**	**5**	**1**	**3**	**9**
Charge for the year	**–**	**1**	**1**	**–**	**3**	**4**
At 31 December 2023	**–**	**6**	**6**	**1**	**6**	**13**
Net book value:						
At 31 December 2023	**1**	**3**	**4**	**12**	**3**	**19**
At 31 December 2022	1	2	3	12	3	18

13. Interest in joint ventures

	2023 $ million	2022 $ million
Share of net assets of unlisted joint ventures	**52,079**	45,759
Loans to unlisted joint ventures (see note below)	**9,451**	11,221
Amounts due from unlisted joint ventures (see note below)	**139**	351
	61,669	57,331
Share of total assets of unlisted joint ventures	**146,620**	132,482

The loans to unlisted joint ventures are unsecured, interest bearing at rates ranging from 4.4% per annum to 11.0% per annum (2022: 4.0% per annum to 11.0% per annum) and have no fixed repayment terms.

Included in the loans to unlisted joint ventures are subordinated loans totalling $9,202 million (2022: $10,984 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 135 to 136.

(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		CK William		Australian Gas Networks		Husky Midstream L.P.		Northern Gas Networks		Wales & West Gas Networks	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	$ million	$ million	**$ million**	$ million	**$ million**	$ million	**$ million**	$ million	**$ million**	$ million	**$ million**	$ million
Current assets	**6,931**	4,748	**4,793**	4,371	**1,535**	927	**931**	1,164	**2,430**	2,143	**4,290**	2,375
Non-current assets	**157,481**	140,904	**90,886**	89,559	**34,683**	33,592	**17,373**	17,244	**34,184**	31,515	**42,436**	38,668
Current liabilities	**(15,033)**	(12,898)	**(13,433)**	(8,728)	**(3,472)**	(2,438)	**(2,480)**	(284)	**(2,611)**	(2,080)	**(1,535)**	(1,688)
Non-current liabilities	**(85,972)**	(75,854)	**(57,313)**	(61,361)	**(18,477)**	(18,487)	**(3,959)**	(6,623)	**(24,352)**	(22,222)	**(30,843)**	(34,913)

The above amounts of assets and liabilities include the following:

	UK Power Networks		CK William		Australian Gas Networks		Husky Midstream L.P.		Northern Gas Networks		Wales & West Gas Networks	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	$ million	$ million	**$ million**	$ million	**$ million**	$ million	**$ million**	$ million	**$ million**	$ million	**$ million**	$ million
Cash and cash equivalents	**1,339**	1,254	**1,284**	1,422	**388**	78	**188**	216	**154**	65	**3,888**	2,066
Current financial liabilities (excluding trade and other payables and provisions)	**(5,119)**	(3,737)	**(9,798)**	(5,195)	**(2,495)**	(1,521)	**(2,366)**	–	**–**	(189)	**–**	–
Non-current financial liabilities (excluding trade and other payables and provisions)	**(58,174)**	(52,976)	**(47,759)**	(52,166)	**(14,429)**	(15,019)	**(3,661)**	(6,386)	**(19,213)**	(17,230)	**(26,987)**	(31,787)

13. Interest in joint ventures (Continued)

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

	UK Power Networks		CK William		Australian Gas Networks		Husky Midstream L.P.		Northern Gas Networks		Wales & West Gas Networks	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	$ million	$ million	**$ million**	$ million	**$ million**	$ million	**$ million**	$ million	**$ million**	$ million	**$ million**	$ million
Revenue	**17,997**	16,930	**11,212**	10,994	**3,278**	3,570	**2,744**	2,455	**4,961**	4,709	**5,144**	4,520
Profit/(loss) from continuing operations	**4,522**	3,590	**606**	1,068	**765**	1,027	**1,649**	1,533	**1,072**	502	**(201)**	(127)
Other comprehensive income for the year	**1,305**	1,129	**(408)**	1,591	**(280)**	898	**(22)**	115	**(455)**	1,422	**816**	1,570
Total comprehensive income for the year	**5,827**	4,719	**198**	2,659	**485**	1,925	**1,627**	1,648	**617**	1,924	**615**	1,443
Dividends received from the joint ventures during the year	**932**	1,157	**1**	81	**–**	280	**745**	1,198	**327**	292	**–**	–

The above profit or loss for the year includes the following:

	UK Power Networks		CK William		Australian Gas Networks		Husky Midstream L.P.		Northern Gas Networks		Wales & West Gas Networks	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	$ million	$ million	**$ million**	$ million	**$ million**	$ million	**$ million**	$ million	**$ million**	$ million	**$ million**	$ million
Depreciation and amortisation	**(3,145)**	(3,477)	**(2,771)**	(2,626)	**(710)**	(577)	**(616)**	(629)	**(847)**	(847)	**(789)**	(755)
Interest income	**312**	261	**43**	17	**5**	1	**11**	8	**35**	–	**131**	28
Interest expense	**(3,376)**	(1,941)	**(2,832)**	(2,204)	**(689)**	(664)	**(372)**	(345)	**(849)**	(977)	**(2,906)**	(1,678)
Income tax (expense)/credit	**(1,758)**	(3,333)	**(362)**	(636)	**(387)**	(520)	**–**	–	**(229)**	(212)	**47**	(182)

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		CK William		Australian Gas Networks		Husky Midstream L.P.		Northern Gas Networks		Wales & West Gas Networks	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	$ million	$ million	**$ million**	$ million	**$ million**	$ million	**$ million**	$ million	**$ million**	$ million	**$ million**	$ million
Net assets of the joint ventures	**63,407**	56,900	**24,933**	23,841	**14,269**	13,594	**11,865**	11,501	**9,651**	9,356	**14,348**	4,442
Group's effective interest	**40.0%**	40.0%	**20.0%**	20.0%	**27.51%**	27.51%	**48.75%**	48.75%	**41.29%**	41.29%	**36.0%**	36.0%
Group's share of net assets of the joint ventures	**25,363**	22,761	**4,987**	4,768	**3,926**	3,740	**5,783**	5,606	**3,985**	3,862	**5,165**	1,598
Consolidation adjustments	**63**	61	**54**	185	**–**	–	**255**	80	**–**	–	**(133)**	287
Carrying amount of the Group's interest in the joint ventures	**25,426**	22,822	**5,041**	4,953	**3,926**	3,740	**6,038**	5,686	**3,985**	3,862	**5,032**	1,885

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

	2023 $ million	2022 $ million
The Group's share of net assets	**2,631**	2,811
The Group's share of profit from continuing operations	**267**	155
The Group's share of other comprehensive income	**101**	47
The Group's share of total comprehensive income	**368**	202

14. Interest in associates

	2023 $ million	2022 $ million
Share of net assets		
– Listed associate	**16,572**	16,690
– Unlisted associates	**7,300**	7,274
	23,872	23,964
Loans to unlisted associates (see note below)	**3,108**	3,252
Amounts due from associates (see note below)	**48**	89
	27,028	27,305

The market value (level 1 fair value measurement (see note 24(f))) of above listed associate, HKEI, at 31 December 2023 is $13,890 million (2022: $15,246 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 (2022: 10.9% per annum to 11.2% per annum) and have no fixed repayment terms.

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.

Details of each of the Group's material associates at the end of the reporting period are set out in Appendix 4 on page 137.

14. Interest in associates (Continued)

(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	
	2023	2022	**2023**	2022	**2023**	2022
	$ million	$ million	**$ million**	$ million	**$ million**	$ million
Current assets	**2,493**	5,294	**1,888**	1,893	**2,662**	2,181
Non-current assets	**116,047**	115,708	**42,312**	40,823	**56,648**	53,919
Current liabilities	**(5,118)**	(5,527)	**(7,938)**	(7,707)	**(10,566)**	(6,298)
Non-current liabilities	**(64,444)**	(66,142)	**(30,923)**	(29,620)	**(36,857)**	(38,564)

	HKEI		SA Power Networks		Victoria Power Networks	
	2023	2022	**2023**	2022	**2023**	2022
	$ million	$ million	**$ million**	$ million	**$ million**	$ million
Revenue	**11,406**	10,793	**6,567**	6,428	**8,494**	8,333
Profit from continuing operations	**3,156**	2,954	**269**	301	**1,504**	1,483
Other comprehensive income for the year	**(685)**	812	**(240)**	1,246	**(340)**	1,257
Total comprehensive income for the year	**2,471**	3,766	**29**	1,547	**1,164**	2,740
Dividends received from the associates during the year	**945**	945	**25**	16	**182**	137

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	
	2023	2022	**2023**	2022	**2023**	2022
	$ million	$ million	**$ million**	$ million	**$ million**	$ million
Net assets of the associates	**48,978**	49,333	**5,339**	5,389	**11,887**	11,238
Group's effective interest	**33.37%**	33.37%	**27.93%**	27.93%	**27.93%**	27.93%
Group's share of net assets of the associates	**16,346**	16,464	**1,490**	1,504	**3,320**	3,139
Consolidation adjustments	**226**	226	**–**	–	**–**	–
Carrying amount of the Group's interest in the associates	**16,572**	16,690	**1,490**	1,504	**3,320**	3,139

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

	2023 $ million	2022 $ million
The Group's share of net assets	2,490	2,631
The Group's share of profit from continuing operations	134	300
The Group's share of other comprehensive income	(9)	33
The Group's share of total comprehensive income	125	333

15. Other non-current financial assets

	2023 $ million	2022 $ million
Financial assets measured at FVPL		
– unlisted equity securities	303	303
– other investments	797	797
	1,100	1,100

16. Other receivables

	2023 $ million	2022 $ million
Interest and other receivables	129	132
Derivative financial instruments (see note 20)	24	852
Deposits and prepayments	5	2
	158	986

Receivables are carried out on credit and invoices are normally due within one month after issued. Further details on the Group's credit policy is set out in note 24(a).

17. Bank deposits and cash and other cash flow information

(a) Bank deposits and cash comprise:

	2023 $ million	2022 $ million
Deposits with banks and other financial institutions with 3 months or less to maturity when placed	2,394	2,790
Cash at bank and on hand	62	93
Cash and cash equivalents in the consolidated cash flow statement	2,456	2,883
Deposits with banks and other financial institutions with more than 3 months to maturity when placed	1,745	3,011
Bank deposits and cash in the consolidated statement of financial position	4,201	5,894

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

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

	Note	2023 $ million	2022 $ million
Profit before taxation		6,252	5,838
Adjustments for:			
Share of results of joint ventures		(3,582)	(2,994)
Share of results of associates		(1,682)	(1,784)
Interest income	4, 8	(1,441)	(1,275)
Dividend income from unlisted equity securities	4	(69)	(58)
Finance costs	7	143	104
Depreciation	8	4	3
Exchange loss		820	462
Changes in working capital:			
Decrease in other receivables		1	3
Decrease in other payables		(477)	(502)
Decrease/(increase) in amounts due from joint ventures/associates		26	(6)
Increase in net employee retirement benefit liabilities		4	2
Cash used in operations		(1)	(207)

(c) Funds from operations

Funds from operations represent net cash from operating activities, repayment of loan from a joint venture and an associate, and dividends received from joint ventures, associates and equity securities.

	2023 $ million	2022 $ million
Net cash generated from operating activities	1,138	772
Repayment of loan from a joint venture	233	56
Repayment of loan from an associate	179	–
Dividends received from joint ventures	2,202	3,324
Dividends received from associates	1,456	1,318
Dividends received from equity securities	69	58
	5,277	5,528

(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	Lease liabilities	Interest rate swaps held to hedge borrowings – assets	Interest rate swaps held to hedge borrowings – liabilities	Total
At 1 January 2022	3,433	5	–	150	3,588
Changes from financing cash flows:					
Capital element of lease rentals paid	–	(2)	–	–	(2)
Exchange adjustments	(204)	–	–	–	(204)
Change in fair values	–	–	(87)	(150)	(237)
Other changes:					
Others	7	–	–	–	7
At 31 December 2022 and 1 January 2023	**3,236**	**3**	**(87)**	**–**	**3,152**
Changes from financing cash flows:					
Repayment of bank loans	**(179)**	**–**	**–**	**–**	**(179)**
Capital element of lease rentals paid	**–**	**(2)**	**–**	**–**	**(2)**
Exchange adjustments	**35**	**–**	**–**	**–**	**35**
Change in fair values	**–**	**–**	**45**	**–**	**45**
Other changes:					
Increase in lease liabilities	**–**	**3**	**–**	**–**	**3**
Others	**5**	**–**	**–**	**–**	**5**
At 31 December 2023	**3,097**	**4**	**(42)**	**–**	**3,059**

18. Other payables

	2023 $ million	2022 $ million
Creditors measured at amortised cost	**2,896**	3,915
Lease liabilities	**3**	2
Derivative financial instruments (see note 20)	**119**	17
	3,018	3,934

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

19. Bank loans and other interest-bearing borrowings

	2023 $ million	2022 $ million
Bank loans and others	**3,097**	3,236
Current portion	**–**	–
Non-current portion	**3,097**	3,236

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 24(b). As at 31 December 2023 and 2022, 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:

	2023 $ million	2022 $ million
Within 2 years to 5 years	**3,097**	3,236

20. Derivative financial instruments

	2023 Assets $ million	2023 Liabilities $ million	2022 Assets $ million	2022 Liabilities $ million
Derivative financial instruments used for hedging:				
Cash flow hedges				
Interest rate swaps	42	–	87	–
Net investment hedges				
Cross currency swaps	443	–	1,130	–
Forward foreign exchange contracts	1,060	(318)	1,522	(44)
	1,545	(318)	2,739	(44)
Analysed as:				
Current	24	(119)	852	(17)
Non-current	1,521	(199)	1,887	(27)
	1,545	(318)	2,739	(44)

21. 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 21(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.

21. 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 21(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 2021. 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 2023 was determined in accordance with HKAS 19 (2011), *Employee benefits*.

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

	2023 $ million	2022 $ million
Present value of defined benefit obligations	**(243)**	(240)
Fair value of assets of the Schemes	**146**	153
	(97)	(87)
Represented by:		
Employee retirement benefit assets	**6**	6
Employee retirement benefit liabilities	**(103)**	(93)
	(97)	(87)

The assets of the Schemes did not include ordinary shares issued by the Company for the years ended 31 December 2023 and 2022.

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:

	2023 $ million	2022 $ million
At 1 January	**240**	355
Interest cost	**9**	5
Actuarial loss/(gain) due to:		
– liability experience	**4**	(28)
– changes in financial assumptions	**9**	(58)
– changes in demographic assumptions	**–**	(1)
Benefits paid	**(19)**	(33)
At 31 December	**243**	240

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

	2023 $ million	2022 $ million
At 1 January	**153**	216
Interest income on the Schemes' assets	**5**	3
Return on the Schemes' assets, excluding interest income	**7**	(33)
Benefits paid	**(19)**	(33)
At 31 December	**146**	153

The Group expects to contribute below $1 million to the Schemes in 2024.

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

	2023 $ million	2022 $ million
Net interest on net defined benefit asset/liability	**4**	2

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

	2023 $ million	2022 $ million
Other operating costs	**4**	2

21. 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:

	2023 $ million	2022 $ million
At 1 January	**110**	164
Remeasurement of net defined benefit asset/liability recognised in the consolidated statement of comprehensive income during the year	**6**	(54)
At 31 December	**116**	110

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

	2023 $ million	2022 $ million
Hong Kong equities	**27**	29
European equities	**8**	10
North American equities	**37**	35
Asia Pacific and other equities	**12**	12
Global bonds	**62**	67
	146	153

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:

	2023	2022
Discount rate		
– The Pension Scheme	**3.5%**	4.0%
– The Guaranteed Return Scheme	**2.9%**	3.4%
Future pension increase rate	**2.5%**	2.5%

(ix) Sensitivity analysis

(a) The Pension Scheme

	Increase/(decrease) in defined benefit obligations 2023 $ million	2022 $ million
Actuarial assumptions		
Discount rate		
– increase by 0.25%	**(5)**	(5)
– decrease by 0.25%	**5**	5
Pension increase rate		
– increase by 0.25%	**5**	5
– decrease by 0.25%	**(4)**	(4)
Mortality rate applied to specific age		
– set forward 1 year	**(9)**	(8)
– set backward 1 year	**9**	8

(b) The Guaranteed Return Scheme

	Increase/(decrease) in defined benefit obligations 2023 $ million	2022 $ million
Actuarial assumptions		
Discount rate		
– increase by 0.25%	**–**	–
– decrease by 0.25%	**–**	–
Interest to be credited		
– increase by 0.25%	**–**	–

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.

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

	2023 No. of years	2022 No. of years
The Pension Scheme	**8.8**	8.9
The Guaranteed Return Scheme	**5.0**	5.5

21. Employee retirement benefits (Continued)

(b) Defined contribution retirement scheme

	2023 $ million	2022 $ million
Expenses recognised in profit or loss	**1**	1

No forfeited contributions have been received during the year (2022: $Nil).

22. Income tax in the consolidated statement of financial position

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

	2023 $ million	2022 $ million
Tax provision for the year	**219**	59
Provisional tax paid	**(96)**	(92)
Tax refund	**2**	–
Tax provision relating to prior years	**106**	137
Current tax payable	**231**	104

(b) Deferred tax liabilities

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

$ million	Cash flow hedges	Tax losses/ undistributed profits of joint venture	Total
At 1 January 2022	45	(134)	(89)
Charged to profit or loss	(1)	(129)	(130)
(Charged)/credited to other comprehensive income	(71)	15	(56)
At 31 December 2022 and 1 January 2023	**(27)**	**(248)**	**(275)**
Charged to profit or loss	**–**	**(30)**	**(30)**
Credited/(charged) to other comprehensive income	**14**	**(10)**	**4**
At 31 December 2023	**(13)**	**(288)**	**(301)**

The Group had no material unrecognised deferred tax assets or liabilities as at 31 December 2023 and 2022.

23. 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:

	2023 $ million	2022 $ million
Interim dividend declared and paid of $0.78 per ordinary share (2022: $0.78 per ordinary share)	**1,662**	1,665
Final dividend proposed after the end of the reporting period of $2.04 per ordinary share (2022: $2.04 per ordinary share)	**4,348**	4,347
	6,010	6,012

The final dividend proposed after the end of the reporting period is based on 2,131,105,154 ordinary shares (2022: 2,131,105,154 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.

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

	2023 $ million	2022 $ million
Final dividend in respect of the previous financial year, approved and paid during the year, of $2.04 per ordinary share (2022: $2.04 per ordinary share)	**4,347**	4,354

(c) Share capital

	Number of shares	**$ million**
Issued and fully paid		
Voting ordinary shares		
At 1 January 2022	2,134,261,654	6,610
Buy-backs and cancellation of shares	(3,156,500)	–
At 31 December 2022, 1 January 2023 and 31 December 2023	**2,131,105,154**	**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.

23. Capital, reserves and dividends (Continued)

(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 2022	29	2,838	(7,280)	(4,413)
Exchange differences on translating operations outside Hong Kong, including joint ventures and associates	–	–	(4,919)	(4,919)
Effective portion of changes in fair value of hedging instruments recognised in other comprehensive income (see note 24(d)(i))	–	2,019	–	2,019
Cost of hedging – changes in fair value recognised in other comprehensive income	(7)	–	–	(7)
	(7)	2,019	(4,919)	(2,907)
Balance at 31 December 2022 and 1 January 2023	**22**	**4,857**	**(12,199)**	**(7,320)**
Exchange differences on translating operations outside Hong Kong, including joint ventures and associates	–	–	2,446	2,446
Effective portion of changes in fair value of hedging instruments recognised in other comprehensive income (see note 24(d)(i))	–	(660)	–	(660)
Cost of hedging – changes in fair value recognised in other comprehensive income	(8)	–	–	(8)
	(8)	(660)	2,446	1,778
Balance at 31 December 2023	**14**	**4,197**	**(9,753)**	**(5,542)**

(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).

	2023 $ million	2022 $ million
Balance at 1 January	**1,304**	(2,573)
Effective portion of the cash flow hedge recognised in other comprehensive income	**(34)**	5,146
Amounts reclassified to profit or loss (see note below)	**(34)**	52
Related tax	**16**	(1,321)
Balance at 31 December (see note below)	**1,252**	1,304

Amount reclassified to profit or loss are recognised in the "Finance costs" line item in the consolidated statement of profit or loss (see note 7). The entire balance at 31 December 2023 and 2022 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).

23. Capital, reserves and dividends (Continued)

(e) Capital management (Continued)

During 2023, the Group's strategy, which was unchanged from 2022, 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 2023, the net cash position of the Group amounted to $1,104 million (2022: $2,658 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.

24. 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 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 26, 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 26.

The Group has no significant concentration of credit risk arising from other receivables, with exposure spread over a number of counterparties.

The Group measures loss allowances for other receivables at an amount equal to lifetime ECLs (see note 2(l)(i)). No loss allowances are recognised as at 31 December 2023 (2022: $Nil) based on historical actual loss experience.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from other receivables are set out in note 16.

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:

		2023			2022		
$ 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	20						
Cross currency swaps		443	–	443	1,130	(27)	1,103
Interest rate swaps		42	–	42	87	–	87
Forward foreign exchange contracts		1,060	(96)	964	1,522	–	1,522
Total		1,545	(96)	1,449	2,739	(27)	2,712
Financial liabilities	20						
Forward foreign exchange contracts		318	(96)	222	44	(27)	17

(b) Liquidity risk

The Group operates a central cash management system for all its subsidiaries in order to achieve a better control of risk and minimise the costs of funds. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with loan covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding to meet its liquidity requirements in the short and longer term. The Group had bank deposits and cash $4,201 million (2022: $5,894 million) and no undrawn committed bank facilities at 31 December 2023 (2022: $Nil).

24. Financial risk management (Continued)

(b) Liquidity risk (Continued)

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:

	2023 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 interest accruals	161	160	3,137	–	3,458
Other payables	2,893	–	–	–	2,893
Derivative financial instruments					
Net settled					
Interest rate swaps	(45)	(5)	–	–	(50)
Gross settled					
Forward foreign exchange contracts:					
– outflow	5,453	3,920	6,212	4,273	19,858
– inflow	(5,349)	(4,368)	(6,724)	(4,462)	(20,903)
Cross currency swaps and related interest accruals:					
– outflow	249	244	8,178	–	8,671
– inflow	(202)	(199)	(8,817)	–	(9,218)
	3,160	(248)	1,986	(189)	4,709

	2022 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 interest accruals	125	125	3,398	–	3,648
Other payables	3,912	–	–	–	3,912
Derivative financial instruments					
Net settled					
Interest rate swaps	(9)	(9)	–	–	(18)
Gross settled					
Forward foreign exchange contracts:					
– outflow	4,842	1,148	6,637	1,419	14,046
– inflow	(5,015)	(1,203)	(7,851)	(1,715)	(15,784)
Cross currency swaps and related interest accruals:					
– outflow	5,292	248	8,422	–	13,962
– inflow	(5,987)	(202)	(9,016)	–	(15,205)
	3,160	107	1,590	(296)	4,561

(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 at least a significant portion of its debt at fixed interest rate. 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:

	2023	2022
Notional amount ($ million)	**2,801**	3,249
Maturity date	**2025**	2025
Weighted average fixed swap rates	**2.70%**	2.70%

The carrying amount of interest rate swaps at 31 December 2023 was an asset of $42 million (2022: an asset of $87 million).

24. Financial risk management (Continued)

(c) Interest rate risk (Continued)

(ii) Interest rate profile

The following table details the interest rate profile of the Group's net interest-bearing assets and liabilities at the end of the reporting period, after taking into account the effect of interest rate swaps designated as cash flow hedging instruments (see (i) above):

	2023		2022	
	Weighted average interest rate %	**$ million**	Weighted average interest rate %	$ million
Net fixed rate assets/(liabilities)				
Loans to unlisted joint ventures/ associates	**10.1**	**8,287**	10.0	8,425
Deposits with banks and other financial institutions	**5.8**	**4,139**	5.1	5,801
Cross currency swaps	**N/A**	**443**	N/A	1,130
Bank loans	**3.7**	**(2,790)**	3.7	(3,236)
Lease liabilities	**4.0**	**(4)**	1.8	(3)
		10,075		12,117
Net variable rate assets/ (liabilities)				
Loans to unlisted joint ventures	**6.8**	**4,272**	5.4	6,048
Cash at bank and on hand	**–**	**62**	–	93
Other receivables	**5.3**	**84**	–	–
Bank loans	**5.4**	**(307)**	–	–
Other payables	**5.3**	**(460)**	4.3	(1,373)
		3,651		4,768

(iii) Sensitivity analysis

At 31 December 2023, 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 $26 million (2022: increased/decreased by approximately $48 million). Other components of consolidated equity would have decreased/increased by approximately $20 million (2022: decreased/increased by approximately $44 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 2022.

(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:

	2023	2022
Forward foreign exchange contracts:		
Notional amount ($ million)	**20,904**	15,784
Maturity date	**Ranging from 2024 to 2033**	Ranging from 2023 to 2031
Weighted average contract rate:		
GBP:USD	**1.4022**	1.5105
AUD:USD	**0.6687**	0.6763
USD:CAD	**1.3166**	1.2996
EUR:USD	**1.1284**	–
Cross currency swaps:		
Notional amount ($ million)	**8,518**	14,229
Maturity date	**2027**	Ranging from 2023 to 2027
Weighted average contract rate:		
EUR:USD	**–**	1.1728
GBP:USD	**–**	1.3848
AUD:USD	**0.7367**	0.7367

The carrying amount of forward foreign exchange contracts at 31 December 2023 includes an asset of $1,060 million and a liability of $318 million (2022: an asset of $1,522 million and a liability of $44 million). The carrying amount of cross currency swaps at 31 December 2023 includes an asset of $443 million and no liability (2022: an asset of $1,130 million and no liability). The change in fair value of the forward foreign exchange contracts and cross currency swaps during 2023 was a loss of $660 million (2022: a gain of $2,019 million) which were the effective portion of the hedge on investments outside Hong Kong recognised in other comprehensive income (see note 23(d)(i)).

24. 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:

	2023 Exposure to foreign currencies		
'million	USD	GBP	AUD
Receivables	21	1	9
Bank deposits and cash	365	32	23
Other payables	(59)	–	(7)
Overall exposure arising from recognised assets and liabilities	327	33	25

	2022 Exposure to foreign currencies		
'million	USD	GBP	AUD
Receivables	17	27	7
Bank deposits and cash	618	10	19
Other payables	(176)	–	(6)
Overall exposure arising from recognised assets and liabilities	459	37	20

Receivables include amounts due from joint ventures and associates, and interest and other receivables.

(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	2023 Effect on profit for the year and revenue reserve increase/(decrease)	2022 Effect on profit for the year and revenue reserve increase/(decrease)
Pounds Sterling	33	35
Australian dollars	13	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 2022.

(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 15).

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.

24. 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

	Fair value measurement at 31 December 2023 categorised into		
$ million	Level 2	Level 3	Total
Financial assets			
Other non-current financial assets	–	1,100	1,100
Derivative financial instruments:			
– Interest rate swaps	42	–	42
– Cross currency swaps	443	–	443
– Forward foreign exchange contracts	1,060	–	1,060
	1,545	1,100	2,645
Financial liabilities			
Derivative financial instruments:			
– Forward foreign exchange contracts	(318)	–	(318)

$ million	Fair value measurement at 31 December 2022 categorised into Level 2	Level 3	Total
Financial assets			
Other non-current financial assets	–	1,100	1,100
Derivative financial instruments:			
– Interest rate swaps	87	–	87
– Cross currency swaps	1,130	–	1,130
– Forward foreign exchange contracts	1,522	–	1,522
	2,739	1,100	3,839
Financial liabilities			
Derivative financial instruments:			
– Forward foreign exchange contracts	(44)	–	(44)

(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.

24. Financial risk management (Continued)

(f) Fair value measurement (Continued)

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

(b) Valuation techniques and inputs in fair value measurements (Continued)

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 (2022: decreased/increased by approximately $13 million/$14 million). A 0.5% increase/decrease in growth rate, with other variable held constant, would have increased/decreased the Group's profit for the year and revenue reserve by approximately $14 million/$13 million (2022: increased/decreased by approximately $14 million/$13 million).

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

(ii) Fair values of financial assets and liabilities carried at other than fair value

Amounts due from joint ventures and associates, other receivables, 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 2023 and 2022.

25. Capital commitments

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

	2023 $ million	2022 $ million
Authorised but not contracted for:		
Capital expenditure for property, plant and equipment	**1**	2

26. Contingent liabilities

	2023 $ million	2022 $ million
Guarantees given in respect of a joint venture	**142**	253

27. Material related party transactions

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

(a) Joint ventures

Interest income received/receivable from joint ventures in respect of the loans to joint ventures amounted to $871 million (2022: $836 million) for the year. The outstanding balances with joint ventures are disclosed in note 13.

(b) Associates

(i) Interest income received/receivable from associates in respect of the loans to associates amounted to $352 million (2022: $371 million) for the year. The outstanding balances with associates are disclosed in note 14.

(ii) Other operating costs included support service charge recovered by an associate amounted to $45 million (2022: $43 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 2023 with the associate was $6 million (2022: $4 million).

(c) Key management personnel remuneration

The emoluments of key management are disclosed in note 10.

Unless otherwise stated the above material related party transactions during the year did not constitute discloseable connected transactions or continuing connected transaction for the Company under the Listing Rules.

28. Substantial shareholder of the Company

The Company is a Hong Kong listed company and its shares are widely held by the public. CK Infrastructure Holdings Limited holds approximately 36.01% of the issued share capital of the Company as at 31 December 2023 and is a substantial shareholder of the Company.

29. 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. Certain critical accounting judgements in applying the Group's accounting policies are described below.

Associates

(a) 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.

(b) CKI Spark Holdings No. Two Limited holds a 51% attributable interest in SA Power Networks Partnership. SA Power Networks Partnership is an 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.

30. Company-level Statement of Financial Position

	Note	2023 $ million	2022 $ million
Non-current assets			
Property, plant and equipment		6	5
Investments in subsidiaries	30(a)	31,382	30,306
		31,388	30,311
Current assets			
Amounts due from subsidiaries	30(b)	18,702	20,912
Other receivables		13	2
Bank deposits and cash		2,179	213
		20,894	21,127
Current liabilities			
Amounts due to subsidiaries	30(b)	(3,941)	(1,796)
Other payables		(354)	(349)
		(4,295)	(2,145)
Net current assets		16,599	18,982
Total assets less current liabilities		47,987	49,293
Non-current liabilities			
Lease liabilities		(1)	(1)
Employee retirement benefit liabilities		(103)	(93)
		(104)	(94)
Net assets		47,883	49,199
Capital and reserves			
Share capital	23(c)	6,610	6,610
Reserves		41,273	42,589
Total equity attributable to equity shareholders of the Company	30(c)	47,883	49,199

Approved and authorised for issue by the Board of Directors on 20 March 2024.

Tsai Chao Chung, Charles
Director

Chan Loi Shun
Director

30. 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 page 134.

(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 23(c))	Revenue reserve (note 23(d)(iii))	Proposed/ declared dividend (note 23(b))	Total
Balance at 1 January 2022	6,610	38,842	4,354	49,806
Changes in equity for 2022:				
Profit for the year	–	5,478	–	5,478
Other comprehensive income	–	55	–	55
Total comprehensive income	–	5,533	–	5,533
Final dividend in respect of the previous year approved and paid (see note 23(b)(ii))	–	–	(4,354)	(4,354)
Interim dividend paid (see note 23(b)(i))	–	(1,665)	–	(1,665)
Proposed final dividend (see note 23(b)(i))	–	(4,347)	4,347	–
Buy-backs and cancellation of shares (see note 23(c))	–	(121)	–	(121)
Balance at 31 December 2022 and 1 January 2023	**6,610**	**38,242**	**4,347**	**49,199**
Changes in equity for 2023:				
Profit for the year	**–**	**4,699**	**–**	**4,699**
Other comprehensive income	**–**	**(6)**	**–**	**(6)**
Total comprehensive income	**–**	**4,693**	**–**	**4,693**
Final dividend in respect of the previous year approved and paid (see note 23(b)(ii))	**–**	**–**	**(4,347)**	**(4,347)**
Interim dividend paid (see note 23(b)(i))	**–**	**(1,662)**	**–**	**(1,662)**
Proposed final dividend (see note 23(b)(i))	**–**	**(4,348)**	**4,348**	**–**
Balance at 31 December 2023	**6,610**	**36,925**	**4,348**	**47,883**

The net profit for the year of the Company is $4,699 million (2022: $5,478 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 $4,348 million. (2022: a final dividend of $2.04 per ordinary share, amounting to $4,347 million).

31. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2023 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 HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current ("2020 amendments")*	1 January 2024
• Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants ("2022 amendments")*	1 January 2024
• Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*	1 January 2024
• Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial Instruments: Disclosures: Supplier finance arrangements*	1 January 2024
• Amendments to HKAS 21, *The effects of changes in foreign exchange rates: Lack of exchangeability*	1 January 2025

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.

Appendix 1

Segment information

	2023						
		Investments					
$ million	Investment in HKEI	United Kingdom	Australia	Others	Sub-total	All other activities	Total
For the year ended 31 December							
Reportable segment revenue	–	495	638	159	1,292	–	1,292
Result							
Segment earnings	–	495	638	151	1,284	(367)	917
Depreciation and amortisation	–	–	–	–	–	(4)	(4)
Bank deposit interest income	–	–	–	–	–	218	218
Operating profit	–	495	638	151	1,284	(153)	1,131
Finance costs	–	14	(168)	11	(143)	–	(143)
Share of results of joint ventures and associates	1,053	2,299	845	1,064	4,208	3	5,264
Profit before taxation	1,053	2,808	1,315	1,226	5,349	(150)	6,252
Income tax	–	–	(50)	(195)	(245)	(4)	(249)
Reportable segment profit	1,053	2,808	1,265	1,031	5,104	(154)	6,003
At 31 December							
Assets							
Property, plant and equipment and leasehold land	–	–	–	–	–	19	19
Other assets	–	1,081	514	366	1,961	824	2,785
Interest in joint ventures and associates	16,572	40,963	21,457	9,697	72,117	8	88,697
Bank deposits and cash	–	–	–	–	–	4,201	4,201
Reportable segment assets	16,572	42,044	21,971	10,063	74,078	5,052	95,702
Liabilities							
Segment liabilities	–	(311)	(680)	(129)	(1,120)	(2,201)	(3,321)
Current and deferred taxation	–	–	(14)	(518)	(532)	–	(532)
Interest-bearing borrowings	–	–	(3,097)	–	(3,097)	–	(3,097)
Reportable segment liabilities	–	(311)	(3,791)	(647)	(4,749)	(2,201)	(6,950)

	2022						
		Investments					
$ million	Investment in HKEI	United Kingdom	Australia	Others	Sub-total	All other activities	Total
For the year ended 31 December							
Reportable segment revenue	–	550	557	158	1,265	–	1,265
Result							
Segment earnings	–	550	557	151	1,258	(159)	1,099
Depreciation and amortisation	–	–	–	–	–	(3)	(3)
Bank deposit interest income	–	–	–	–	–	68	68
Operating profit	–	550	557	151	1,258	(94)	1,164
Finance costs	–	76	(206)	26	(104)	–	(104)
Share of results of joint ventures and associates	986	1,891	1,009	889	3,789	3	4,778
Profit before taxation	986	2,517	1,360	1,066	4,943	(91)	5,838
Income tax	–	–	(18)	(171)	(189)	–	(189)
Reportable segment profit	986	2,517	1,342	895	4,754	(91)	5,649
At 31 December							
Assets							
Property, plant and equipment and leasehold land	–	–	–	–	–	18	18
Other assets	–	1,972	551	587	3,110	869	3,979
Interest in joint ventures and associates	16,690	37,152	21,080	9,706	67,938	8	84,636
Bank deposits and cash	–	–	–	–	–	5,894	5,894
Reportable segment assets	16,690	39,124	21,631	10,293	71,048	6,789	94,527
Liabilities							
Segment liabilities	–	(922)	(763)	(94)	(1,779)	(2,276)	(4,055)
Current and deferred taxation	–	–	(25)	(354)	(379)	–	(379)
Interest-bearing borrowings	–	–	(3,236)	–	(3,236)	–	(3,236)
Reportable segment liabilities	–	(922)	(4,024)	(448)	(5,394)	(2,276)	(7,670)

Appendix 2

Principal subsidiaries

The following list contains only the particulars of subsidiaries as at 31 December 2023 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
HK Electric Investments Manager Limited	HK$1	100*	Hong Kong	Trust administration
Hong Kong Electric International Finance (Australia) Pty Ltd	A$7,204,982	100*	Australia	Investing
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
Quickview Limited	US$2	100	British Virgin Islands/ Hong Kong	Investment holding

* Indirectly held

Appendix 3

Principal joint ventures

The following list contains only the particulars of joint ventures as at 31 December 2023 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$137,000,002 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 Ltd (note (i))	A$20,979,450	50%	Australia	Construction and operation of transmission assets	Equity
Transmission Operations (Australia) 2 Pty Ltd (note (i))	A$10,382,100	50%	Australia	Construction and operation of transmission assets	Equity
Transmission Operations (Australia) 3 Pty Ltd (note (i))	A$15,000,100	50%	Australia	Construction and operation of transmission assets	Equity
Transmission Operations (Australia) 4 Pty Ltd (note (i))	A$100	50%	Australia	Construction and operation of transmission assets	Equity
UK Power Networks Holdings Limited (note (j))	GBP610,000,000 Ordinary 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

Appendix 3 (Continued)

Principal joint ventures (Continued)

Notes:

(a) Australian Gas Networks Limited owns strategic gas distribution networks and transmission pipelines that operate in South Australia, Victoria, Queensland, New South Wales and the Northern Territory.

(b) AVR-Afvalverwerking B.V. is owned by Dutch Enviro Energy Holdings B.V., which is principally engaged in the business of waste processing and production and supply of renewable energy from the incineration of waste.

(c) Canadian Power Holdings Inc. holds 49.99% partnership interest in TransAlta Cogeneration L.P. which owns interest in four power plants in Alberta and Ontario, Canada. Canadian Power Holdings Inc. also holds 100% interest in the Meridian gas-fired combined cycle cogeneration plant in Saskatchewan, Canada and 100% interest in Okanagan Wind projects in British Columbia, Canada.

(d) CK William UK Holdings Limited owns 100% interest in the following companies:

Energy Developments Pty Limited
Australian Gas Infrastructure Holdings Pty Limited

Energy Developments Pty Limited owns and operates an energy generation business in Australia, the UK and North America. Australian Gas Infrastructure Holdings Pty Limited operates natural gas distribution and transmission businesses in Australia.

(e) CK William UK Holdings Limited owns 66% interest in United Energy Distribution Holdings Pty Limited, which operates an electricity distribution business in Australia.

(f) Electricity First Limited holds 50% stake in Seabank Power Limited, an electricity-generating company located near Bristol in the United Kingdom.

(g) Husky Midstream Limited Partnership has 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 and North East of England.

(i) Australian Energy Operations Pty Ltd owns 100% interest in the following companies:

Transmission Operations (Australia) Pty Ltd
Transmission Operations (Australia) 2 Pty Ltd
Transmission Operations (Australia) 3 Pty Ltd
Transmission Operations (Australia) 4 Pty Ltd

Transmission Operations (Australia) Pty Ltd and Transmission Operations (Australia) 2 Pty Ltd include the businesses of design, build, own and operate transmission lines and associated terminal stations to transport the electricity generated from the Mt. Mercer, Ararat, Moorabool and Elaine Wind Farms in Victoria, Australia to the main power grid. Transmission Operations (Australia) 3 Pty Ltd has been contracted to build, own, operate and maintain a synchronous condenser, located adjacent to the Ararat Terminal Station. Transmission Operations (Australia) 4 Pty Ltd includes the business of design, build and construct the Gnarwarre Terminal Station.

(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.

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

Appendix 4

Principal associates

The following list contains only the particulars of associates as at 31 December 2023 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 an 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 ("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	2023	2022	2021	2020	2019
Revenue	**1,292**	1,265	1,276	1,270	1,348
Operating profit	**1,131**	1,164	1,501	1,175	1,760
Finance costs	**(143)**	(104)	(125)	(86)	(96)
Share of results of joint ventures and associates	**5,264**	4,778	4,896	5,111	5,510
Profit before taxation	**6,252**	5,838	6,272	6,200	7,174
Income tax	**(249)**	(189)	(132)	(68)	(43)
Profit attributable to equity shareholders of the Company	**6,003**	5,649	6,140	6,132	7,131

Five-Year Group Statement of Financial Position

HK$ million	2023	2022	2021	2020	2019
Property, plant and equipment and leasehold land	**19**	18	20	17	19
Interest in joint ventures and associates	**88,697**	84,636	87,135	85,552	86,142
Other non-current financial assets	**1,100**	1,100	1,100	1,100	1,100
Other non-current assets	**1,527**	1,893	1,086	821	1,295
Net current assets/(liabilities)	**1,110**	2,842	1,409	(1,344)	691
Total assets less current liabilities	**92,453**	90,489	90,750	86,146	89,247
Non-current liabilities	**(3,701)**	(3,632)	(3,983)	(1,380)	(3,755)
Net assets	**88,752**	86,857	86,767	84,766	85,492
Share capital	**6,610**	6,610	6,610	6,610	6,610
Reserves	**82,142**	80,247	80,157	78,156	78,882
Capital and reserves	**88,752**	86,857	86,767	84,766	85,492

Corporate Information

Board of Directors

Executive Directors

FOK Kin Ning, Canning *(Chairman)*
(Retired on 1 April 2024)
Andrew John HUNTER *(Chairman)*
(Appointed as Chairman on 1 April 2024)
TSAI Chao Chung, Charles *(Chief Executive Officer)*
CHAN Loi Shun
CHENG Cho Ying, Francis
Neil Douglas MCGEE

Non-executive Directors

LEUNG Hong Shun, Alexander
LI Tzar Kuoi, Victor

Independent Non-executive Directors

Stephen Edward BRADLEY
IP Yuk-keung, Albert
KOH Poh Wah
KWAN Chi Kin, Anthony
WU Ting Yuk, Anthony

Audit Committee

IP Yuk-keung, Albert *(Chairman)*
KOH Poh Wah
WU Ting Yuk, Anthony

Remuneration Committee

KOH Poh Wah *(Chairman)*
FOK Kin Ning, Canning
(Retired on 1 April 2024)
Andrew John HUNTER
(Appointed on 1 April 2024)
KWAN Chi Kin, Anthony

Nomination Committee

IP Yuk-keung, Albert *(Chairman)*
Stephen Edward BRADLEY
LI Tzar Kuoi, Victor

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

Registered Office

Unit 2005, 20th Floor, Cheung Kong Center,
2 Queen's Road Central, Hong Kong
Telephone: (852) 2122 9122
Facsimile: (852) 2180 9708
Email: mail@powerassets.com

Share Registrar

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

For institutional investors, please contact:
CHAN Loi Shun *(Executive Director)* or
Ivan CHAN *(Chief Financial Officer)*

For other investors, please contact:
Alex NG *(Company Secretary)*

Email: mail@powerassets.com
Telephone: (852) 2122 9122
Facsimile: (852) 2180 9708
Postal Address: G.P.O. Box 338, Hong Kong
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	2 August 2023
Annual Results Announcement	20 March 2024
Closure of Register of Members – Annual General Meeting	17 May 2024 to 22 May 2024 (both days inclusive)
Annual General Meeting	22 May 2024
Ex-dividend Date	27 May 2024
Record Date for Final Dividend	28 May 2024
Dividend per Share	
Interim : HK$0.78	12 September 2023
Final : HK$2.04	11 June 2024

Share Information

Board Lot	500 shares
Market Capitalisation as at 31 December 2023	HK$96,433 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 is available 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 and the HKEXnews website at www.hkexnews.hk. 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 at mail@powerassets.com.

Power Assets Holdings Ltd.
電能實業有限公司

MIX
Paper | Supporting responsible forestry
FSC™ C021898
FSC
www.fsc.org